CIRCULAR DATED 25 JANUARY 2016

THIS CIRCULAR (AS DEFINED HEREIN) IS IMPORTANT AS IT CONTAINS THE RECOMMENDATION OF THE INDEPENDENT DIRECTORS (AS DEFINED HEREIN) AND THE ADVICE OF XANDAR CAPITAL PTE. LTD. THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

This Circular is issued by Li Heng Chemical Fibre Technologies Limited (the **"Company"**). If you are in any doubt in relation to this Circular or as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

If you have sold or transferred all your Shares (as defined herein), you should immediately hand this Circular to the purchaser or transferee or to the bank, stockbroker or agent through whom you effected the sale or transfer for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, reports contained, opinions expressed or advice given in this Circular.

LI HENG CHEMICAL FIBRE TECHNOLOGIES LIMITED

(Incorporated in Bermuda)
(Company Registration No. 40635)

CIRCULAR TO SHAREHOLDERS

in relation to the

VOLUNTARY UNCONDITIONAL GENERAL OFFER

by

PROVENANCE CAPITAL PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No. 200309056E)

for and on behalf of

PRECIOUS JOY MANAGEMENT LIMITED

(Incorporated in the British Virgin Islands)
(Company Registration No. 1409526)

to acquire all the issued and paid-up ordinary shares in the capital of the Company other than those already owned or controlled by the Offeror (as defined herein) and the parties acting in concert with it.

Independent Financial Adviser to the Independent Directors

XANDAR CAPITAL PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No. 200002789M)

SHAREHOLDERS SHOULD NOTE THAT THE OFFER DOCUMENT (AS DEFINED HEREIN) STATES THAT ACCEPTANCES SHOULD BE RECEIVED BY THE CLOSE OF THE OFFER AT 5.30 P.M. (SINGAPORE TIME) ON 15 FEBRUARY 2016, OR SUCH LATER DATE(S) AS MAY BE ANNOUNCED FROM TIME TO TIME, BY OR ON BEHALF OF THE OFFEROR.

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DEFINITIONS

Except where the context otherwise requires, the following definitions apply throughout this Circular:

GENERAL

"Bermuda Companies Act"	:	The Companies Act of Bermuda 1987
"Board"	:	The Board of Directors of the Company
"Bye-Laws"	:	The bye-laws of the Company
"Circular"	:	This circular to Shareholders in relation to the Offer setting out, *inter alia*, the recommendation of the Independent Directors and the advice of the IFA to the Independent Directors in respect of the Offer
"Closing Date"	:	5:30 p.m. (Singapore time) on 15 February 2016 or such later date(s) as may be announced from time to time by or on behalf of the Offeror, being the last day for the lodgement of acceptances of the Offer
"Code"	:	The Singapore Code on Take-overs and Mergers
"Companies Act"	:	The Companies Act (Chapter 50 of Singapore)
"Company Securities"	:	(a) Shares, (b) securities which carry voting rights in the Company, (c) convertible securities, warrants, options or derivatives in respect of the Shares or securities
"Concert Parties"	:	Parties acting in concert or presumed to be acting in concert with the Offeror in connection with the Offer
"Despatch Date"	:	11 January 2016, being the date of despatch of the Offer Document
"Directors"	:	The directors of the Company as at the Latest Practicable Date
"FAA"	:	Form of Acceptance and Authorisation for Offer Shares which forms part of the Offer Document and which is issued to Shareholders whose Shares are deposited with CDP
"FAT"	:	Form of Acceptance and Transfer for Offer Shares which forms part of the Offer Document and which is issued to Shareholders whose Shares are not deposited with CDP
"FY"	:	Financial year ended or ending, as the case may be, 31 December
"IFA Letter"	:	The letter dated 25 January 2016 from Xandar Capital to the Independent Directors in respect of the Offer as set out in Appendix A to this Circular
"Interested Person"	:	As defined in the Note on Rule 23.12 of the Code, an interested person, in relation to a company, is: (a) a director, chief executive officer, or substantial shareholder of the company;

(b) the immediate family of a director, the chief executive officer, or a substantial shareholder (being an individual) of the company;

(c) the trustees, acting in their capacity as such trustees, of any trust of which a director, the chief executive officer or a substantial shareholder (being an individual) and his immediate family is a beneficiary;

(d) any company in which a director, the chief executive officer or a substantial shareholder (being an individual) together and his immediate family together (directly or indirectly) have an interest of 30% or more;

(e) any company that is the subsidiary, holding company or fellow subsidiary of the substantial shareholder (being a company); or

(f) any company in which a substantial shareholder (being a company) and any of the companies listed in (e) above together (directly or indirectly) have an interest of 30% or more

"Latest Practicable Date"	:	14 January 2016, being the latest practicable date prior to the printing of this Circular
"Listing Manual"	:	The Listing Manual of the SGX-ST
"Market Day"	:	A day on which the SGX-ST is open for trading of securities
"Offer"	:	The voluntary unconditional general offer by Provenance Capital, for and on behalf of the Offeror, to acquire all the Offer Shares on the terms and subject to the conditions set out in the Offer Document, the FAA and the FAT
"Offer Announcement"	:	The announcement issued by Provenance Capital on the Offer Announcement Date, for and on behalf of the Offeror, in relation to the Offer
"Offer Announcement Date"	:	22 December 2015
"Offer Document"	:	The offer document dated 11 January 2016 issued by Provenance Capital, for and on behalf of the Offeror, in respