ZIWO HOLDINGS LTD.



A SPECTRUM *of* POSSIBILITIES

ANNUAL REPORT 2014

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CORPORATE **PROFILE**

Founded in 2003, Ziwo Holdings Ltd. is a leading PRC raw material producer and supplier of import substitution products, namely Styrene Butadiene Rubber ("SBR") and other foamed materials (Comprising foamed SBR, foamed Ethylene Vinyl Acetate ("foamed EVA") and high foamed Polyethylene ("high foamed PE")), 30D terylene filament yarn ("30D TFY") and sandwich mesh fabric ("SMF"), which are used mainly as raw materials in the production of lifestyle consumer products, furniture upholstery and automobile interior lining.



Our products are sold to over 600 customers in Fujian, Guangdong, Shandong and Zhejiang Provinces, as well as Shanghai and Tianjin municipalities, via an established sales and marketing network. In a joint survey by China Market Monitoring Centre and China Market Research Centre, we were named as one of the top sellers of foamed SBR and drawn textured single TFY (30D TFY being a type of drawn textured single TFY) in the PRC since 2007.

Our production plant is strategically located in Quanzhou City, Fujian Province, which is one of the major sports wear, sports accessories, bags and luggage producing regions in the PRC. This close proximity to our customers enables us to lower transportation and storage costs, and provides us with easy access to raw materials. With stringent quality control measures in place at every stage of our production process, our production plant is ISO-9001 quality management system and ISO-14001 environmental management system certified. To ensure the competitiveness of our products, the Group places strong emphasis on continual product research and development. To date, the Group has submitted 18 patent applications to the relevant authorities and 16 have been successfully registered with the State Intellectual Property Office of the PRC.

CHAIRMAN'S **MESSAGE**



Ting Chun Yuen
Executive Chairman and CEO

> "We recorded net profit amounting to RMB 6.1 million in FY2014 as compared to RMB 4.6 million in FY2013."

Dear Valued Shareholders,

It is with great pleasure that I present to you our Annual Report for the financial year ended 31 December 2014 ("FY2014").

FY2014 proved to be a challenging year for Ziwo, reflecting the significant decline in China's GDP growth and its resulting impact on the domestic market. With an annual expansion of 7.4% over 2014, the lowest since 1990, this general deceleration is expected to persist for some time to come due to a government–engineered slowdown aiming to rein in robust credit growth and rampant inflation.

YEAR IN REVIEW

With the economy adjusting to the effects of China's slowdown, our revenue decreased by RMB10.8 million or 5.5% from RMB197.1 million in the previous corresponding year ended 31 December 2013 ("FY2013") to RMB186.3 million for FY2014.

The performance of our key business segments have slowed down in line with the general economic condition in FY2014. Our 30D Terylene Filament Yarn ("TFY") segment saw the biggest revenue fall of 14.3%, from RMB 57.2 million in FY2013 to RMB 49.0 million in FY2014. The sandwich mesh fabric segment witnessed a 7.8% decrease in revenue from RMB 26.8 million in FY2013 to RMB 24.7 million in FY2014. Revenue for our largest segment, Styrene Butadiene Rubber ("SBR") and other foamed materials, was relatively steady year-on-year, with just a 1.9% decrease from RMB 112.2 million to RMB 110.1 million. The Trading and Others segment saw a 177.8% increase from RMB 0.9 million in the previous year to RMB 2.5 million for the year in review.

Despite this decrease in Group revenue over the year, we produced an 8.2% reduction in the cost of sales to RMB 152.8 million, resulting in our overall gross profit increasing by RMB 2.8 million or 9.1% from RMB 30.7 million in FY2013 to RMB 33.5 million in FY2014. In spite of the competitive business environment, our overall gross profit margin has also improved by 2.4 percentage points, from FY2013's 15.6% to 18.0% in FY2014.

To successfully navigate cloudy business conditions, we have to be adaptable. Mindful of the prolonged uncertainties in the external environment, one of the Group's key focuses in FY2014 was to streamline our business operations and production lines in order to maximise capacity and achieve greater productivity. With the completion of our new production plant in 2013, we embarked on a series of

internal restructuring strategies in 2014, enhancing existing production lines as well as integrating the operations of our two production facilities. Some of the operations for SBR and other foamed materials have been shifted to the new premise while the production operations for 30D TFY and sandwich mesh fabric is being progressively refined to achieve greater efficiency. New equipment has also been acquired for the SBR line, deploying new technology to drive productivity and maximise capacity.

These productivity improvement initiatives have been bearing fruit as cost of sales in 2014 was reduced through cut back in labour costs and other manufacturing overheads. At the same time, reduction in raw material costs has also boosted the Group's ability to contain overall cost.

In sum, we recorded net profit amounting to RMB 6.1 million in FY2014 as compared to RMB 4.6 million in FY2013. On a per share basis, we booked earnings per share of 1.81 RMB cents in FY2014 compared with 1.55 RMB cents in FY2013. Net asset value per ordinary share as at 31 December FY14 stood at 145.09 RMB cents compared with 160.80 RMB cents for the year before.

ROUTES TO DIVERSIFICATION

Amidst the uncertainty in the global market and intensifying competition, the Group has been actively looking at diversification into new businesses as well as collaborative opportunities for development. One key project that we considered over the year was the proposed acquisition of a 25% stake in the capital of Xisheng (Quanzhou) Investment Co. Ltd. Although we were unable to formalise the agreement following a series of discussions and negotiations, we viewed this as a step forward in exposing us to the burgeoning industrial reconstruction industry and we have gathered invaluable insights and network from this experience.

MARKET OUTLOOK AND STRATEGY

Looking ahead, we anticipate a challenging market environment going into 2015, although the demand for some of our products has remained healthy in FY2014. Nonetheless, gross profit margins are expected to come under pressure with intensified competition. Against this backdrop, we will focus on seeking viable ventures and investment opportunities which we believe will augment the Group's revenue and enhance shareholder value over the longer term. At the same time, we aim to increase operational efficiency and maximise our resources in order to reduce the impact of margin constriction.

A WORD OF GRATITUDE

On behalf of the Board, I would like to take this opportunity to express our profound appreciation to our fellow directors, management and staff, as well as customers and business associates, for their advice, support and efforts. I would also like to thank all shareholders for your trust and support in us.

We look forward to your continued support and confidence as we seek to grow your company.

Thank you.

Ting Chun Yuen
Executive Chairman and CEO

董事长致辞

> “我们在2014财年录得纯利润人民币610万元，而在2013财年则为人民币460万元。”

尊敬的各位股东：

很荣幸在此向您呈列2014年12月31日结束的财政年度（“2014财年”）的年度报告。

2014财年对至和来说充满挑战，反映中国的国内生产总值增幅显著下滑，和其对当地市场造成的影响。2014年的年度扩张幅度为7.4%，是自1990年以来的最低水平。整体减速预期会持续一段时间，原因是由政府通过计划的经济放缓，目标为控制信贷高增长和高居不下的通胀。

年度回顾

受到经济调整而导致中国市场放缓，我们的收入减少人民币1,080万元（或5.5%），由2013年12月31日结束的上一个年度（“2013财年”）的人民币1.971亿元减少至2014财年的人民币1.863亿元。

在2014财年，我们主要业务分部的表现放缓，与总体经济情况一致。我们的30D涤纶单丝（“TFY”）分部收入出现14.3%的最大跌幅，由2013财年的人民币5,720万元跌至2014财年的人民币4,900万元。三层网布眼织物分部的收入下跌7.8%，由2013财年的人民币2,680万元跌至2014财年的人民币2,470万元。我们的最大分部丁苯橡胶（“SBR”）和其他发泡材料的收入同比相对稳定，自人民币1.122亿元减少至人民币1.101亿元，减幅只有1.9%。贸易和其他分部增加177.8%，由去年的人民币90万元增加至回顾年度的人民币250万元。

尽管本集团的收入于年内减少，但我们的销售成本减少8.2%至人民币1.528亿元，令我们的总体毛利润增加人民币280万元（或9.1%），由2013财年的人民币3,070万元增加至2014财年的人民币3,350万元。尽管营商环境竞争激烈，但我们的总体毛利润率也由2013财年的15.6%增加2.4个百分点至2014财年的18.0%。

要在阴霾不定的营商环境下继续向前，我们需要具备高度的适应能力。考虑到外围环境持续不明朗，本集团在2014财年的其中一项主要着力点是精简我们的业务营运和生产线，以优化产能和实现更高的生产力。由于新生产工厂在2013年竣工，我们在2014年开始实行一系列内部重组策略，在增强现有生产线的同时整合两个生产设施的营运。我们已经将部分SBR和其他发泡材料的营运迁至新厂房内，并对30D涤纶单丝和三层网布眼织物的生产营运逐步进行改良，以实现更高的效率。我们也已为SBR生产线购入新设备，配置新技术以推动生产力和产能最大化。

这些改善生产力的措施已取得成效，通过削减劳工成本和其他制造间接成本，2014年的销售成本已经减少。同时，减少原材料成本也提高了本集团抑制总体成本的能力。

总括来说，按每股股份计算，我们在2014财年录得每股利润人民币1,81分，而在2013财年则为人民币1.55分。每股普通股的资产净值在2014财年的12月31日为人民币145.09分，而上一年则是人民币160.80分。

迈向多元化

面对全球市场不明朗，加上竞争不断加剧，本集团已经积极研究多元化开发新业务和合作机遇以实现发展。我们在年内考虑的一个主要项目是建议收购熙晟(泉州)投资有限公司的25%份额资本。尽管我们在一连串讨论和磋商后尚未能够订立正式协议，但我们认为这次已经令我们向前踏出一步，令我们有机会参与发展迅速的工业重整行业，而我们从这次经验中获得宝贵的了解和网络。

市场展望和策略

展望未来，尽管我们部分产品在2014财年的需求维持稳健，但我们预期在2015年的市场环境仍将充满挑战。由于竞争更加激烈，毛利润率预期将会受压。在这种情况下，我们将专注于寻求具备前景的项目和投资机遇，我们相信此举长远来说将提高本集团的收入并提高股东价值。同时，我们以增加营运效率和将我们的资源最大化，减少利润收缩带来的影响。

鸣谢

我谨代表董事会，藉此机会对董事、管理层和员工以及客户和业务伙伴的建议、支持和努力表达由衷的感谢。我同时感谢所有股东对我们的信任和支持。

在我们寻求发展公司的道路上，期待您继续的支持和信任。

感谢。

丁振远
执行主席兼首席执行官

GROUP **STRUCTURE**



CORPORATE **INFORMATION**

BOARD OF DIRECTORS
Mr Ting Chun Yuen
(Executive Chairman and Chief Executive Officer)
Mr Zhuang Qingquan
(Executive Director)
Mr Soh Beng Keng
(Lead Independent Director)
Mr Lim Heng Chong Benny
(Independent Director)
Mr Ngan See Juan
(Independent Director)

AUDIT COMMITTEE
Mr Soh Beng Keng *(Chairman)*
Mr Lim Heng Chong Benny
Mr Ngan See Juan

NOMINATING COMMITTEE
Mr Lim Heng Chong Benny *(Chairman)*
Mr Soh Beng Keng
Mr Ting Chun Yuen
Mr Ngan See Juan

REMUNERATION COMMITTEE
Mr Ngan See Juan *(Chairman)*
Mr Soh Beng Keng
Mr Lim Heng Chong Benny

COMPANY SECRETARY
Ms Shirley Tan Sey Liy (ACIS)

REGISTERED OFFICE
Six Battery Road #10-01
Singapore 049909

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

PRINCIPAL PLACE OF BUSINESS
Western Section, Qingmeng Zone
Economy and Technology Development Zone
Quanzhou City
Fujian Province
The PRC

AUDITORS
RT LLP
Public Accountants and Chartered Accountants
1 Raffles Place
#17-02 One Raffles Place
Singapore 048616

Partner-in-charge: Su Chun Keat
Appointed on 6 February 2015

PRINCIPAL BANKERS
Quanzhou City Commercial Bank, Jinjiang Branch
Heping Middle Road
Jinjiang City
Fujian Province
The PRC

Industrial Bank Co., Ltd, Quanzhou, Xinmen Branch
No. 157, Xinmen Road
Licheng District
Quanzhou City
Fujian Province
The PRC



INCOME STATEMENT

RMB'000	**2014 RMB'000**	2013 RMB'000	**Change %**
Revenue	**186,284**	197,080	**(5.5)**
Cost of sales	**(152,766)**	(166,419)	**(8.2)**
Gross Profit	**33,518**	30,661	**9.3**
Other income	**1,329**	2,008	**(33.8)**
Selling and distribution expenses	**(10,536)**	(12,062)	**(12.7)**
Administrative expenses	**(13,134)**	(9,902)	**32.6**
Other operating expenses	**(513)**	(2,817)	**(81.8)**
Profit before taxation	**10,664**	7,888	**35.2**
Income tax expense	**(4,531)**	(3,257)	**39.1**
Net profit for the year	**6,133**	4,631	**32.4**
Other comprehensive income	**-**	-	**-**
Total comprehensive income attributable to the equity holders of the Company	**6,133**	4,631	**32.4**

REVENUE

For the year ended 31 December 2014 ("FY2014"), the Group revenue decreased by RMB 10.8 million or 5.5% from RMB 197.1 million in the previous corresponding year ended 31 December 2013 ("FY2013") to RMB 186.3 million for FY2014.

The overall decrease in revenue can be attributed to slower growth in the PRC as well as intense market competition among current market players.

Breakdown of Revenue by Products

(RMB milion)	**FY2014**	FY2013	**Change %**
High foamed PE	**21.8**	24.1	**(9.5)**
Foamed SBR	**55.5**	60.5	**(8.3)**
Foamed EVA	**32.8**	27.6	**18.8**
SBR and other foamed materials	**110.1**	112.2	**(1.9)**
30D terylene filament yarn	**49.0**	57.2	**(14.3)**
Sandwich mesh fabric	**24.7**	26.8	**(7.8)**
Others	**2.5**	0.9	**177.8**
Total	**186.3**	197.1	**(5.5)**

Sales across all key product segments were generally slower during the year due to increased competition in the industry as well as lower demand due to the slowdown in domestic growth.

PROFITABILITY

Gross Profit Margin by Product Segments

(%)	**FY2014**	FY2013	**Change ppts**
SBR and other foamed materials	**20.8**	22.0	**(1.2)**
30D terylene filament yarn	**12.7**	4.3	**8.4**
Sandwich mesh fabric	**24.0**	17.6	**6.4**
Overall	**18.0**	15.6	**2.4**

In FY2014, the Group's Gross Profit increased by RMB 2.8 million or 9.3% from RMB 30.7 million in FY2013 to RMB 33.5 million in FY2014. Overall Gross Profit Margin ("GPM") has also improved by 2.4 percentage points from 15.6% in FY2013 to 18.0% in FY2014, largely driven by higher margins for 30D terylene filament yarn and Sandwich mesh fabric. GPM for SBR and other foamed materials has declined slightly from 22.0% in FY2013 to 20.8% in FY2014 due to downward pressue on retail price from increased competition within the SBR segment.

OTHER INCOME

Other income comprise mainly income from sale of scrap materials, and interest income from bank deposits. In FY2014, other income decreased by RMB 0.7 million from RMB 2.0 million in FY2013 to RMB 1.3 million in FY2014 due to lower income from sale of scrap materials.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses comprise mainly transportation costs, salaries, entertainment expenses, advertisement expenses, R&D expenses, travelling expenses, sales-related rebates and duties as well as depreciation expenses. During the year, selling and distribution expenses decreased by RMB 1.6 million or 12.7% from RMB 12.1 million in FY2013 to RMB 10.5 million in FY2014 mainly due to the decrease in R&D expenses, salary, sales-related rebates and advertisement expenses. The decrease was partially offset by an increase in transportation costs, depreciation and sales-related duties.

ADMINISTRATIVE EXPENSES

Administrative expenses comprise mainly salaries, staff welfare, union fee, office expenses, customer reparations, insurance, professional fees, travelling expenses, amortization of intangible assets and depreciation expenses. Administrative expenses increased by RMB 3.2 million or 32.6% from FY2013 to FY2014. The increase in administrative expenses was largely due to the full year depreciation charge on the new building, amortization of intangible assets and professional fees. The increase in administrative expenses was partially offset by reduction in salaries.

OTHER OPERATING EXPENSES

Other operating expenses comprise mainly allowance for impairment of trade receivables, allowance for stock obsolescence and customer reparations. In FY2014, other operating expenses decreased by RMB 2.3 million or 81.8% from RMB 2.8 million in FY2013 to RMB 0.5 million in FY2014 due to a one-off customer reparation and higher impairment allowance for trade receivables in FY2013.

INCOME TAX

Annual income tax expenses for FY2014 increased by RMB 1.2mil or 39.1% from RMB 3.3 million in FY2013 to RMB 4.5 million in FY2014 mainly due to the higher tax rate of 25% accorded in 2014 compared to 15% for most of the year 2013. The preferential tax rate was previously accorded to our subsidiary in recognition of its status as a New High-Tech Enterprise.

STATEMENT OF FINANCIAL POSITION – THE GROUP

(RMB'000)	**31/12/2014**	31/12/2013
Non-current	**202,102**	205,396
Current	**336,794**	294,420
Total assets	**538,896**	499,816
Equity and liabilities		
Capital and reserves		
Share capital	**183,268**	149,593
Statutory reserve	**42,794**	41,785
Retained earnings	**294,546**	289,422
Total equity	**520,608**	480,800
Non-Current	**2,291**	2,291
Current	**15,997**	16,725
Total equity and liabilities	**538,896**	499,816

PER SHARE DATA

Based on the weighted average number of share derived from 358,817,184 ordinary shares in issue during FY 2014, the Group recorded earnings per share of 1.81 RMB cents, an improvement from earnings per share of 1.55 RMB cents in FY 2013.

TOTAL ASSETS

Our non-current assets comprise mainly property, plant and equipment ("PPE") and land use rights. Net book value of PPE decreased by approximately RMB 2.7 million from RMB 155.2 million as at 31 December 2013 to RMB 152.5 million as at 31 December 2014 mainly due to the depreciation charge incurred during the period. Land use rights amounted to RMB 49.6 million as at 31 December 2014.

Our current assets comprise mainly inventories, trade and other receivables, other current assets and cash and cash equivalent. Current assets increased by RMB 42.4 million from RMB 294.4 million as at 31 December 2013 to RMB 336.8 million as at 31 December 2014.

TOTAL LIABILITIES

Current liabilities amounted to RMB 16.0 million as at 31 December 2014, a decrease of RMB 0.7 million from RMB 16.7 million as at 31 December 2013. This is attributed to decrease in other payables in FY2014 which is mainly due to repayment of amount owing to a director during the year.

STATEMENT OF CASH FLOW

(RMB'000)	**Financial Year Ended 31 December 2014**	Financial Year Ended 31 December 2013
Net cash generated from operating activities	**12,367**	17,329
Net cash used in investing activities	**(108,426)**	(9,894)
Net cash flows generated from in financing activities	**33,675**	-
Net (decrease)/increase in cash and cash equivalents	**(62,384)**	7,435
Cash and cash equivalents at beginning of year	**195,745**	188,310
Cash and cash equivalents at end of year	**133,361**	195,745

In FY2014, cash generated from operating activities amounted to RMB 12.4 million, which is a decrease of RMB 4.9 million over FY2013. This is mainly due to increase in trade receivables and higher income tax paid.

Net cash flows used in investing activities increased by RMB 98.5 million from RMB 9.9 million in FY2013 to RMB 108.4 million in FY2014 mainly due to the goodwill deposit of RMB 100 million paid in connection with the proposed acquisition of 25% equity stake in the capital of Xisheng (Quanzhou) Investment Co. Ltd. in September 2014 and a slight reduction in the cashflow used in the acquisition of property, plant and equipment.

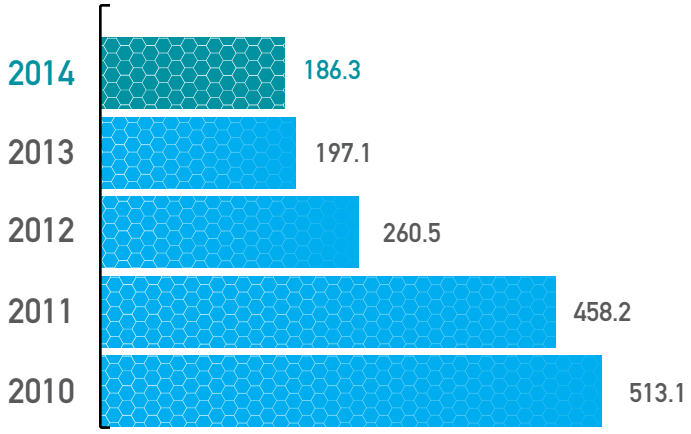
In FY 2014, net cash flows from financing activities amounted to RMB33.7 million with the issuance of 59,802,864 new ordinary shares in April 2014.

As at 31 December 2014, the Group's cash and cash equivalent was reduced by RMB 62.4 million from RMB 195.7 million as at 31 December 2013 to RMB 133.4 million.

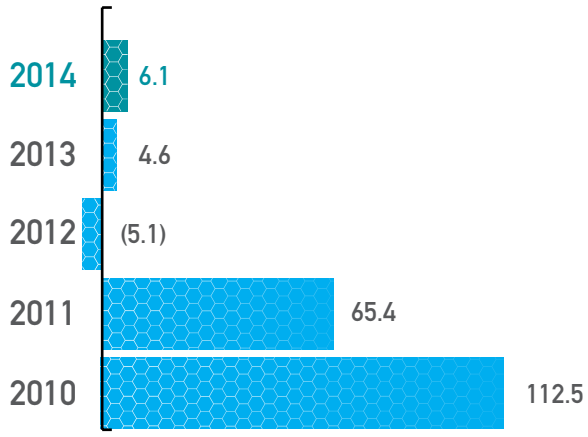


FINANCIAL **HIGHLIGHTS**

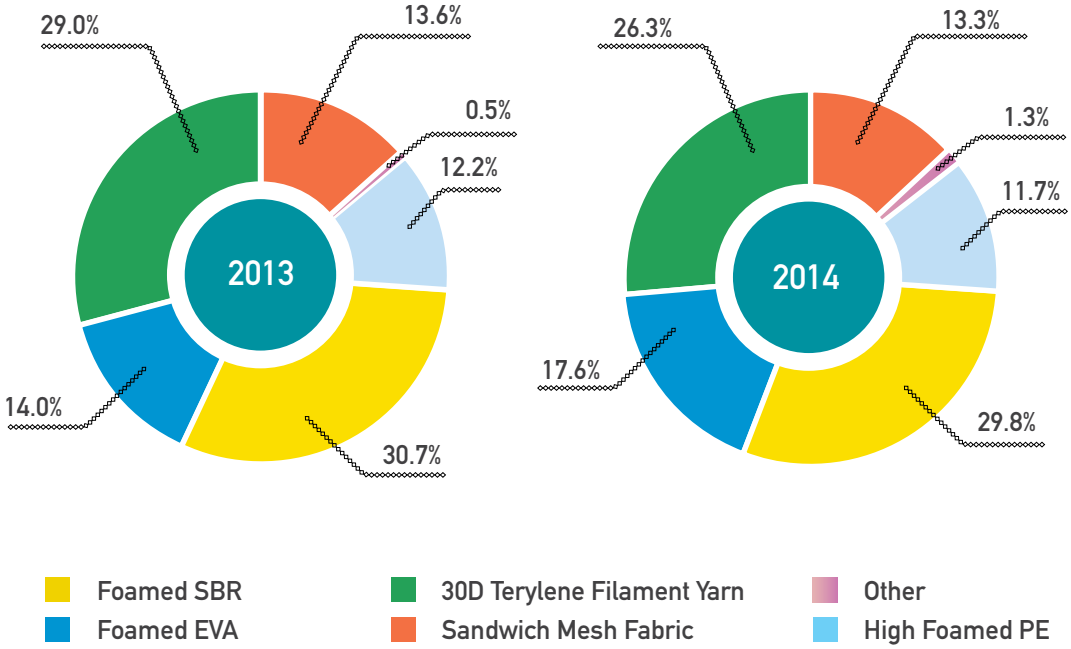
REVENUE (RMB 'm)



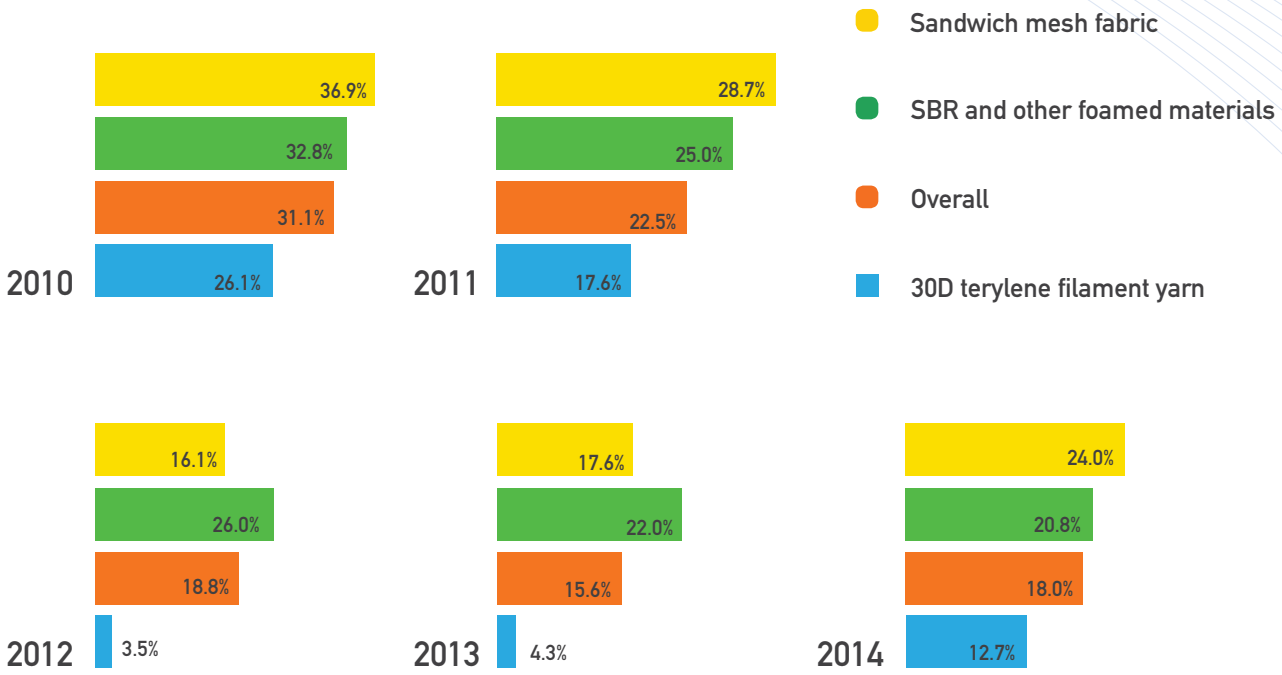
NET PROFIT (RMB 'm)



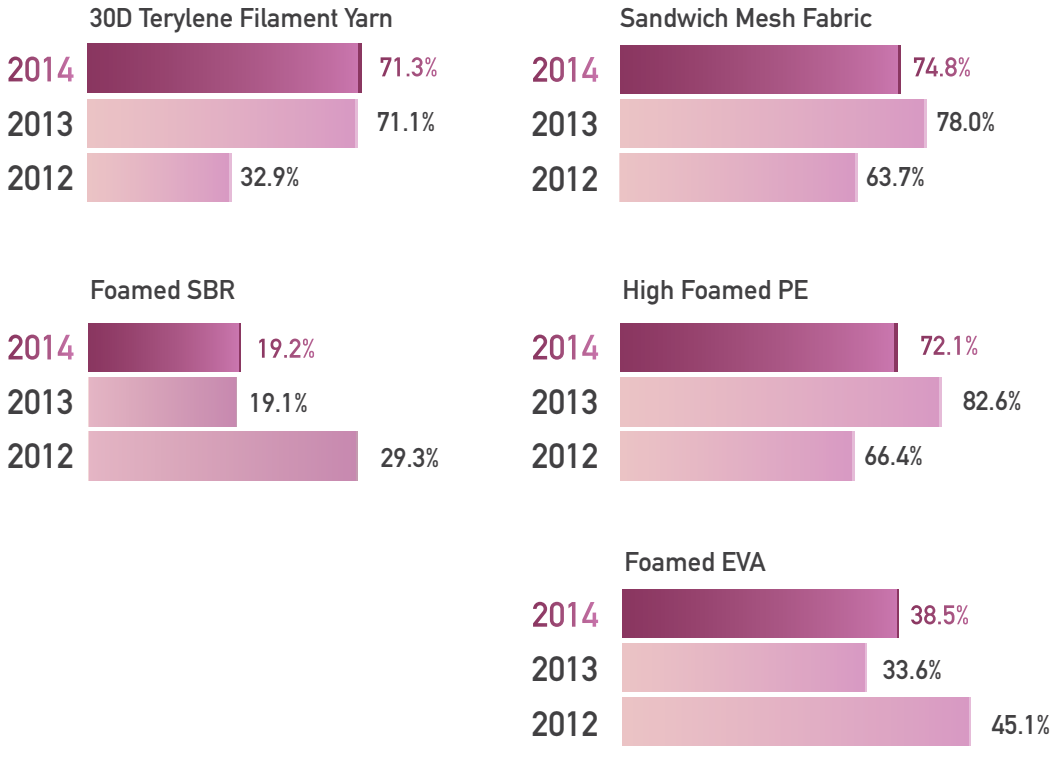
REVENUE BREAKDOWN BY PRODUCT SEGMENTS (Percentage)



GROSS PROFIT MARGINS (Percentage)



UTILISATION RATES (Percentage)



BOARD OF **DIRECTORS**



Mr Ting Chun Yuen

Mr Ting Chun Yuen ("Mr Ting") is our Executive Chairman and Chief Executive Director ("CEO") and was appointed to our Board on 10 January 2008. He is the founder of our Group and has been spearheading the expansion and growth of our Group since the establishment of Zhihe Technology in 2003. Mr Ting has been in the chemical fibre, warp weaving and foamed materials business for more than 15 years. Prior to establishing our Group, Mr Ting was the vice president of Fujian Hongwei Shoe Material Co., Ltd from October 1999 to July 2003. From September 1994 to September 1999, Mr Ting was the director of Strong Progress International Limited, a Hong Kong company engaged in the business of import and export trading of oil and oil related products and chemical products. Mr Ting obtained his high school diploma from Jinjiang City Chendai Mingzu School.



Mr Zhuang Qingquan

Mr Zhuang Qingquan ("Mr Zhuang") is our Executive Director and Head of Sales and Marketing and was appointed to our Board on 25 August 2009. Mr Zhuang joined our Group in January 2006 and is responsible for overseeing our Group's general sales plans, marketing positioning strategies and products promotion activities. Prior to joining our Group, Mr Zhuang was a director in Fujian Jinjiang Junsheng Real Estate Co., Ltd., from June 2002 to January 2006, where he was in charge of strategic planning. From 1999 to 2002, Mr Zhuang was the sales and marketing manager of Ocean Master International Trading Co., Ltd.. He obtained his diploma from Fujian Jinjiang Vocational Technical Secondary School.



Mr Soh Beng Keng

Mr Soh Beng Keng ("Mr Soh") is our Lead Independent Director and was appointed to our Board on 25 August 2009. Mr Soh has more than 30 years of experience in the field of auditing, accounting and financial management in private and listed companies in Singapore. Mr Soh is an independent director of several other listed companies. He is also a full member of the Singapore Institute of Directors and a fellow member of the Institue of Singapore Chartered Accountants. He obtained his Bachelor of Commerce (Accountancy) from the Nanyang University in 1979.



Mr Lim Heng Chong Benny

Mr Lim Heng Chong Benny ("Mr Lim") is our Independent Director and was appointed to our Board on 25 August 2009. Mr Lim is presently a partner at ChrisChong & CT Ho Partnership, where he focuses his practice on fund management and investment advisory matters, financial services regulatory compliance, and the structuring and establishment of Singapore and offshore funds. His other main areas of practice include corporate finance, mergers and acquisitions, cross-border joint ventures and investments, and regulatory compliance for listed companies and registered charities. Mr Lim obtained a Bachelor of Laws and a Master of Laws, both from the National University of Singapore, in 1996 and 2000, respectively. He is currently an Independent Director of two other listed companies in Singapore.



Mr Ngan See Juan

Mr Ngan See Juan ("Mr Ngan") is our Independent Director and appointed to our Board on 31 March 2015. Mr Ngan has more than 13 years of auditing experience in professional international accounting firms, and more than 2 years of initial public offering commercial experience in assisting companies to their initial public offering. From 2010 to 2011, Mr Ngan worked as the Chief Financial Officer in several international companies. He has more than 10 years of audit experience with professional accounting firms such as Foo Kon Tan Grant Thornton, KPMG and PricewaterhouseCoopers in Singapore. He is currently the Managing Audit Partner of One Assurance LLP. He is currently a member of the Institute of Singapore Chartered Accountants (ISCA), and a fellow member of Association of Chartered Certified Accountants (ACCA).

SENIOR **MANAGEMENT**

Vincent Lim

Chief Financial Officer

Mr Vincent Lim ("Mr Lim") joined our Group in December 2013 and currently oversees the accounting and financial reporting, internal controls function and attend to matters relating to compliance and regulatory requirements of the Group. He has more than 10 years of experience in the field of accounting, auditing and financial services. Prior to joining our Group, Mr Lim was a Director with a corporate finance advisory firm. He has also held various positions at accounting firms PricewaterhouseCoopers and subsequently Grant Thornton with his last held position being Senior Manager. Mr Lim is a member of the Association of Chartered Certified Accountants (ACCA) of the United Kingdom and a Chartered Accountant of Singapore, member of the Institute of Singapore Chartered Accountants (ISCA).

Sheng Chunping

Production Manager

Mr Sheng Chunping ("Mr Sheng") joined our Group in December 2004 and is in charge of our Group's overall production activities and quality control procedures during production. Prior to joining our Group, between November 2003 and November 2004, Mr Sheng was appointed as a member of the liquidation team of Dahong Heqian Factory. Mr Sheng was the general manger of Dafeng Terylene Factory of the Jiangsu Yancheng Fiber Group from October 1999 to October 2003. From December 1998 to October 1999, he was head of the production technical department of Zhejiang Xiaoshan Hensheng Synthetic Fiber Factory. Mr Sheng graduated from Suzhou Institute of Silk Textile Technology with a Bachelor's Degree in chemical fibre engineering in May 1993.

Lei Mingbo

Administration Manager

Mr Lei Mingbo ("Mr Lei") joined our Group in March 2009 and is in charge of administrative matters within our Group. Prior to joining our Group, Mr Lei was the manager in charge of the administration and human resources management of Zhangzhou Yanfeng Finishing Aquatic Product Co., Ltd. from April 2007 to February 2009. From November 2004 to March 2007, he also worked in our Group and was responsible from administration and human resources management related work. From June 2003 to October 2004, he was deputy general manager in charge of administration of Guizhou Jingxiang Industry Co.. From September 1991 to May 2003, he was the head of corporate regulations department of Guiding Cigarette Factory. Mr Lei graduated from Guizhou Mingzu Institute in January 1991 with a Bachelor's Degree in Physics.

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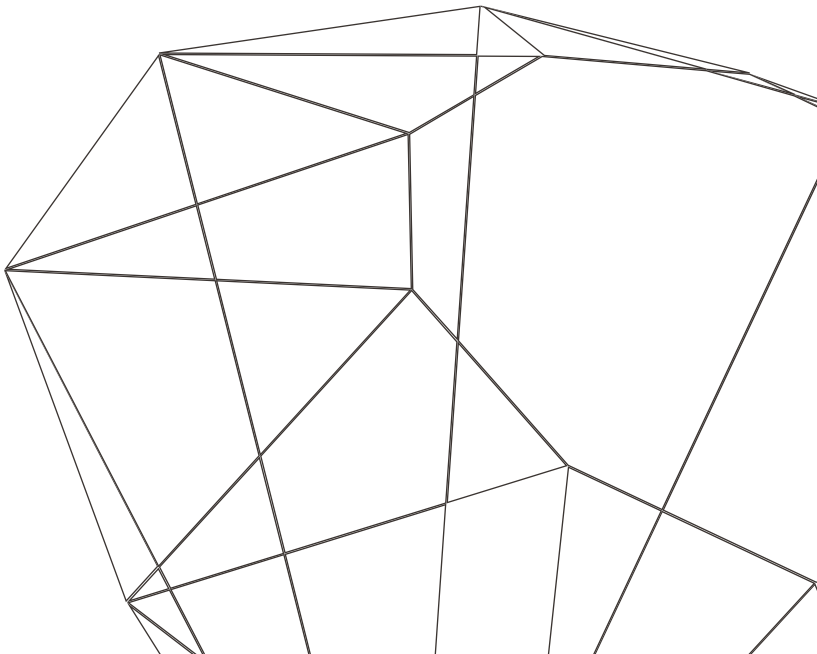
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CORPORATE GOVERNANCE **REPORT**

Ziwo Holdings Ltd. (the "Company") and its subsidiaries (collectively the "Group") are committed to maintaining a high standard of measures, practices and transparency in the disclosure of material information in line with those set out in the Code of Corporate Governance 2012 (the "Code").

The Company has established various self-regulating and monitoring mechanisms for effective corporate governance in discharging its responsibilities to protect and enhance shareholder value and financial performance of the Group.

This report describes the Company's corporate governance processes and structures that were in place for the financial year ended 31 December 2014 ("FY2014"), with specific reference made to the principles and guidelines of the Code which forms part of the Continuing Obligations of the Singapore Exchange Securities Trading Limited's (the "SGX-ST") Listing Manual.

The Board of Directors (the "Board") is pleased to report on the Company efforts to adhere to the principles and guidelines as set out in the Code for FY2014.

(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.

The Board's primary role is to protect and enhance long-term shareholders' value. Its responsibilities are distinct from Management responsibilities. Apart from its fiduciary duties, the Board provides strategic guidance for the Group and supervises executive Management. The Board also establishes policies on matters such as financial control, financial performance and risk management procedures and establishes goals for Management and monitors the achievement of these goals, thereby taking responsibility for the overall corporate governance of the Group.

All Directors objectively discharge their duties and responsibilities at all times as fiduciaries and take decisions in the interests of the Company.

To assist in the execution of its responsibilities, the Board is supported by several Board Committees namely, the Audit Committee ("AC"), the Nominating Committee ("NC") the Remuneration Committee ("RC") and Board Risk Committee ("BRC") (collectively "Board Committees"). These Board Committees function within clearly defined terms of reference, which will be reviewed on a regular basis to ensure their continued relevance.

During the financial year 2014, the Board has met four times to review and evaluate the Company's operations and performance, and address key policy matters. Ad-hoc meetings will be convened when circumstances so require. The schedule of all the Board and Board Committees meetings for the calendar year is usually given to all the Directors well in advance. Ad-hoc meetings are convened at such other times as may be necessary to address any specific significant matters that may arise. Important matters concerning the Group are also put to the Board for its decision by way of written resolutions. The frequency of meetings and attendance of each Director at every Board and Board Committees meeting are disclosed in this Report. The Articles of Association of the Company allow for participation in Board meetings via audio or video conferencing.

The attendance of the Directors at Board meetings and Board Committees meetings held during FY2014 are as follows:

	Board		Audit Committee		Nominating Committee		Remuneration Committee	
Name of Director	**No. of meetings Held**	**No. of meetings Attended**	**No. of meetings Held**	**No. of meetings Attended**	**No. of meetings Held**	**No. of meetings Attended**	**No. of meetings Held**	**No. of meetings Attended**
Ting Chun Yuen	4	4	4	4[1]	4	4	4	4[1]
Zhuang Qingquan	4	4	4	4[1]	4	4[1]	4	4[1]
Soh Beng Keng	4	4	4	4	4	4	4	4
Lim Heng Chong Benny	4	4	4	4	4	4	4	4
Wong Chee Meng Lawrence[2]	4	4	4	4	4	4	4	4
Ngan See Juan[3]	–	–	–	–	–	–	–	–

(1) By invitation

(2) Mr Wong Chee Meng Lawrence resigned as Independent Director on 31 December 2014.

(3) Mr Ngan See Juan appointed as Independent Director on 31 March 2015.

The Board had adopted a set of internal guidelines setting forth matters that require Board's approval. Matters which are specifically reserved to the full Board for decision are those involving a conflict of interest of a substantial shareholder or a Director, material acquisitions, disposal of assets, operating budgets and capital expenditure, corporate or financial restructuring, share issuances, declaration of dividends and other returns to shareholders and matters which require Board approval as specified under the Company's interested person transaction policy.

The Directors are also updated regularly with changes to the SGX-ST Listing Rules, risk management, corporate governance, insider trading and the key changes in the relevant regulatory requirements and financial reporting standards and the relevant laws and regulations to facilitate effective discharge of their fiduciary duties as Board or Board Committees members.

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

The Company has an orientation programme for all new Directors, and also for Directors to attend any appropriate training programme in order to discharge their duties as Directors. Directors also have the opportunity to visit the Group's operational facilities in the People's Republic of China and meet with the Management to gain a better understanding of the Group's business operations.

The Directors are encouraged to attend seminars and receive training to improve themselves in the discharge of Directors' duties and responsibilities. Changes to regulations and accounting standards are monitored closely by the Management. To keep pace with such regulatory changes, the Company provides opportunities for ongoing education and training on Board processes and best practices as well as updates on changes in legislation and financial reporting standards, regulations and guidelines from the SGX-ST Listing Rules that affect the Company and/or the Directors in discharging their duties.

Newly appointed Directors will be briefed by the Management on the business activities of the Group, governance policies, policies on disclosure of interests in securities, the rules relating to disclosure of any conflict of interest in a transaction involving the Company, prohibitions in dealing in the Company's securities and restrictions on disclosure of price sensitive information. In addition, the Management regularly updates and familiarises the Directors on the business activities of the Company during the Board meetings.

A formal letter of appointment would be furnished to every newly-appointed Director upon their appointment explaining, among other matters, their roles, obligations, duties and responsibilities as member of the Board.

Board Composition and Guidance

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

Presently, the Board comprises two (2) Executive Directors and three (3) Independent Directors:-

Name of Director	Board	Audit Committee	Nominating Committee	Remuneration Committee
Mr Ting Chun Yuen	Executive Chairman and Chief Executive Officer ("CEO")	–	Member	–
Mr Zhuang Qingquan	Executive Director	–	–	–
Mr Soh Beng Keng	Lead Independent Director	Chairman	Member	Member
Mr Lim Heng Chong Benny	Independent Director	Member	Chairman	Member
Ngan See Juan[1]	Independent Director	Member	Member	Chairman

(1) Mr Ngan See Juan appointed as Independent Director on 31 March 2015.

There is presently a strong and independent element on the Board as half of the Board comprises Independent Directors and the independence of each Director are reviewed by the NC. The criteria for independence are determined based on the definition as provided in the Code and the independence of each Director is reviewed annually by the NC. The Board considers an Independent Director as one who has no relationship with the Company, its related companies or its Officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent judgement of the Group's affairs. The NC has reviewed the independence of each Independent Director and is of the view that these Directors are independent.

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

Board Size

The Board considers that the present Board size and number of Board Committees facilitate effective decision-making and are appropriate for the nature and scope of the Company's operations. The Board will constantly examine its size with a view to determining its impact upon its effectiveness.

Board Experience

The Directors appointed are qualified professionals who, as a group, possess a diverse range of expertise to provide core competencies such as accounting or finance, legal, business or management experience, industry knowledge and strategic planning experience.

The Independent Directors exercise no Management functions in the Group. The role of the Independent Directors is particularly important in ensuring that the strategies proposed by the Management are fully discussed and rigorously examined and reviewing the performance of the Management in meeting agreed goals and objectives and monitor the reporting of performance.

The Company co-ordinates informal meeting sessions for Independent Directors to meet on need basis without the presence of the Management to discuss matters such as the Group's financial performance, corporate governance initiatives, Board processes, succession planning as well as leadership development and the remuneration of the Executive Directors.

Profiles of the Board are set out in pages 14 to 15 "Board of Directors" section of this Annual Report.

Chairman and CEO

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the Company's business. No one individual should represent a considerable concentration of power.

Mr Ting Chun Yuen, the Executive Chairman and CEO, is also the controlling shareholder of the Company, takes an active role in the Management of the Group.

The responsibilities of the Chairman include:

(1) Scheduling of meetings to enable the Board to perform its duties responsibly while not interfering with the flow of the Group's operations;

(2) Ensuring that Directors receive accurate, timely and clear information, and ensuring effective communication with shareholders;

(3) Ensuring the Group's compliance with the Code; and

(4) Acting in the best interest of the Group and of the shareholders.

The Company Secretary may be called to assist the Chairman in any of the above. As CEO, Mr Ting Chun Yuen is responsible for the overall management, strategic direction, and the day-to-day operations of the Group and ensuring that the Group's organisational objectives are achieved.

Although Mr Ting Chun Yuen carried out the roles and responsibilities of the Chairman and CEO, major decisions are made in consultation with the Board, where half of the Board comprises Independent Directors. The Board is of the opinion that the process of decision making by the Board has been independent and has been based on collective decisions without any individual or small group of individuals dominating the Board's decision making.

Lead Independent Director

The Company is in compliance with the Guideline 3.3 of the Code where Mr Soh Beng Keng, Chairman of the AC, is the Lead Independent Director of the Company. Where a situation arises that may involve conflict of interests between the roles of Executive Chairman and CEO of the Company, it is the Lead Independent Director's responsibility, together with the other Independent Directors, to ensure that shareholders' rights are protected.

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

Board Membership

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

The Board, through the delegation of its authority to the NC, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in business, finance and management skill to enable the Board to make effective decision makings.

The NC comprises three (3) Independent Directors and one (1) Executive Director as follows:

Nominating Committee

Mr Lim Heng Chong Benny	(Chairman)
Mr Soh Beng Keng	(Lead Independent Director)
Mr Ting Chun Yuen	
Mr Ngan See Juan[1]	

(1) Mr Ngan See Juan appointed as Independent Director on 31 March 2015.

Based on the written terms of reference approved by the Board, the principal functions of the NC are to:

- Review the structure, size and composition of the Board and make recommendations to the Board with regard to any adjustments that are deemed necessary;
- Identify and nominate for the approval of the Board, candidates to fill board vacancies as and when they arise.
- Determine annually the independence of a Director;
- Review the ability of a Director to adequate carry out his duties as Director when he has multiple Board representations;
- Recommend to the Board the re-election and re-appointment by shareholders of any Director under the 'retirement by rotation' provisions in the Company's Articles of Association and the "retirement by age" provisions in the Companies Act respectively; and
- Assess the effectiveness of the Board as a whole.

Process for Selection, Appointment and Re-appointment of Directors

In selecting and appointing Directors (including new Directors), the NC will, at least once every year, review and thereafter, make recommendations to the Board regarding the Board structure, size, composition and core competencies. The NC will review and make recommendations to the Board on all candidates nominated for appointment to the Board, after taking into account the candidate's track record, age, experience, capabilities and other relevant factors.

The NC, in considering the re-appointment of any Director, had considered but not limited to attendance record at meetings of the Board and Board committees, intensity of participation at meetings, and the quality of contributions to the development of strategy, the degree of preparedness, industry and business knowledge and experience each Director possess which are crucial to the Group's business.

In accordance with the Articles of Association of the Company, each Director shall retire by rotation and all Directors appointed by the Board will have to retire at the next Annual General Meeting ("AGM") following their appointments (such Director shall then be eligible for re-election at that AGM).

The NC has recommended to the Board that Mr Lim Heng Chong Benny and Mr Ngan See Juan be nominated for re-election ("Retiring Directors") at the forthcoming AGM. The Board had accepted the NC's recommendation and the Retiring Directors will be offering themselves for re-election.

Mr Lim Heng Chong Benny and Mr Ngan See Juan, being the Chairman and member of NC respectively who are retiring at the AGM abstained from voting on resolution in respect to their re-nomination as Directors.

In reviewing the nomination of the retiring Director, the NC considered the performance and contribution of the retiring Director, having made regard not only to his attendance and participation at Board and Board Committees meetings but also the time and efforts devoted to the Group's business and affairs.

There is no alternate director being appointed to the Board.

Directors' Independence Review

The NC conducted an annual review of Directors' independence and based on the definition of independence set out in the Code, the NC is of the view that Mr Soh Beng Keng, Mr Lim Heng Chong Benny and Mr Ngan See Juan are considered independent.

Directors' Time Commitment and Multiple Directorships

Despite some of the Directors having other Board representations, the NC is satisfied that these Directors are able to and have adequately carried out their duties as Directors of the Company. Currently, the Board has not determined the maximum number of listed Board representations which any Director may hold. The NC and the Board will review the requirement to determine the maximum number of listed Board representations as and when it deemed fits.

The key information regarding Directors such as academic and professional qualifications, Board Committees served, directorships or chairmanships both present and past held over the preceding three years in other listed companies and other major appointments, whether the appointment is executive or non-executive are set out in page 36 of the Annual Report.

Board Performance

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

While the Code recommends that the NC be responsible for assessing the Board as a whole and also assessing the individual evaluation of each Directors' contribution, NC is of the view that it is more appropriate and effective to assess the Board as a whole, bearing in mind that each member of the Board contributes in different ways to the success of the Company and Board decisions are made collectively.

The Board and Board Committees have implemented a process for assessing the effectiveness of the Board as a whole and each Board Committee respectively. Each Director was required to complete the board evaluation forms adopted by the NC and the Board Committees' evaluation forms adopted by the AC, NC and RC, which will be collated by the Chairman for review or discussion. The NC focuses on a set of performance criteria which includes the evaluation of the size and composition of the Board and its Board Committees, the access to information, processes and accountability, performance in relation to discharging its principal responsibilities and the Directors' standards of conduct in assessing the Board's performance as a whole. Following the review, the Board is of the view that the Board and its Board Committees operate effectively and each Director is contributing to the overall effectiveness of the Board.

The Board has taken the view that the financial indicators, may not be appropriate as these are more of a measurement of Management's performance and therefore less applicable to Directors.

Although the Directors are not evaluated individually, the factors taken into consideration with regards to the re-nomination of Directors for FY2014 are based on their attendance and contributions made at the Board and Board Committees meetings.

Access to Information

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

The Board has separate and independent access to the Senior Management and the Company Secretary at all times. Requests for information from Board are dealt with promptly by the Management. The Board is informed of all material events and transactions as and when they occur. The Management provides the Board with quarterly reports of the Group's performance. The Management also consults with Board members regularly whenever necessary and appropriate. The Board is issued with Board papers which include financial, business and corporate matters of the Group timely and prior to Board meetings to enable the Directors to oversee the Group's operational and financial performance. The Directors are also informed of any significant developments or events relating to the Group.

Company Secretary

The Company Secretary or her representative administers all Board and Board Committees meetings and prepares minutes of Board and Board Committees meetings, and assists the Chairman in ensuring that Board procedures are followed and reviewed in accordance with the Company's Articles of Association so that the Board functions effectively and the relevant rules and regulations applicable to the Company are complied with. The Company Secretary or her representatives' role is to advise the Board on all governance matters, ensuring that legal and regulatory requirements as well as board policies and procedures are complied with. The appointment and removal of the Company Secretary is subject to the approval of the Board.

Independent Professional Advice

The Directors either individually or as a group may seek independent professional advice in furtherance of their duties. The costs of such service will be borne by the Company.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.

The RC comprises three (3) Independent Directors as follows:

Remuneration Committee

Mr Ngan See Juan[1]	(Chairman)
Mr Soh Beng Keng	(Lead Independent Director)
Mr Lim Heng Chong Benny	

(1) Mr Ngan See Juan appointed as Independent Director on 31 March 2015.

The members of the RC carried out their duties in accordance with the terms of reference which include recommending to the Board, a framework of remuneration for each Director.

The RC is regulated by its terms of reference and its key functions include:

- Reviewing and recommending to the Board a framework of remuneration and specific remuneration packages for all Directors of the company;
- Reviewing the service contracts of the Executive Directors;
- Reviewing and enhancing the compensation structure with incentive performance base for key executives; and
- Overseeing the general compensation of employees of the Group with a goal to recruit, motivate and retain employees and Directors through competitive compensation and progressive policies.

The RC recommends to the Board a framework for the remuneration for the Board and key executives and to determine specific remuneration packages for each Executive Director and key executive. The RC's recommendation are made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board. No Director is involved in deciding his own remuneration.

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

The RC has access to seek external or other independent professional advice externally or within the Company with regard to remuneration matters where deem necessary. The expense of such services shall be borne by the Company.

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

Level and Mix of Remuneration

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

The remuneration policy of the Company is to provide compensation packages at market rates, which reward successful performance and attract, retain and motivate Directors and Senior Management.

The Executive Directors' and key Senior Management remuneration packages are based on service agreements and their remuneration is determined by having regard to the performance of the individuals, the Group and industry benchmarks. The remuneration package for the Executive Directors and key Senior Management staff are made up of both fixed and variable components. The variable component is determined based on the performance of the individual employee as well as the Group's performance. The service agreements of the Executive Directors have been renewed for a further period of 3 years with effect from 26 September 2012 and can be terminated by either party giving not less than six months' notice in writing. The Executive Directors do not receive Directors' fees.

The Company has adopted The Ziwo Share Award Scheme (the "Award") to reward, retain and motivate employees to achieve superior performance which creates and enhances economic value for the shareholders. The employees, Executive Directors and Non-Executive Directors (including Independent Directors) as well as those who are also controlling shareholders or associates of a controlling shareholder of the Group are eligible to participate in the Award in accordance with the Rules of the Award.

Independent Directors are paid Directors' fees of an agreed amount based on their contributions, taking into account factors such as effort and time spent, and the respective responsibilities of the Directors. Directors' fees are recommended by the Board for approval at the Company's AGM.

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

Disclosure on Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration 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.

Breakdown of each individual Director's remuneration, in percentage terms showing the level and mix for FY2014, are as follows:

Name of Directors	Salary	Bonus	Directors' fees	Total
	%	%	%	%
Below S$250,000				
Mr Ting Chun Yuen	100	–	–	100
Mr Zhuang Qingquan	100	–	–	100
Mr Soh Beng Keng	–	–	100	100
Mr Lim Heng Chong Benny	–	–	100	100
Mr Wong Chee Meng Lawrence[1]	–	–	100	100

Note:

(1) Resigned as Independent Director on 31 December 2014.

For FY2014, the Company only identified 3 key management personnel. Details of remuneration paid to top 3 key management personnel of the Group (who are not Directors or CEO) for FY2014 are set out below:

Name of Key Management Personnel	Salary	Bonus	Total
	%	%	%
Below S$250,000			
Mr Vincent Lim	100	–	100
Mr Sheng Chunping	94	6	100
Mr Lei Mingbo	92	8	100

For FY2014, the aggregate total remuneration paid to the key management personnel (who are not Directors or the CEO) amounted to approximately RMB693,000.

There were no termination, retirement or post-employment benefits granted to Directors and key management personnel other than the standard contractual notice period termination payment in lieu of service for FY2014.

Immediate Family Members of Directors

The employees who are immediate family members of Directors are as follows, and whose remuneration does not exceeds S$50,000 during FY2014:

1. Mdm Wong Kim Chu is the spouse of Mr Ting Chun Yuen
2. Mr Ting Yeuk Hon is the son of Mr Ting Chun Yuen
3. Ms Ting Shi Ting is the daughter of Mr Ting Chun Yuen
4. Mr Wang Jianhong and Mr Zhuang Shuhuang are the brother-in-law of Mr Ting Chun Yuen
5. Mdm Wang Jianhua is the sister-in-law of Mr Ting Chun Yuen
6. Mdm Ding Yashuang is the sister of Mr Ting Chun Yuen

Save for the above disclosure, the Company does not have any employee who is an immediate family member of a Director or CEO whose remuneration during FY2014 exceeded S$50,000.

In view of confidentiality of remuneration matters, the Board is of the opinion that it is in the best interests of the Group not to disclose the exact remuneration of the Directors and key management personnel 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 is accountable to shareholders for the Management of the Group. The Board updates shareholders on the operations and financial position of Company on a quarterly basis when it releases its results announcements as well as timely announcements of other matters as prescribed by the relevant rules and regulations. The Management is accountable to the Board by providing the Board with the necessary financial information of the Group's performance, position and prospects on a regular basis and when deemed appropriate by particular circumstances for the discharge of its duties.

In line with the SGX Listing Rules, the Board provides a negative assurance statement to the shareholders in respect of the interim financial statements. For the financial year under review, the CEO and the Chief Financial Officer ("CFO") have provided assurance to the Board on the integrity of the Group's financial statements.

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

The Board reviews and approves the results and announcements before its release via SGXNet.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

The Board recognises its responsibilities over the governance of risks and has set in place management procedures for ensuring a sound system of risk management and internal controls. These procedures include having a structured Enterprise Risk Management ("ERM") programme, management reviews of key transactions, and the assistance of independent consultants such as the Group's external auditors and internal auditors to review financial statements and internal controls covering key risk areas.

Risk management

The Group has implemented an ERM programme which covers the following areas:

- ERM policies and procedures

  The overall framework for risk management has been documented in a manual and disseminated to personnel responsible for oversight of risks and operations of risk countermeasures. This ERM manual includes the terms of reference of the various personnel and committees responsible for monitoring and managing risks in the Group. The ERM process also requires on-going identification of risks to the Group and reporting these risks to the Board to better determine whether appropriate measures have been taken to address relevant risks.

- Risk Appetite of the Company

  The Group will be assessing its tolerance to various risk events as they emerge. Generally, the Group relies on management to monitor day to day operations while subjecting key corporate decisions, such as investments or acquisitions of businesses to Board's approval. The Group has also taken a strict stance towards avoiding any risks that might result in breaching relevant laws and regulations and risks that could adversely affect the reputation of the Group.

- Risk assessment and monitoring

  Based on the ERM framework, the nature and extent of risks to the Group will be assessed regularly and risk reports covering top risks to the Group will be submitted to the Board and the AC at least on a half yearly basis. A set of risk registers to document risks arising from this ERM exercise is also maintained.

  The Group has implemented a Control Self-Assessment ("CSA") exercise covering key operating areas in the Group. This exercise comprises internal control questionnaires to be completed by staff to assess level of effectiveness of internal controls and risk countermeasures. Results of the CSA exercise will be included in the risk reports to the Board and AC.

  The risks reports and completed CSA questionnaires will be relied upon as one of the basis for the Board and the AC to assess the adequacy and effectiveness of the risk management and internal controls systems.

Internal controls

The Group-wide system of internal controls, which includes the Code of Conduct, documented policies and procedures, proper segregation of duties, approval procedures and authorities, as well as checks-and-balances built into the business processes constitute an important part of the ERM system.

To ensure that internal controls and risk management processes are adequate and effective, besides control activities and reviews performed by the Management, the AC is assisted by various independent professional service providers. The assistance of the internal auditors and external auditors enables the AC to carry out assessments of the effectiveness of key internal controls during the year. The internal audit function is outsourced to BDO LLP, an international auditing firm.

Any material non-compliance or weaknesses in internal controls or recommendations from the internal auditors and external auditors to further improve the internal controls were reported to the AC. The AC will also follow up on the actions taken by the Management on the recommendations made by the internal auditors and external auditors. Based on the reports submitted by the internal auditors and external auditors to the AC and the Board, nothing material has come to the attention of the AC and the Board to cause the AC and the Board to believe that the internal controls and risk management processes are not satisfactory for the type and size of business conducted.

Statement on adequacy of internal controls

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors (to the extent as required by them to form an audit opinion on the statutory financial statements), and relevant reviews performed by the Management, the Board, with the concurrence of the AC, is of the opinion that the Group's risk management and internal controls systems, addressing financial, operational, compliance and information technology risks, were adequate as at 31 December 2014.

The CEO and the CFO have also assured the Board that:

(a) The financial records have been properly maintained and the financial statements for the financial year ended 31 December 2014 give a true and fair view in all material respects, of the Company's operations and finances; and

(b) The Group's internal controls and risk management systems are operating effectively in all material respects given its current business environment.

Board Risk Committee

The Board has set up the BRC comprising Management personnel of the Company. The BRC assists the Board in carrying out its responsibility of overseeing the Company's risk management framework and policies. The CFO assumes role of Chief Risk Officer and he helps to ensure that the risk report is submitted to the AC at least on a half yearly basis.

Audit Committee

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

The AC comprises entirely Non-Executive Directors, the majority of whom, including the Chairman, are independent. The AC members are as follows:-

Audit Committee

Mr Soh Beng Keng	(Chairman) (Lead Independent Director)
Mr Lim Heng Chong Benny	
Mr Ngan See Juan[1]	

(1) Mr Ngan See Juan appointed as Independent Director on 31 March 2015.

The AC has written terms of reference, setting out their duties and responsibilities, which include the following:

- monitor the integrity of the financial information provided by the Company;
- assess, and challenge, where necessary, the correctness, completeness, and consistency of financial information (including interim reports) before submittal to the Board for approval or made public;
- review any formal announcements relating to the Company's financial performance;
- discuss problems and concerns, if any, arising from the interim and final audits, in consultation with the external auditors and the internal auditors where necessary;
- assess the adequacy and effectiveness of the internal controls (including financial, operational, compliance, information technology controls and risk management) systems established by Management to identify, assess, manage, and disclose financial and non-financial risks (including those relating to compliances with existing legislation and regulation) at least once a year in compliance with Guideline 12.4 of the Code;
- review and ensure that the assurance has been received from the CEO (or equivalent) and the CFO (or equivalent) in relation to the interim/financial unaudited financial statement;
- review Management's and the internal auditors' reports on the effectiveness of the systems for internal control, financial reporting, and risk management;
- monitor and assess the role and effectiveness of the internal audit function in the overall context of the company's risk management system;
- in connection with the terms of engagement to the external auditors, to make recommendations to the Board on the selection, appointment, reappointment, and resignation of the external auditors based on a thorough assessment of the external auditors' functioning, and approve the remuneration and Terms of Engagement of the external auditors;
- monitor and assess the external auditors' independence and keep the nature and extent of non-audit services provided by the external auditors under review to ensure the external auditors' independence or objectivity is not impaired;

- assess, at the end of the audit cycle, the effectiveness of the audit process;

- review interested person transactions to consider whether they are on normal commercial terms and are not prejudicial to the interests of the company or its minority shareholders; and

- review the Company's procedures for detecting fraud and whistle-blowing, and ensure that arrangements are in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control, or any other matters.

The AC assists the Board to maintain a high standard of Corporate Governance, particularly by providing an independent review of the effectiveness of the financial reporting, management of financial and control risks, and monitoring of the risk management and internal controls systems.

The Board is of the view that the members of the AC, collectively, are appropriately qualified to discharge their responsibilities. Mr Soh Beng Keng is a fellow member of the Institute of Singapore Chartered Accountants. Mr Lim Heng Chong Benny is an advocate and solicitor in Singapore. Mr Ngan See Juan is a fellow member of Institute of Singapore Chartered Accountants and member of Association of Chartered Certified Accountants.

The AC has explicit authority to investigate any matter within its terms of reference. The AC has full access to and cooperation of the Management and external auditors, RT LLP. The AC convened four meetings during the year. It also has the discretion to invite any Director or Management to attend its meetings.

In line with the SGX-ST Listing Rules, the Board provides a negative assurance statement to the shareholders in respect of the interim financial statements. For the financial year under review, the Executive Directors and the CFO have provided assurance to the Board on the integrity of the Group's financial statements.

The AC recommends to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors and approves the remuneration of the external auditors. The AC has recommended to the Board that RT LLP be nominated for reappointment as external auditors at the forthcoming AGM of the Company. The Company confirmed that Rule 712, Rule 715 and Rule 716 of the Listing Manual of the SGX-ST had been complied.

The AC meets with the external auditors and internal auditors without the presence of the Management at least once a year. The AC conducted a review of all non-audit services provided by the external auditors and is satisfied that the nature and extent of such services does not prejudice the independence and objectivity of the external auditors. For FY2014, the fees that are charged to the Group by the external auditors for audit services were approximately S$130,000. There were no non-audit fees paid to the external auditors.

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

The Group has implemented a whistle blowing policy whereby accessible channels are provided for employees to raise concerns about possible improprieties in matters of financial reporting or other matters which they become aware and to ensure that:

(i) independent investigations are carried out in an appropriate and timely manner;

(ii) appropriate action is taken to correct the weakness in internal controls and policies which allowed the perpetration of fraud and/or misconduct and to prevent a recurrence; and

(iii) administrative, disciplinary, civil and/or criminal actions that are initiated following the completion of investigations are appropriate, balance and fair, while providing reassurance that employees will be protected from reprisals or victimisation for whistle-blowing in good faith and without malice.

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

Internal Audit

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

The Group has outsourced its internal audit function to BDO LLP, a member of the international BDO network of auditing firms.

The internal audit plan is submitted to the AC for approval prior to the commencement of the internal audit work. The IA reviews the effectiveness of key internal controls in accordance with the internal audit plan. The IA has a direct and primary reporting line to the AC and assists the AC in reviewing the implementation of recommendations on internal control weaknesses identified. The IA has direct and unrestricted access to the information of the Company and report primarily to the AC.

The AC is satisfied that the internal audit function has adequate resources to perform its function effectively and is staffed by suitably qualified and experienced professionals with the relevant experience.

BDO conducts its internal audits based on the BDO Global IA methodology which is consistent with the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors.

The AC reviews annually the adequacy and effectiveness of the internal audit function of the Company.

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITES

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 does not practice selective disclosure. In line with the continuous obligations of the Company under the Listing Manual of the SGX-ST and the Companies Act, Chapter 50, the Board's policy is that all shareholders should equally and on a timely basis be informed of all major developments that impact the Group.

All shareholders are entitled to attend the general meetings and are provided the opportunity to participate in the general meetings. If any shareholder is unable to attend, he/she is allowed to appoint up to two proxies to vote on his/ her behalf at the general meeting through proxy forms sent in advance. Currently, the Company's Articles of Association does not include the nominee or custodial services to appoint more than two proxies.

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.

The Company believes in high standards of transparent corporate disclosure and is committee to disclose to its shareholder, the information in a timely and fair manner via SGXNet. Where there is inadvertent disclosure made to a selected Group, the Company will make the same disclosure publicly to all others as soon as practicable. Communication is made through:-

- annual reports that are prepared and sent to all shareholders. The Board ensures that the annual report includes all relevant information about the Company and the Group, including future developments and other disclosures required by the Companies Act, Chapter 50 and Singapore Financial Reporting Standards;

- quarterly announcements containing a summary of the financial information and affairs of the Group for that period; and

- notices of explanatory memoranda for AGMs and Extraordinary General Meetings ("EGMs"). The notice of AGMs and EGMs are also advertised in a national newspaper.

The Company does not practice selective disclosure. Price sensitive information is first publicly released through SGXNet, either before the Company meets with any investors or analysts. All shareholders of the Company will receive the annual report with notice of AGM by post and published in the newspapers within the mandatory period, which is held within four months after the close of the financial year.

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.

CONDUCT OF SHAREHOLDER MEETING

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

The shareholders are encouraged to attend the Company's general meetings to ensure a high level of accountability and to stay informed of the Group's strategies and growth plans. Notice of the general meeting is dispatched to shareholders, together with explanatory notes or a circular on items of special businesses (if necessary), at least 14 clear calendar days before the meeting. The Board welcomes questions from shareholders who wish to raise issues, either informally or formally before or during the general meetings.

Each item of special business included in the notice of the general meetings will be accompanied by explanation of the effects of a proposed resolution. Separate resolutions are proposed for each substantially separate issue at general meetings.

The Chairman of the AC, NC and RC are normally present and available to address questions relating to the work of their respective Committees at general meetings. Furthermore, the external auditors are present to assist our Board in addressing any relevant queries by our shareholders.

The Company will make available minutes of general meetings to shareholders upon their request.

The Company acknowledges that voting by poll in all its general meeting is integral in the enhancement of corporate governance. Currently, the Company has yet to implement poll voting in all its general meetings in view of higher costs involved in polling. Nonetheless, the Company shall adhere to requirements of the code where all resolutions are to be voted by poll for general meetings held on or after 1 August 2015.

(E) DEALINGS IN COMPANY'S SECURITIES

In compliance with Rule 1207(19) of the Listing Manual of the SGX-ST, the Company has adopted its own internal compliance code pursuant to the SGX-ST's best practices on dealings in securities and these are applicable to all its Officers in relation to their dealings in the Company's securities.

The Company and its Officers are advised not to deal in the Company's shares during the period commencing two weeks before the announcement of Company's quarterly results and one month before the announcement of the Company's full year results, or if they are in possession of unpublished price-sensitive information of the Company. In addition, Directors and officers are also expected to observe insider-trading laws at all times even when dealing in securities within the permitted trading period and they are not to deal in the Company's securities on short-term considerations.

The Group has complied with the Best Practices on dealing in the Company's securities issued by the SGX-ST.

(F) MATERIAL CONTRACTS

There are no material contracts of the Company or its subsidiaries involving the interests of the CEO, each Director or Controlling Shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year.

(G) INTERESTED PERSON TRANSACTIONS

The Company has established procedures for recording and reporting interested person transactions to ensure that all transactions with interested persons are reported on a timely manner to the AC, if any and that the transactions are carried out on a normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

(H) NON-CONFLICT OF INTERESTS

Mr Wong Chee Meng Lawrence, an Independent Director of the Company, has resigned as the Independent Director of the Company with effect from 31 December 2014. He was the Partner of RHTLaw Taylor Wessing LLP ("RHTLaw Taylor Wessing") which is the shareholder of RHT Corporate Advisory Pte. Ltd. ("RHT Corporate Advisory"). We are not presently aware of any conflict of interest arising from his aforesaid roles. He abstains from any voting on any resolution where it relates to the appointment of RHTLaw Taylor Wessing or RHT Corporate Advisory and their related companies for FY2014.

PARTICULARS OF DIRECTORS PURSUANT TO THE CODE OF CORPORATE GOVERNANCE

Name of Director	Academic/ Professional Qualifications	Board Appointment Executive/ Non-executive	Board Committees as Chairman or Member	Directorship Date First Appointed	Date of Last Re-election	Directorships in other listed companies and other major appointments	Past directorships in other listed companies and other major appointments over the preceding 3 years
Mr Ting Chun Yuen	High School Diploma from Jinjiang City Chendai Mingzu School	Executive Chairman and CEO	Board Chairman and Member of NC	10 January 2008	24 April 2012	NIL	NIL
Mr Zhuang Qingquan	Diploma from Fujian Jinjiang Vocational Technical Secondary School	Executive Director	Board Member	25 August 2009	24 April 2014	NIL	NIL
Mr Soh Beng Keng	Bachelor of Commerce (Accountancy) and he is a member of the Singapore Institute of Directors and a fellow member of the Institute of Singapore Chartered Accountants	Lead Independent Director	Board Member, Chairman of AC and Member of NC and RC	25 August 2009	29 April 2013	• ISDN Holdings Limited • China Haida Ltd • Sino Grandness Food Industry Group Limited	• Yamada Green Resources Limited
Mr Lim Heng Chong Benny	Bachelor of Laws and Master of Laws	Independent Director	Board Member, Chairman of NC and Member of AC and RC	25 August 2009	24 April 2012	• China Sunsine Chemical Holdings Limited • Sysma Holdings Limited	NIL
Mr Ngan See Juan	Diploma in Best Administration and he is a member of Institute of Singapore Chartered Accounts, and fellow member of Association of Chartered Certified Accountants (ACCA)	Independent Director	Board Member, Chairman of RC and Member of AC and NC	31 March 2015	–	• China Taisan Technology Group Holdings Limited • Unionmeat (Singapore) Limited	NIL

As a leading People Republic of China ("PRC") raw material producer and supplier of import substitution products, the Company's earnings are subject to certain risk factors, including general economic and business conditions; development plans such as capacity expansion; raw material costs and availability; competition; industry trends; and changes in government and environmental regulations.

We ascribe great importance to risk management and constantly review the risks that the Group faces. The Group's exposure to these risks is managed through various initiatives, including:

- Development and execution of a realistic strategic business plan;
- Increasing production capacity to achieve economies of scale;
- Continuous emphasis on product innovation, quality and competitiveness;
- Continuous implementation of good environmental practices; and
- Close monitoring and compliance of changes in legislation and government regulations, affecting the Group's business

Some of the key risks identified by the Group include:

Business Risk

We are a leading PRC raw material producer and supplier of import substitution products, namely Styrene Butadiene Rubber ("SBR") and other foamed materials (comprising foamed SBR, foamed Ethylene Vinyl Acetate ("EVA") and high foamed Polyethylene ("PE"),) 30D Terylene Filament Yarn ("TFY"), and sandwich mesh fabric ("SMF"), which are used mainly as raw materials in the production of lifestyle consumer products, furniture upholstery and automobile interior lining.

As our products are primarily used in the manufacture of sportswear and sports accessories, bags and luggage, automobile and furniture in the PRC, we are dependent on the market conditions of such industries in the PRC and to an extent the international market conditions. Our business is, therefore, subject to competition from existing competitors and new market entrants. They include both PRC and overseas companies that may have access to greater financial and other resources than we do.
In order to maintain our competitiveness and grow our customer base and market share, we are always looking at ways to continually manufacture products that meet our customers' demands and changing needs. This can be achieved via technological innovation or capitalising on advances in technology, and improvements in our product development and production, so that we can introduce new products or enhance existing products in a timely manner in response to changing market conditions or customers' requirements.

As the cost of our products is a significant consideration for our customers, we also ensure that we manufacture and deliver products of high quality at competitive prices to our customers. We are always looking at ways to manage the fluctuation of raw material prices, by balancing our supply and demand so that we have sufficient quality raw materials at competitive prices.

From a macroeconomic perspective, the manufacturing sector is directly linked to the world's economy and any economic downturns such as those brought about by the uncertainty in the global market would affect our customers' demand.

Intellectual Property Risk

Our ability to compete successfully and achieve future growth in revenues depends, in part, on our ability to protect our intellectual property, trade secrets and/or technical know-how relating to our manufacturing processes, and also on our ability to protect our brand name and trademarks. Where possible, we have applied for the registration of patent and trademarks which are material to our business.

To date, we have submitted 18 patent applications to the relevant authorities, among which 16 have been successfully registered on the patents register of the State Intellectual Property Office of the PRC.

These patents are valid for 10 years and form a core part of our research and development ("R&D") strategy to ensure our ability to generate new products and product applications that will enable us to further tap the import substitution market for raw materials in the PRC. In addition, our R&D efforts help to enhance our product quality and lower production costs.

Although the protection of our intellectual property rights is governed by law, we cannot rule out entirely the possibility of infringement. To date, we are not aware of any infringement that would materially affect our business or earning potential.

On the other hand, there may be risks that our products and manufacturing process may infringe the patents, copyrights or other intellectual property rights held by third parties. We do not, as a matter of policy, infringe on third party intellectual property and have not been involved in any such legal disputes to date.

In respect of our trade secrets and technical know-how, we have entered into service agreements with certain Directors, which include certain confidentiality undertakings, in addition to confidentiality agreements with our key employees, such as our key manufacturing personnel, who have access to trade and business sensitive information, to protect our trade secrets and proprietary information.

Product Risk

Although we have a track record of developing several new products and introducing them into the market successfully, there remains a risk of mis-match in business-customer expectations. Should we fail to successfully implement our business plans for any of our new products and grow the revenue from these new product segments, our financial performance and profitability will be adversely affected.

To mitigate this risk, we have a team of competent and committed Management team, who have the experience and knowledge of the industry, are committed to the development of our business, and have established an extensive customer base which will ensure a ready target audience for our products.

In terms of product quality, we adhere strictly to the PRC's Product Quality Law by ensuring our products undergo laboratory tests to ensure that they are free from toxic or harmful substances. Nonetheless, there can be no assurance that our products will not cause irritation, health complications or any other allergic reactions when used by consumers. A product liability claim, even one without merit, could distract our management from the running of our business.

In this regard, we place great emphasis on quality assurance and the consistent quality of our products and services at all stages of our production and business process. We have in place a quality control management system in accordance with ISO9001:2000 standards. We believe that our product and service quality are the keys to our continued growth and success.

In fact, some of our products – such as foamed SBR – are non-toxic and recyclable. With increasing consumer awareness and demand for non-toxic and environment-friendly products and product safety, many manufacturers of consumer products are switching to foamed SBR as a raw material for their products.

Manpower Risk

One of the key factors to our success is the continued services of our key employees and skilled workers. They are responsible for quality control, R&D, production and the maintenance of our production facilities and we rely on our skilled workers to maintain the quality of our products and operation efficiency. Any shortage of such skilled workers may require us to pay higher wages to attract and retain sufficient and capable skilled workers. While we currently do not face a major problem compared to other more labour intensive companies, this issue will intensify in time to come as we compete for the limited pool of skilled workers in the PRC for our new production facilities.

In the short term, we intend to mitigate this issue by offering higher wages to retain and attract better quality staff; improve overall staff welfare system including better living quarters, food and other benefits; and offer more training to upgrade their skill sets. For the medium to long term, we intend to look into our current production process and seek ways to reduce reliance on manpower. This might include automation and upgrading of production facilities.

We also believe in providing our staff with the necessary training to ensure that they are equipped with the right skills set for proper job performance. We place great emphasis on improving and upgrading our staff's technical knowledge and skills in their respective fields. As such, staff training is conducted in accordance with the varying requirement of each department. We also intend to utilise our internally generated fund to recruit additional experienced and skilled R&D personnel including a qualified candidate to spearhead our R&D efforts to the next level.

Credit Risk

The main financial risks for our business relate mainly to the credit we give our customers of our products. Our financial position, profitability and cash flow are dependent to a large extent on the credit worthiness of our customers and their ability to pay us on a timely basis. Further, as our customer base grows, we will be exposed to credit risks from new customers. If our customers experience cash flow difficulties or deterioration in their business performance, they may default on their payment to us.

We generally extend credit terms of between 30 to 90 days. Following a thorough review of trade receivables outstanding as at 31 December 2014, we had made an allowance for impairment loss of trade and other receivables amounted to RMB1,387,000 (FY2012: RMB1,215,000) due to the challenging market conditions and slow down in our trade receivables collection.

Financing Risk

The Group monitors our liquidity risk and maintains a level of cash and cash equivalents, deemed adequate by the management, to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

In the event that significant capital expenditure is needed in future, we may seek additional financing, which may take the form of equity issues, debt issues or loans from banks or other lenders.

The Directors are pleased to present their report to the members together with the audited consolidated financial statements of Ziwo Holdings Ltd. (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2014 and the statement of financial position of the Company as at 31 December 2014.

1 Directors

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

Ting Chun Yuen	(Executive Chairman and Chief Executive Officer)
Zhuang Qingquan	(Executive Director)
Soh Beng Keng	(Lead Independent Director)
Lim Heng Chong Benny	(Independent Director)
Ngan See Juan	(Independent Director)

2 Arrangements to Enable Directors to Acquire Shares and Debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was 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.

3 Directors' Interests in Shares and Debentures

The interests of the Directors holding office at the end of the financial year in the share capital of the Company and related corporations as recorded in the register of Directors' shareholdings were as follows:

	Holdings registered in the name of Director		Holdings in which Director is deemed to have an interest	
Name of Director	**As at 1.1.2014**	**As at 31.12.2014**	**As at 1.1.2014**	**As at 31.12.2014**
The Company				
Number of ordinary shares				
Ting Chun Yuen	500,000	850,000	153,079,920	153,079,920
Ultimate and Immediate Holding Company				
- Sky Upright Holdings Limited				
Number of ordinary shares				
Ting Chun Yuen	1	1	–	–

Sky Upright Holdings Limited is a company incorporated in the British Virgin Islands whose sole shareholder and Director is Mr Ting Chun Yuen. As such, Mr Ting Chun Yuen is deemed to have interest in the shares held by the Company in all its subsidiary companies by virtue of Section 7 of the Singapore Companies Act Chapter 50.

The above-mentioned Directors' interests in the ordinary shares of the Company as at 21 January 2015 were the same as those as at 31 December 2014.

3 Directors' Interests in Shares and Debentures (cont'd)

Except as disclosed in this report, no Director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, at the beginning of the financial year or at the end of the financial year.

4 Directors' Contractual Benefits

Since the end of the previous financial year, no Director has received or become 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 except as disclosed in the notes to the financial statements. Certain Directors also received remuneration from related corporations in their capacities as Directors and/or executives of those related corporations.

5 Options Granted

During the financial year, no option to take up unissued shares of the Company or its subsidiaries were granted.

6 Options Exercised

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

7 Options Outstanding

During the financial year, no option to take up unissued shares of the Company or its subsidiaries were granted.

8 Audit Committee

The members of the Audit Committee ("AC") at the end of the financial year comprises the following members:

Soh Beng Keng (Chairman)
Lim Heng Chong Benny
Ngan See Juan

The AC carried out its functions in accordance with Section 201B (5) of the Singapore Companies Act, Chapter 50, including the following:

(a) Reviews the audit plans of the internal and external auditors of the Company, and reviews the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Company's Management to the external and internal auditors;

(b) Reviews the quarterly and annual financial statements and the auditor's report on the annual financial statements of the Company before their submission to the Board of Directors;

8 Audit Committee (cont'd)

(c) Reviews effectiveness of the Company's material internal controls, including financial, operational and compliance controls, risk management and information technology via reviews carried out by the internal auditors;

(d) Meets with the external auditors, other committees, and Management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;

(e) Reviews legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;

(f) Reviews the cost effectiveness and the independence and objectivity of the external auditors;

(g) Recommends to the Board of Directors the external auditors to be nominated, approves the compensation of the external auditors, and reviews the scope and results of the audit;

(h) Reports actions and minutes of the AC to the Board of Directors with such recommendation as the AC considers appropriate; and

(i) Reviews interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual.

The AC, having reviewed all non-audit services provided by the external auditors of the Company and noted that no such services have been rendered to the Group by the external auditors during the financial year. The AC is satisfied with the independence and objectivity of the external auditors.

The AC convened four meetings during the year. The AC has also met with internal auditors and external auditors, without the presence of the Company's Management, at least once a year.

The AC has recommended to the Board of Directors the nomination of RT LLP for their appointment as independent auditors of the Company at the forthcoming Annual General Meeting.

Further details regarding the AC are disclosed in the Corporate Governance Report.

9 Independent Auditors

The auditors, RT LLP, Public Accountants and Chartered Accountants, have expressed their willingness to accept reappointment.

On behalf of the Board of Directors,

TING CHUN YUEN
Director

ZHUANG QINGQUAN
Director

6 April 2015

STATEMENT BY THE **DIRECTORS**

31 December 2014

In the opinion of the Directors:

(a) the statement of financial position of the Company and the consolidated financial statements of the Group as set out on pages 47 to 81 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,

TING CHUN YUEN
Director

ZHUANG QINGQUAN
Director

6 April 2015

Report on the Consolidated Financial Statements

We have audited the accompanying financial statements of Ziwo Holdings Ltd (the "Company") and its subsidiaries (collectively referred to as the "Group") as set out on pages 47 to 81, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2014, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the statement of financial position of the Company and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

INDEPENDENT AUDITOR'S **REPORT**

To the Members of Ziwo Holdings Ltd. and its Subsidiaries

Other matter

The consolidated financial statements for the year ended 31 December 2013 were audited by another auditor who expressed an unmodified opinion on those statements on 31 March 2014.

Report on Other Legal and Regulatory Requirements

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

RT LLP
Public Accountants and Chartered Accountants

Partner in charge of audit: Su Chun Keat

Singapore, 6 April 2015

CONSOLIDATED STATEMENT **OF COMPREHENSIVE INCOME**

For the Financial Year Ended 31 December 2014

	Note	**2014**	2013
		RMB'000	RMB'000
Revenue	4	**186,284**	197,080
Cost of sales		**(152,766)**	(166,419)
Gross profit		**33,518**	30,661
Other income	5	**1,329**	2,008
Selling and distribution expenses		**(10,536)**	(12,062)
Administrative expenses		**(13,134)**	(9,902)
Other operating expenses		**(513)**	(2,817)
Profit before taxation	6	**10,664**	7,888
Income tax expense	7	**(4,531)**	(3,257)
Net profit for the year, representing total comprehensive income for the year		**6,133**	4,631
Earnings per share (RMB cents per share)	8		
- Basic		**1.81**	1.55
- Diluted		**1.81**	1.55

The accompanying notes form an integral part of these financial statements

STATEMENTS OF **FINANCIAL POSITION**

As at 31 December 2014

	Note	Group		Company	
		2014	2013	**2014**	2013
		RMB'000	RMB'000	**RMB'000**	RMB'000
ASSETS					
Non-Current Assets					
Land use rights	9	**49,606**	50,159	**–**	–
Property, plant and equipment	10	**152,496**	155,237	**–**	–
Subsidiaries	11	**–**	–	**138,458**	139,239
		202,102	205,396	**138,458**	139,239
Current Assets					
Inventories	12	**13,422**	15,662		–
Trade and other receivables	13	**181,334**	74,343	**53,882**	25,000
Other current assets	14	**8,677**	8,670	**–**	–
Cash and cash equivalents	15	**133,361**	195,745	**61**	25
		336,794	294,420	**53,943**	25,025
Total Assets		**538,896**	499,816	**192,401**	164,264
EQUITY AND LIABILITIES					
Equity					
Share capital	16	**183,268**	149,593	**183,268**	149,593
Statutory reserve	17	**42,794**	41,785	**–**	–
Retained earnings/ (Accumulated losses)		**294,546**	289,422	**(6,698)**	(2,822)
		520,608	480,800	**176,570**	146,771
Non-Current Liabilities					
Deferred tax liabilities	18	**2,291**	2,291	**1,240**	1,240
Current Liabilities					
Trade and other payables	19	**14,116**	15,112	**14,591**	16,253
Current tax payable		**1,881**	1,613	**–**	–
		15,997	16,725	**14,591**	16,253
Total Liabilities		**18,288**	19,016	**15,831**	17,493
Total Equity and Liabilities		**538,896**	499,816	**192,401**	164,264

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2014

	Attributable to equity holders of the Company			
	Share capital	**Statutory reserve**	**Retained earnings**	**Total equity**
	RMB'000	**RMB'000 (Note 17)**	**RMB'000**	**RMB'000**
Balance at 1 January 2013	149,593	40,841	285,735	476,169
Profit for the year and total comprehensive profit for the year	–	–	4,631	4,631
Transfer to statutory reserve	–	944	(944)	–
Balance at 31 December 2013	149,593	41,785	289,422	480,800
Profit for the year and total comprehensive profit for the year	–	–	6,133	6,133
Issue of new shares	33,675	–	–	33,675
Transfer to statutory reserve	–	1,009	(1,009)	–
Balance at 31 December 2014	183,268	42,794	294,546	520,608

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 31 December 2014

	2014	2013
	RMB'000	RMB'000
Cash Flows from Operating Activities		
Profit before income tax	**10,664**	7,888
Adjustments for:		
Interest income	**(731)**	(740)
Depreciation of property, plant and equipment	**11,167**	9,396
Loss on disposal of property, plant and equipment	**–**	3
Amortisation of land use rights	**553**	134
Write down/(Reversal) of inventory to net realisable value	**405**	(237)
Allowance for impairment loss of trade and other receivables	**98**	1,387
Operating cash inflows before working capital changes	**22,156**	17,831
Changes in working capital		
Inventories	**1,835**	1,721
Trade and other receivables	**(7,089)**	2,358
Other current assets	**(7)**	353
Trade and other payables	**(996)**	(3,818)
Cash generated from operations	**15,899**	18,445
Interest received	**731**	740
Income tax paid	**(4,263)**	(1,856)
Net cash flows generated from operating activities	**12,367**	17,329
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	**(8,426)**	(9,895)
Deposit for purchase of investment	**(100,000)**	–
Proceeds from disposal of property, plant and equipment	**–**	1
Net cash flows used in investing activities	**(108,426)**	(9,894)
Cash Flows from Financing Activities		
Proceeds from share issuance	**33,675**	–
Net cash flows generated from financing activities	**33,675**	–
Net (decrease)/increase in cash and cash equivalents	**(62,384)**	7,435
Cash and cash equivalents at beginning of year	**195,745**	188,310
Cash and cash equivalents at end of year (Note 15)	**133,361**	195,745

The accompanying notes form an integral part of these financial statements

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

1 General

The Company was incorporated in Singapore on 10 January 2008 under the Singapore Companies Act as a private limited company, under the name of Tianzheng Holdings Pte. Ltd. On 3 April 2009, the Company was renamed Ziwo Holdings Pte. Ltd. On 31 August 2009, the Company was converted to a public limited company and changed its name to Ziwo Holdings Ltd. The Company was admitted to the Official List of the Singapore Exchange Securities Trading Limited (SGX-ST) on 8 October 2009.

The Company is domiciled in the Republic of Singapore and its registered office is located at 6 Battery Road #10-01, Singapore 049909. The principal place of business of the Company is located at Western Section, Qingmeng Zone, Economy and Technology Development Zone, Quanzhou City, Fujian Province, the People's Republic of China (the "PRC").

The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiaries are disclosed in Note 11.

The immediate and ultimate holding company of the Company is Sky Upright Holdings Limited, a company incorporated in the British Virgin Islands. The ultimate controlling party is Mr Ting Chun Yuen who is also the sole shareholder of the ultimate holding company.

The financial statements of the Company and of the Group for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on the date of the Statement By Directors.

2 Summary Significant Accounting Policies

(a) Basis of Preparation

The financial statements, which are expressed in Renminbi ("RMB"), have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). These financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise judgments in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and contingent liabilities at the balance sheet date that are not readily apparent from other sources. Estimates and judgments are continually evaluated and are based on historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances. However, actual results may ultimately differ from these estimates.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2 Summary Significant Accounting Policies (cont'd)

(b) Adoption of New/Revised Singapore Financial Reporting Standards

On 1 January 2014, the Group adopted the new or amended FRS and interpretation of FRS("INT FRS") that are mandatory for application for the financial year.

The adoption of these new and amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and has no material effect on the amounts reported for the current or prior financial year.

(c) FRS Issued But Not Yet Effective

The following are the new and amended Standard and Interpretations that are applicable to the Group for the accounting periods beginning on or after 1 January 2015 and which the Group has not early adopted:

FRS 102 – *Shares-based payment (effective for annual periods beginning on or after 1 July 2014)*

The amendment clarifies the definition of vesting conditions and separately defines "performance condition" and "service condition".

FRS 103- *Business Combination (effective for annual periods beginning on or after 1 July 2014)*

The standard is amended to clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in FRS 32 Financial instruments: Presentation. The standard is further amended to clarify that all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss.

The standard is also amended to clarify that FRS 103 does not apply to the accounting for the formation of any joint arrangement under FRS 111. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself.

FRS 40- *Investment Property (effective for annual periods beginning on or after 1 July 2014)*

The standard is amended to clarify that FRS 40 and FRS 103 are not mutually exclusive. The guidance in FRS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in FRS 103 to determine whether the acquisition of an investment property is a business combination.

FRS 108- *Operating Segments (effective for annual periods beginning on or after 1 July 2014)*

The standard is amended to require disclosure of the judgements made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics.

The standard is further amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported. This amendment will not result in any changes to the Group's accounting policies but will require more disclosures in the financial statements.

2 Summary Significant Accounting Policies (cont'd)

(c) FRS Issued But Not Yet Effective (cont'd)

FRS 16 - *Property, Plant and Equipment (effective for annual periods beginning on or after 1 July 2014)*

The standard is amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to the revalued amount. The split between gross carrying amount and accumulated depreciation is treated in one of the following ways:

a) either the gross carrying amount is restated in a manner consistent with the revaluation of the carrying amount, and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses; or

b) the accumulated depreciation is eliminated against the gross carrying amount of the asset.

FRS 24 - *Related Party Disclosures (effective for annual periods beginning on or after 1 July 2014)*

The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'). The reporting entity is not required to disclose the compensation paid by the management entity to the management entity's employees or directors, but it is required to disclose the amounts charged to the reporting entity by the management entity for services provided.

FRS 113 - *Fair Value Measurement (effective for annual periods beginning on or after 1 July 2014)*

The amendment clarifies that the portfolio exception in FRS 113, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of FRS 39.

The Group is in the process of assessing the impact of these standards on the financial statements.

(d) Consolidation

The financial statements of the Group include the financial statements of the Company and its subsidiaries made up to the end of the financial year. Information on its subsidiaries is given in Note 11.

All inter-company balances and significant inter-company transactions and resulting unrealised profits or losses are eliminated on consolidation and the consolidated financial statements reflect external transactions and balances only. The results of subsidiaries acquired or disposed of during the financial year are included or excluded from the consolidated profit or loss from the effective date in which control is transferred to the Group or in which control ceases, respectively.

Business combinations are accounted for using the acquisition method. The consideration transferred for an acquisition as measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of acquisition. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Costs attributable to the acquisition are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

2 Summary Significant Accounting Policies (cont'd)

(d) Consolidation

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustment. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with FRS 39 Financial Instruments: Recognition and Measurement, or FRS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Any excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition date fair value of previous equity interest in the acquiree over the fair value of the net identifiable assets acquired represents goodwill. The goodwill is accounted for in accordance with the accounting policy for goodwill stated below. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in the profit or loss on the date of acquisition.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

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

When the control over a subsidiary is lost, the assets and liabilities of the subsidiary, including any goodwill, are derecognised. Any retained interest in the entity is remeasured at fair value. The difference between the carrying amount of retained investment at the date when control is lost and its fair value is recognised in profit or loss.

Where accounting policies of a subsidiary do not conform to those of the Company, adjustments are made on consolidation when the amounts involved are considered significant to the Group.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

2 Summary Significant Accounting Policies (cont'd)

(e) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is computed utilising the straight-line method to write off the cost of these assets over their estimated useful lives as follows:

Building	10 - 30 years
Plant and machinery	5 - 30 years
Furniture, fixtures and office equipment	5 - 10 years
Motor vehicles	5 - 10 years

No depreciation is provided on properties under construction.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

For acquisitions and disposals during the financial year, depreciation is provided for the month after acquisition and to the month of disposal respectively. Fully depreciated property, plant and equipment are retained in the books of accounts until they are no longer in use.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting period as a change in estimates.

(f) Financial Assets

Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

Classification

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables", "cash and cash equivalents" and "amount due from subsidiary" on the statement of financial position.

2 Summary Significant Accounting Policies (cont'd)

(f) Financial Assets (cont'd)

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount in the fair value reserve relating to that asset is reclassified to profit or loss.

Subsequent measurement

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

Effective interest method

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

2 Summary Significant Accounting Policies (cont'd)

(g) Financial Liabilities

The Group's financial liabilities comprise trade and other payables, including amounts due to related companies and parties.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest-related charges are recognised as an expense in "finance cost" in the profit or loss. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the amortisation process.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

(h) Subsidiaries

A subsidiary is an entity controlled by the Group. Control is achieved when the company has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The company considers all relevant facts and circumstances in assessing whether or not the company's voting rights in an investee are sufficient to give it power.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments are recognised in the profit or loss.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method, and includes all costs in bringing the inventories to their present location and condition. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(j) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2 Summary Significant Accounting Policies (cont'd)

(k) Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and bank deposits which are subject to an insignificant risk of change in value.

(l) Dividends

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

(m) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Present obligations arising from onerous contracts are recognised as provisions.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of the time is recognised as finance costs.

(n) Income Taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting or taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the date of the financial position; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the date of the financial position, to recover or settle the carrying amounts of its assets and liabilities.

2 Summary Significant Accounting Policies (cont'd)

(n) Income Taxes

Current and deferred income taxes are recognised as income or expense in the profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(o) Employee Benefits

Retirement benefits scheme

Pursuant to the relevant regulations of the PRC government, the Group participates in a local municipal government retirement benefits scheme (the "Scheme"), whereby the subsidiaries located in the PRC are required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiary located in the PRC. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme mentioned above. Contributions under the Scheme are charged to the profit or loss as incurred. There are no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

(p) Impairment of Non-Financial Assets

The carrying amounts of the non-financial assets subject to impairment are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belong will be identified.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Individual assets or cash-generating units that include intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use, based on an internal discounted cash flow evaluation. Impairment losses are charged pro rata to the assets in the cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Any impairment loss is charged to the profit or loss unless it reverses a previous revaluation in which case it is charged to equity.

2 Summary Significant Accounting Policies (cont'd)

(p) Impairment of Non-Financial Assets (cont'd)

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

A reversal of an impairment loss on a revalued asset is credited directly to equity under the heading revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the profit or loss, a reversal of that impairment loss is recognised as income in the profit or loss.

(q) Segments Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

(r) Revenue Recognition

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes goods and services taxes and is arrived at after deduction of trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Dividend income from investments is recognised gross when the right to receive the dividend has been established.

Interest income is recognised on a time-apportioned basis using the effective interest rate method.

(s) Foreign Currencies

Functional and presentation currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Renminbi ("RMB"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements. All values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2 Summary Significant Accounting Policies (cont'd)

(s) Foreign Currencies (cont'd)

Transactions and balances (cont'd)

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

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

(t) Land Use Rights

Land use rights are recognised at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged to the profit or loss, using the straight-line method, so as to write off the cost of land use rights, over the lease term of the land of 50 years or the remaining useful life of the land use rights.

The amortisation year and amortisation methods for land use rights are reviewed and adjusted as appropriate at each reporting period.

(u) Research and Development

Research costs are expensed as incurred. Deferred development costs arising from development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditures during the development.

Following initial recognition of the deferred development costs with a finite useful life as an intangible asset, it is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of the intangible asset begins when development is complete and the asset is available for use. Deferred development costs have a finite useful life and are amortised over the period of expected sales from the related project on a straight-line basis.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2 above, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(a) *Key sources of estimation uncertainty*

Useful lives of property, plant and equipment and land use rights

Property, plant and equipment and land use rights are depreciated/amortised on a straight-line basis over their estimated useful lives. Management estimates the useful lives of property, plant and equipment and land use rights to be within 5 to 30 years and 41 to 47 years respectively. The carrying amount of the Group's property, plant and equipment, excluding construction in-progress and the land use rights as at 31 December 2014 are approximately RMB 152,496,000 (2013: RMB 154,565,000) and RMB 49,606,000 (2013: RMB 50,159,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation/amortisation charges could be revised.

Carrying amount of prepaid know-how

Management has assessed at the statements of financial position date whether there is any objective evidence that the prepaid know-how may be impaired. Allowances are applied whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such indication exists, the recoverable amount (i.e. higher of the fair value less costs to sell and value-in-use) of the assets is estimated to determine the impairment loss.

Management has assessed the recoverable amount of the prepaid know-how based on value-in-use calculation. Management made on estimate of a number of factors, which include, expected future sales volume, expected sales receipts, expected future operating costs and also to choose a suitable pre-tax discount rate in order to calculate the present value of those cash flows. These estimates are determined by the Group's management based on their experience and assessment on current and future market conditions. Management estimates discount rate using pre-tax rate that reflects current market assessments of the time value of money and the risk specific to these assets. Expected cash flow are based on past experience and expectation of future changes in the market. The Group prepares a five year cash flow forecasts using pre-tax discount rate of 8.2% (2013:8.2%) based on the Group's expected returns and growth rate ranging from 5% to 10% for the prepaid know-how. The carrying amount of the prepaid know-how as at 31 December 2014 is approximately RMB8,500,000 (2013: RMB8,500,000).

A 5% increase or decrease in the estimated growth rate and discount rate used would not result in a recoverable amount lower than the carrying amount of the prepaid know-how.

3 Critical accounting judgements and key sources of estimation uncertainty

(a) *Key sources of estimation uncertainty*

Carrying amount of non-financial assets – property, plant & equipment and land use rights

As at 31 December 2014, the carrying amount of the Group's property, plant and equipment and land use rights amounted to RMB 152,496,000 (2013: RMB 155,237,000) and RMB 49,606,000 (2013: RMB 50,159,000) respectively.

The recoverable amounts of the property, plant and equipment and land use rights can be affected by factors which are largely beyond the control of the Group, for example; stability of the industry and market demand; technical, technological, commercial and other types of obsolescence; actions by competitors or potential competitors; and changes in the legal and other regulatory framework. Management is of the view that the incremental economic benefit of the Group's property, plant and equipment and the land use rights is not less than their carrying amounts.

No impairment loss of the Group's property, plant and equipment and land use rights has been recognised for the financial years ended 31 December 2014 and 31 December 2013. A 5% increase or decrease in the estimated growth rate and discount rate used would not result in a recoverable amount lower than the carrying amount of the property, plant & equipment.

Impairment of investment in subsidiaries

As at 31 December 2014, the carrying amount of the Company's investments in subsidiaries amounted to RMB 138,458,000 (2013: RMB 139,239,000). Included in the Company's investments in subsidiaries is the Company's investment in Ziwo (Fujian) Import & Export Trading Co., Ltd amounting to RMB 8,459,000 (2013: RMB 9,239,000).

An impairment loss of RMB 1,720,000 (2013: RMB 939,000) was recognised as at 31 December 2014 to write down this subsidiary to its recoverable amount. The estimates of the recoverable amount of the investment have been determined by management based on the net realisable value of the net assets of this subsidiary as at 31 December 2014, which approximates the recoverable amount of the investment in this subsidiary. The impairment loss had no impact on the Group's consolidated financial statements.

Allowance for obsolescence of inventory

Reviews are made periodically by management on inventories for excess inventories, obsolescence and decline in net realisable value below cost. Allowances are recorded against the inventories for any such declines based on historical obsolescence and slow-moving experiences.

During the financial year ended 31 December 2014, the Group recognised allowance for obsolescence of inventory of approximately RMB 405,000 (2013: reversal of allowance for obsolescence of inventory of RMB 237,000). The carrying amount of inventories of the Group as at 31 December 2014 was RMB 13,422,000 (2013: RMB 15,662,000) (Note 12).

3 Critical accounting judgements and key sources of estimation uncertainty (cont'd)

(a) *Key sources of estimation uncertainty (cont'd)*

Impairment of trade and other receivables

Allowance for impairment of trade and other receivables are based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgment and estimates. Where the expected outcome is different from the original estimate, such difference will impact the carrying value of trade and other receivables and allowance for impairment loss in the period in which such estimate has been changed. During the financial year ended 31 December 2014, the Group recognised allowances for impairment of trade and other receivables of approximately RMB 98,000 (2013: RMB1,387,000). The carrying amount of trade and other receivables of the Group as at 31 December 2014 is approximately RMB 181,334,000 (2013: RMB 74,343,000) (Note 13).

Income tax

The Group has exposure to income taxes arising from their operations in the PRC. Significant judgment is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues 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 recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group has recognised income tax expense of approximately RMB 4,531,000 (2013: RMB 3,257,000) for the financial year ended 31 December 2014. The carrying amounts of the Group's current income tax liabilities and deferred tax liabilities as at 31 December 2014 are approximately RMB 1,881,000 (2013: RMB 1,613,000) and RMB 2,291,000 (2013: RMB 2,291,000) respectively.

4 Revenue

	Group	
	2014	2013
	RMB'000	RMB'000
Sale of goods	**186,284**	197,080

5 Other Income

	Group	
	2014	2013
	RMB'000	RMB'000
Sale of scrap materials	**598**	956
Interest income	**731**	740
Allowance for obsolescence of inventory written back	**–**	237
Others	**–**	75
	1,329	2,008

6 Profit before Taxation

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

	Group	
	2014	2013
	RMB'000	RMB'000
Included in cost of sales:		
- cost of inventories sold	**119,117**	132,650
- depreciation of property, plant and equipment	**8,958**	8,599
Included in selling and distribution expenses:		
- depreciation of property, plant and equipment	**234**	248
- other research and development expenses	**2,317**	2,507
- operating lease expense	**84**	84
- customer loyalty rebates	**–**	1,034
- transportation fees	**2,911**	2,392
Included in administrative expenses:		
- depreciation of property, plant and equipment	**1,975**	549
- amortisation of land use rights	**553**	134
- audit fees - Company's auditors	**603**	495
- audit fees - Other auditors	**139**	150
- fees paid to director's related firms	**116**	33
Included in other operating expenses:		
- loss on disposal of property, plant and equipment	**–**	3
- allowance for impairment loss of trade and other receivables	**98**	1,387
- allowance for obsolescence of inventories	**405**	–
- product defect claims	**–**	1,398
Staff costs (including directors' remuneration):		
- Directors' fees	**602**	614
- Directors' remuneration and defined contribution plan	**1,353**	1,481
- Key management personnel (other than directors):		
- salaries	**693**	1,328
- Other than directors and key management personnel:		
- salaries and defined contribution plan	**14,919**	14,973

6 Profit before Taxation (cont'd)

There were no non-audit fees paid to the Company's external auditors for the financial years ended 31 December 2014 and 31 December 2013.

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

7 Income Tax Expense

	Group	
	2014	2013
	RMB'000	RMB'000
Current income tax on profit arising from operations in the PRC	**4,237**	3,015
Underprovision of income tax in prior financial year	**294**	242
	4,531	3,257

Pursuant to the new PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007, dividends declared by the PRC subsidiary to parent companies incorporated outside the PRC are subjected to withholding tax of 5% to 10%. In accordance with Caishui (2008) No.1 issued by State Tax Authorities, undistributed profits from the PRC subsidiary up to 31 December 2007 will be exempted from withholding tax when they are distributed in the future.

The Group is liable to withholding tax on dividends distributed from the Group's PRC subsidiary in respect of their profits generated on or after 1 January 2008. Deferred tax liability that has been recognised amounted to approximately RMB 2,291,000 (2013: RMB 2,291,000) (see Note 18).

The Group has no intention to declare profit for the year ended 31 December 2014, accordingly no deferred tax liability has been recognised for current year profit.

A reconciliation between the income tax expense and the product of accounting profit multiplied by the applicable tax rate in each jurisdiction the Group operates for the financial year ended 31 December were as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Profit before income tax	**10,664**	7,888
Tax at applicable income tax rate	**2,666**	2,188
Non-deductible expenses	**168**	693
Non-taxable income	**–**	(206)
Effect of unutilised tax losses not recognised as deferred tax assets	**1,155**	49
Effect of different tax rate	**248**	291
Underprovision of income tax in prior financial year	**294**	242
	4,531	3,257

7 Income Tax Expense (cont'd)

The PRC subsidiaries are taxed on 25% (2013: 25%) for the financial year ended 31 December 2014. The corporate income tax rate applicable to the Company is 17% (2013: 17%) for the financial year ended 31 December 2014.

Subject to agreement with the relevant tax authorities, a subsidiary of the Group, Ziwo (Fujian) Import and Export Trading Co., Ltd has unutilised tax losses of approximately RMB 1,702,000 (2013: RMB 775,000) which are available for offset against future taxable profits provided that the provisions of the PRC tax legislation are complied with. The related deferred tax benefits of RMB 426,000 (2013: RMB 194,000) arising from the unutilised tax losses have not been recognised in the financial statements in accordance with Note 2(n) to the financial statements.

8 Earnings per Share

	Group	
	2014	2013
Net profit for the financial year attributable to equity holders of the Company (RMB'000)	**6,133**	4,631
Weighted average number of ordinary shares in issue during the financial year for the computation of basic earnings per share and diluted earnings per share	**339,155,968**	299,014,320
Basic and diluted earnings per share (RMB cents)	**1.81**	1.55

(a) Basic earnings per share

Basic earnings per share is calculated on the Group's net profit for the financial year attributable to equity holders of the Company divided by the weighted average number of ordinary shares in issue during the financial year.

(b) Diluted earnings per share

The Group did not have any dilutive potential shares for the financial year ended 31 December 2014 and 2013.

9 Land Use Rights

	Land use rights RMB'000
Group	
Cost	
At 1 January 2013, 31 December 2013 and 31 December 2014	51,390
Accumulated amortisation	
At 1 January 2013	1,097
Amortisation charge	134
At 31 December 2013	1,231
Amortisation charge	553
At 31 December 2014	1,784
Net book value	
At 31 December 2014	49,606
At 31 December 2013	50,159

The Group has land use rights over certain plots of land in the PRC. The land use rights are not transferable and have a remaining tenure of 40 to 46 years (2013: 41 to 47 years) as at 31 December 2014.

The land use rights were acquired in prior years under the name of the subsidiaries - Zhihe (Fujian) Technology Co., Ltd. and Quanzhou Yixiang Textile Co., Ltd., and are located at Western Section, Qingmeng Zone, Economy and Technology Development Zone, Quanzhou City, Fujian Province, the PRC respectively.

10 Property, Plant and Equipment

	Building	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Construction in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group						
Cost						
At 1 January 2013	30,894	122,285	717	2,365	39,422	195,683
Additions	–	318	–	–	9,577	9,895
Disposal	–	–	–	(38)	–	(38)
Transfer	48,327	–	–	–	(48,327)	–
Written off	–	(499)	–	–	–	(499)
At 31 December 2013	79,221	122,104	717	2,327	672	205,041
Additions	410	7,940	12	64	–	8,426
Transfer	672	–	–	–	(672)	–
At 31 December 2014	80,303	130,044	729	2,391	–	213,467
Accumulated depreciation						
At 1 January 2013	7,363	32,116	481	981	–	40,941
Depreciation charge	1,279	7,601	70	446	–	9,396
Disposal	–	–	–	(34)	–	(34)
Written off	–	(499)	–	–	–	(499)
At 31 December 2013	8,642	39,218	551	1,393	–	49,804
Depreciation charge	2,867	7,826	53	421	–	11,167
At 31 December 2014	11,509	47,044	604	1,814	–	60,971
Net book value						
As at 31 December 2014	68,794	83,000	125	577	–	152,496
As at 31 December 2013	70,579	82,886	166	934	672	155,237

Construction-in-progress is transferred to "Building" or "Plant and machinery" when completed.

All property, plant and equipment held by the Group are located in the PRC.

The Company does not have any property, plant and equipment as at 31 December 2014 and 2013.

11 Subsidiaries

	Company	
	2014	2013
	RMB'000	RMB'000
Unquoted equity investments, at cost	**140,178**	140,178
Impairment losses (Note 3)	**(1,720)**	(939)
	138,458	139,239

Details of the Company's subsidiaries as at 31 December 2014 are as follows:

Name of subsidiary	**Place of incorporation and operation**	**Principal activities**	**Percentage of equity held**	
			2014	**2013**
			%	**%**
Directly held:				
Zhihe (Fujian) Technology Co., Ltd. [1]	PRC	Research and development, manufacture and sale of 30D terylene filament yarn, sandwich mesh fabric, SBR and other foamed materials	100	100
Ziwo (Fujian) Import & Export Trading Co., Ltd. [2]	PRC	Trading in foamed materials, textile, sports and sports accessories, garments and footwears	100	100
Indirectly held by Zhihe (Fujian) Technology Co., Ltd.:				
Quanzhou Yixiang Textile Co., Ltd. [3]	PRC	Dormant company	100	100

All above subsidiaries are audited by RT LLP, Singapore for the purpose of the consolidated financial statements of the Group.

[1] Audited by Xiamen Liangcheng Certified Public Accountants Co., Ltd. for statutory purposes and RT LLP for the purpose of expressing an opinion on the consolidated financial statements.

[2] Audited by Xiamen Liangcheng Certified Public Accountants Co., Ltd. for statutory purposes and RT LLP for the purpose of expressing an opinion on the consolidated financial statements.

[3] Audited by Xiamen Liangcheng Certified Public Accountants Co., Ltd. for statutory purposes and RT LLP for the purpose of expressing an opinion on the consolidated financial statements.

12 Inventories

	Group	
	2014	2013
	RMB'000	RMB'000
At cost;		
Raw materials	**3,517**	3,983
Work-in-progress	**488**	529
Finished goods	**8,665**	10,804
	12,670	15,316
At net realisable value;		
Finished goods	**752**	346
	13,422	15,662

13 Trade and Other Receivables

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables	**78,893**	73,476	**–**	–
Other receivables	**102,031**	691	**–**	–
Advances to suppliers	**410**	176	**–**	–
Amount due from subsidiary	**–**	–	**53,882**	25,000
	181,334	74,343	**53,882**	25,000

Trade receivables have credit terms of between 30 to 90 days.

Included in other receivables is an amount of refundable deposit of RMB 100,000,000 (2013: Nil) for an investment and it has been fully recovered on 4th January 2015.

Advance payment made to suppliers for the purchase of goods.

Dividend receivable amounting to RMB 25,000,000 (2013: RMB 25,000,000)

14 Other Current Assets

	Group	
	2014	2013
	RMB'000	RMB'000
Prepayments	**8,677**	8,670

Included in prepayments are advance payments for the purchase of know-how amounting to RMB 8,500,000 (2013: RMB 8,500,000).

15 Cash and Cash Equivalents

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash on hand	**93**	77	**–**	–
Cash at bank	**133,268**	195,668	**61**	25
Cash and cash equivalents	**133,361**	195,745	**61**	25

The cash at bank bears effective interest rate from 0.38% to 0.50% (2013: 0.38% to 0.50%) per annum during the financial year.

Included in the cash and cash equivalents are currency denominated in Renminbi amounting to approximately RMB 133,300,000 (2013: RMB 195,719,000) held by the PRC subsidiaries, which are not freely remissible for use by the Company because of currency exchange restrictions.

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
United States dollar	**18**	18	**18**	17
Singapore dollar	**43**	8	**43**	8
Renminbi	**133,300**	195,719	**–**	–
	133,361	195,745	**61**	25

16 Share Capital

	Group and Company			
	2014		2013	
	Number of shares	**Share Capital RMB'000**	Number of shares	Share Capital RMB'000
Balance at beginning of the year	**299,014,320**	**149,593**	299,014,320	149,593
Issue of shares	**59,802,864**	**33,675**	–	–
Balance at end of the year	**358,817,184**	**183,268**	299,014,320	149,593

The Company has on 29 April 2014 entered into a conditional subscription agreement with Mr Hong Jianchun and Mr Hoi Cheng Pan (the "Subscribers") pursuant to which the Company has agreed to allot and issue an aggregate of 59,802,864 new ordinary shares in the capital of the Company ("Subscription Shares") to the Subscribers. With the issuance of the new shares, total number of ordinary shares stands at 358,817,184 as at 31 December 2014 and share capital has been raised to RMB 183,268,312.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction at general meetings of the Company and rank equally with regard to the Company's residual assets.

17 Statutory Reserve

In accordance with the relevant laws and regulations of the PRC, the subsidiary of the Group established in the PRC are required to transfer 10% of its annual statutory net profit (after offsetting any prior years' losses) to the statutory reserve. When the balance of such reserve reaches 50% of the subsidiary's share capital, any further transfer of its annual statutory net profit is optional. Such reserve may be used to offset accumulated losses or to increase the registered capital of the subsidiary subject to the approval of the relevant authorities. However, except for offsetting prior years' losses, such statutory reserve must be maintained at a minimum of 25% of the share capital after such usage. The statutory reserve is not available for dividend distribution to the shareholders.

18 Deferred Tax Liabilities

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Balance at beginning and end of financial year	**2,291**	2,291	**1,240**	1,240

Deferred tax liabilities of the Group and the Company comprise of withholding tax that may arise on the undistributed profits of the PRC subsidiary generated on or after 1 January 2008.

19 Trade and Other Payables

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables	**566**	96	**–**	–
Other payables	**2,940**	4,058	**1,772**	3,088
Amount due to a subsidiary	**–**	–	**12,082**	12,082
Amount due to a director	**737**	1,083	**737**	1,083
Accrued operating expenses	**9,873**	9,875	**–**	–
	14,116	15,112	**14,591**	16,253

Trade payables generally have credit terms ranging from 30 days to 90 days.

20 Commitments

(a) Operating Lease Commitments

The Group leases office premises from non-related parties under an operating lease agreement. The operating lease payments are negotiated for a term of two years with renewable option. The future minimum lease payables under operating lease contracted for at the reporting period but not recognised as liabilities are as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Within one year	**14**	70
Between one to five years	**70**	–
	84	70

21 Segments Information

Management determines the operating segments, which represents product category, based on reports reviewed and used for strategic decisions by the Group's chief operating decision maker. The Group's operating segments are organised into three main product segments:

- 30D terylene filament yarn
- Sandwich mesh fabric
- SBR and other foamed material

Other operation of the Group comprises investment holding which does not constitute a separately reportable segment. As the business of the Group is engaged primarily in the PRC, no reporting by geographical location of operations is presented to the management.

Unallocated costs represent corporate expenses including central administrative expenses, transportation, entertainment and research and development expenses. Segment assets consist primarily of property, plant and equipment, land use rights, trade receivables and inventories. Segment liabilities comprise primarily trade payables and exclude income tax payable and other payables. Capital expenditures comprise additions to property, plant and equipment.

21 Segments Information (cont'd)

	30D Terylene filament yarn		Sandwich mesh fabric and others		SBR and other foamed material		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue								
External sales	**48,971**	57,198	**27,213**	27,708	**110,100**	112,174	**186,284**	197,080
Segment results	**5,919**	2,051	**5,330**	4,496	**22,269**	24,114	**33,518**	30,661
Interest income							**731**	740
Other income							**599**	1,268
Unallocated expense							**(24,184)**	(24,781)
Profit before taxation							**10,664**	7,888
Income tax expense							**(4,531)**	(3,257)
Profit after tax							**6,133**	4,631
Other information								
Capital expenditure	**–**	–	**376**	–	**7,965**	318	**8,341**	318
Depreciation of property, plant and equipment	**3,912**	3,509	**699**	619	**5,612**	4,425	**10,223**	8,553
Amortisation of land use rights	**31**	43	**24**	12	**107**	79	**162**	134
(Write-back)/allowance for impairment loss of trade receivables	**–**	(36)	**–**	(327)	**98**	1,750	**98**	1,387
Unallocated:								
Capital expenditure							**85**	9,577
Depreciation of property, plant and equipment							**944**	843
Amortisation of land use rights							**391**	–
Segment assets	**86,218**	92,116	**34,071**	27,499	**137,837**	113,491	**258,126**	233,106
Property, plant and equipment	**53,415**	57,971	**9,541**	10,236	**76,629**	73,117	**139,585**	141,324
Land use rights	**6,191**	1,412	**4,643**	1,059	**16,638**	2,119	**27,472**	4,590
Inventories	**3,390**	3,357	**2,937**	3,846	**5,849**	6,512	**12,176**	13,715
Trade receivables	**23,222**	29,376	**16,950**	12,358	**38,721**	31,743	**78,893**	73,477
Unallocated corporate assets:								
Other current assets							**8,677**	8,670
Cash and cash equivalents							**133,361**	195,745
Other receivables							**102,441**	867
Inventories							**1,246**	1,947
Land use rights							**22,134**	45,569
Property, plant and equipment							**12,911**	13,913
Total assets							**538,896**	499,816
Segment liabilities	**–**	33	**–**	–	**566**	63	**566**	96
Unallocated corporate liabilities								
Income tax payable							**1,881**	1,613
Other payables							**13,550**	15,016
Deferred tax liabilities							**2,291**	2,291
Total liabilities							**18,288**	19,016

21 Segments Information (cont'd)

The revenue from external sales reported to the management is measured in a manner consistent with that in the statement of comprehensive income. No single individual customer contributed significantly to the Group's revenue.

Management assesses the performance of the operating segments based on segment results. Segment result represents the profit earned by each segment without allocation of central administrative expenses, transportation, entertainment cost and research and development expenses. This is the measure reported to the management for the purposes of resource allocation and assessment of segment performance.

The amounts provided to the management with respect to total assets are measured in a manner consistent with that of the statements of financial position. For the purposes of monitoring segment performance and allocating resources between segments, management monitors the property, plant and equipment, land use rights, trade receivables and inventories attributable to each segment. All assets are allocated to reportable segments other than other current assets, cash and cash equivalents, other receivables, certain property, plant and equipment and consumables.

	Group	
	2014	2013
	RMB'000	RMB'000
Segment assets		
Unallocated:		
Other current assets	**8,677**	8,670
Cash and cash equivalents	**133,361**	195,745
Other receivables	**102,441**	867
Inventories	**1,246**	1,946
Land use rights	**22,134**	45,569
Property, plant and equipment	**12,911**	13,913
	280,770	266,710

The amounts provided to the management with respect to total liabilities are measured in a manner consistent with that of the statements of financial position. These liabilities are allocated based on the operations of the segment. All liabilities are allocated to the reportable segments other than income tax payable and other payables.

	Group	
	2014	2013
	RMB'000	RMB'000
Segment liabilities		
Unallocated:		
Income tax payable	**1,881**	1,613
Other payables	**13,550**	15,016
Deferred tax liabilities	**2,291**	2,291
	17,722	18,920

22 Significant Related Party Transactions

In addition to the transactions and balances and information disclosed elsewhere in the financial statements, the Group had no other transactions with related parties.

23 Financial Risk Management

The Group and the Company's activities expose it to market risk, credit risk and liquidity risk. The Group's and the Company's overall risk management strategy, which remain unchanged from prior years, seeks to minimise adverse effects from the unpredictability of financial markets on the Group's and the Company's financial performance.

The Board of Directors provides guidance for overall risk management as well as policies covering specific areas. Management analyses and formulates measures to manage the Group's and the Company's exposure to financial risk in accordance with the objectives and underlying principles approved by the Board of Directors. Generally, the Group employs a conservative strategy regarding its risk management. As the Group's and the Company's exposures to market risk and financial risk are kept at a minimum level, the Group and the Company have not used any derivatives or other financial instruments for hedging purposes. The Group and the Company do not hold or issue derivative financial instruments for trading purposes.

(i) Market risk – currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Group has currency exposures arising from balances that are denominated in a currency other than the functional currency, primarily Singapore Dollar ("SGD") and United States Dollar ("USD"). The Company has currency exposures arising from balances that denominated in a currency other than the functional currency, primarily SGD and USD.

The Group's currency exposure for the financial year ended 31 December 2014 arises from the cash and cash equivalents and trade and other payables which are denominated in SGD and USD. The currency exposures of the net financial (liabilities)/assets denominated in SGD and USD are approximately (RMB 1,729,000) and RMB 18,000 respectively (2013: (RMB 3,080,000) and (RMB 185,000) respectively).

Sensitivity analysis for currency risk

A 5% strengthening of RMB against the SGD and USD would not be expected to be material to the Group and Company's profit before tax.

(ii) Market risk – interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group and the Company's exposure to changes in interest rates relates mainly to interest-bearing bank balances and the exposure is not significant. Therefore no sensitivity analysis is presented.

23 Financial Risk Management (cont'd)

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty fails to meet its contractual obligations. Credit risk of the Group arises primarily from the Group's trade receivables.

The Group's exposure to credit risks is restricted by credit limits that are approved by the general manager. The Group typically allows the existing customers credit terms of up to 3 months. In deciding whether credit shall be extended, the Group will take into consideration factors such as the relationship with the customer, its payment history and credit worthiness. In relation to new customers, the sales and marketing department will prepare credit proposals for approval by the general manager.

The Group performs on-going credit evaluation of its customers' financial position. The concentration of credit risk from the Group's trade receivables is 18% (2013: 21%), comprising 5 (2013: 5) customers as at 31 December 2014.

As the Group does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position.

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

Bank deposits are mainly deposits with reputable banks. Trade receivables are mainly customers of good credit- standing.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired amounting to approximately RMB 40,172,000 (2013: RMB 42,657,000) are creditworthy companies with good payment record with the Group. Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit ratings and no history of default.

Financial assets that are past due but not impaired

There is no other class of financial assets that is past due but not impaired except for trade and other receivables as disclosed below.

The age analysis of trade and other receivables past due at the statements of financial position date but not impaired is as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Past due within 30 days	**13,717**	10,586
Past due 31 to 90 days	**14,623**	12,358
Past due over 90 days	**257**	8,742
	28,597	31,686

23 Financial Risk Management (cont'd)

(iii) Credit risk (cont'd)

Trade receivables disclosed above are past due at the end of the reporting period but against which the Group has not recognised an allowance for impairment losses because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

The carrying amount of trade and other receivables individually determined to be impaired at the statements of financial position date and the movement in the related allowance for impairment is as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Trade and other receivables-nominal amounts	**1,310**	4,618
Less: Allowance for impairment	**(1,310)**	(4,618)
	–	–
Movement in allowance accounts:		
As at beginning of the year	**4,618**	3,231
(Written off)/charge for the year	**(3,308)**	1,387
As at end of the year	**1,310**	4,618

The impaired trade receivable arose from long outstanding amounts due from customers which remained unpaid as at the statements of financial position date and accordingly there are significant uncertainties over the recovery of these amounts due from these customers.

The Company's exposure to credit risk arises largely from the amount due from subsidiary as disclosed in Note 13.

(iv) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The financial liabilities of the Group and the Company are expected to mature within one year and the contractual undiscounted cash flows of the financial liabilities approximate their carrying amounts. Hence, the maturity profile of financial liabilities is not disclosed.

24 Fair Value of Financial Instruments

The carrying amount of financial assets and liabilities with a maturity of less than one year is assumed to approximate their fair values. The Group and the Company do not anticipate that the carrying amounts recorded at financial position date would be significantly different from the values that would eventually be received or settled.

At the reporting period, the Group and the Company do not have any other financial instruments carried at fair value.

25 Capital Management

The Group's objectives when managing capital are:

(a) To safeguard the Group's ability to continue as a going concern;

(b) To support the Group's stability and growth;

(c) To provide capital for the purpose of strengthening the Company's risk management capability; and

(d) To provide an adequate return to shareholders.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

There were no changes in the Group's approach to capital management during the financial year.

As disclosed in Note 17, the Group's subsidiaries in the PRC are required to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the relevant subsidiaries for the financial years ended 31 December 2014 and 2013. The Group is not subject to any other externally imposed capital requirement for the financial years ended 31 December 2014 and 2013.

The Group monitors capital using a net debt-to-equity ratio, which is net debt divided by total equity. The Group includes within net debt, trade and other payables less cash and cash equivalents. Capital includes equity attributable to the equity holders of the Company.

	Group	
	2014	2013
	RMB'000	RMB'000
Trade and other payables	**14,116**	15,112
Less: Cash and cash equivalents (Note 15)	**(133,361)**	(195,745)
Net debt	**(119,245)**	(180,633)
Equity attributable to owners of the Company	**520,608**	480,800

As the Group is in a net cash position as at 31 December 2014 and 31 December 2013, the disclosure on net debt-to-equity ratio is not meaningful.

26 Subsequent event after the financial year

Pursuant to the Board Resolution and approved Circular to Shareholders dated on 24 April 2014, a share award scheme to be known as the Ziwo Share Award Scheme (the "ESAS"), under which awards ("ESAS Awards") of fully-paid ordinary shares in the capital of the Company ("Shares"), their equivalent cash value or combinations thereof will be granted, free of payment, to selected employees of the Company and its subsidiaries, including directors of the Company and its subsidiaries. The Board has also approved the participation in the ESAS by Mr Ting Chun Yuen.

The directors of the Company has authorised to establish and administer the ESAS and to modify and/or amend the ESAS from time to time, provided that such modifications and/or amendments are effected in accordance with the provisions of the ESAS.

The proposed aggregate number of New Shares to be issued pursuant to ESAS Awards granted under the Ziwo ESAS on any date, when added to number of Shares issued and/or issuable under such other share-based incentive schemes of the Company, shall be limited to fifteen per cent (15%) of the total number of issued share capital of the Company on the day preceding that date. 14,900,000 number of shares have been granted at the date of the report.

STATISTICS OF **SHAREHOLDINGS**

As at 17 March 2015

Class of shares	: Ordinary share
No. of shares (excluding treasury shares)	: 358,817,184
Voting rights	: One vote per share

As at 17 March 2015, the Company did not hold any treasury shares.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	0	0.00	0	0.00
100 - 1,000	43	4.07	24,799	0.01
1,001 - 10,000	242	22.90	1,635,800	0.45
10,001 - 1,000,000	743	70.29	54,465,601	15.18
1,000,001 AND ABOVE	29	2.74	302,690,984	84.36
TOTAL	**1,057**	**100.00**	**358,817,184**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	SKY UPRIGHT HOLDINGS LIMITED	153,079,920	42.66
2	PHILLIP SECURITIES PTE LTD	53,132,864	14.81
3	HONG JIANCHUN	11,711,000	3.26
4	LIAO JIAN QIN	10,415,800	2.90
5	GOH MUI JOO	6,220,000	1.73
6	CHUA SOO HUAN LINDA	6,000,000	1.67
7	YONG HENG CHOE	4,781,000	1.33
8	AU-YEUNG TIN WAH	4,760,000	1.33
9	UOB KAY HIAN PRIVATE LIMITED	4,347,600	1.21
10	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	4,301,900	1.20
11	SU YIN MARIE	3,983,000	1.11
12	RAFFLES NOMINEES (PTE) LIMITED	3,900,000	1.09
13	TAY AH KEE	3,800,000	1.06
14	OCBC SECURITIES PRIVATE LIMITED	3,568,300	0.99
15	GOH SOO SIAH	3,361,000	0.94
16	MAYBANK KIM ENG SECURITIES PTE. LTD.	3,167,000	0.88
17	HONG LEONG FINANCE NOMINEES PTE LTD	3,142,700	0.88
18	CHANG LIJUN	2,404,000	0.67
19	TAN SOON ENG	2,350,000	0.65
20	LIM & TAN SECURITIES PTE LTD	2,246,000	0.63
	TOTAL	**290,672,084**	**81.00**

SUBSTANTIAL SHAREHOLDERS AS AT 17 MARCH 2015

(As recorded in the Register of Substantial Shareholders)

		Direct Interest		Deemed Interests	
No.	**Name**	**No. of shares held**	**%**	**No. of shares held**	**%**
1.	Sky Upright Holdings Limited	153,079,920	42.66	–	–
2.	Ting Chun Yuen[1]	850,000	0.24	153,079,920	42.66
3.	Hoi Cheng Pan[2]	–	–	49,802,864	13.88

Notes:

(1) Sky Upright Holdings Limited ("Sky Upright") is an investment-holding company incorporated in British Virgin Islands. It is wholly-owned by Mr Ting Chun Yuen. Mr Ting Chun Yuen is deemed to be interested in all the shares held by Sky Upright.

(2) Mr Hoi Cheng Pan is deemed to be interested in 49,802,864 ordinary shares held under the name of Phillip Securities Pte Ltd.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

As at 17 March 2015, 43.22% 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 which requires 10% of the equity securities (excluding preference shares and convertible equity securities) in a class that is listed to be in the hands of the public.

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Ziwo Holdings Ltd. (the "**Company**") will be held at Suntec Singapore Convention & Exhibition Centre, Meeting Room 306, 1 Raffles Boulevard, Singapore 039593 on Thursday, 30 April 2015 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company and the Group for the financial year ended 31 December 2014 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors of the Company who retire pursuant to Article 91 and Article 97 of the Articles of Association of the Company:

Mr Lim Heng Chong Benny	(Retiring under Article 91)	**(Resolution 2)**
Mr Ngan See Juan	(Retiring under Article 97)	**(Resolution 3)**

   [See Explanatory Note (i)]

3. To approve the payment of Directors' fees of S$125,000 for the financial year ending 31 December 2015, to be paid quarterly in arrears. (2014: S$125,000) **(Resolution 4)**

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

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

AS SPECIAL BUSINESS

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

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

   That pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:

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

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

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares pursuant to any Instrument made or granted by the Directors of the Company while this Resolution was in force,

(the "**Share Issue Mandate**")

provided that:

(1) the aggregate number of shares (including shares to be issued pursuant to the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a *pro rata* basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued shares and Instruments shall be based on the number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of this Resolution; and

(c) any subsequent consolidation or subdivision of shares;

(3) in exercising the Share Issue Mandate 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 Articles of Association of the Company; and

(4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force (i) until the conclusion of the next Annual General Meeting ("**AGM**") of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.
[See Explanatory Note (ii)] **(Resolution 6)**

7. **Authority to grant awards and issue shares under the Ziwo Share Award Scheme**

That pursuant to Section 161 of the Companies Act, Chapter 50, the Directors of the Company be authorised and empowered to offer and grant awards under the Ziwo Share Award Scheme (the "**Award**") and to 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 vesting of share awards under the Award, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Award shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (iii)] **(Resolution 7)**

NOTICE OF
ANNUAL GENERAL MEETING

By Order of the Board

Shirley Tan Sey Liy
Company Secretary

Singapore, 14 April 2015

Explanatory Notes:

(i) Mr Lim Heng Chong Benny will, upon re-election as Director of the Company, remain as Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

Mr Ngan See Juan will, upon re-election as Director of the Company, remain as Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

(ii) Resolution 6, if passed, will empower the Directors of the Company from the date of this AGM until the date of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a pro rata basis to existing shareholders of the Company.

For determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Resolution is passed and any subsequent consolidation or subdivision of shares.

(iii) Resolution 7 above, if passed, will empower the Directors of the Company, from the date of this AGM until the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the vesting of share awards under the Award (for the entire duration of the Award provided that the aggregate additional shares to be issued pursuant to the Award do not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

Notes:

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

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

PERSONAL DATA PRIVACY

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

ZIWO HOLDINGS LTD.

(Company Registration No. 200800853Z)
(Incorporated In the Republic of Singapore)

ANNUAL GENERAL MEETING
PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. For investors who have used their CPF monies to buy Ziwo Holdings Ltd.'s shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

I/We, _____ (Name)

of _____ (Address)

being a member/members of ZIWO HOLDINGS LTD. (the "**Company**"), hereby appoint:

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

and/or (delete as appropriate)

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

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "**Meeting**") of the Company to be held at Suntec Singapore Convention & Exhibition Centre, Meeting Room 306, 1 Raffles Boulevard, Singapore 039593 on Thursday, 30 April 2015 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

No.	**Resolutions relating to:**	**For**	**Against**
	Ordinary Business		
1	Directors' Report and Audited Accounts for the financial year ended 31 December 2014		
2	Re-election of Mr Lim Heng Chong Benny as a Director		
3	Re-election of Mr Ngan See Juan as a Director		
4	Approval of Directors' fees amounting to S$125,000 for the financial year ending 31 December 2015, to be paid quarterly in arrears		
5	Re-appointment of Messrs RT LLP as Auditors and to authorise the Directors of the Company to fix their remuneration		
	Special Business		
6	Authority to allot and issue shares		
7	Authority to grant awards and issue shares under the Ziwo Share Award Scheme		

Dated this _____ day of _____ 2015

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

_____

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder
*Delete where inapplicable

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

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

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

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

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

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

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Singapore Companies Act, Chapter 50.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 14 April 2015.



Ziwo Holdings Ltd.

Company Registration Number: 200800853Z

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Tel: (65) 63278398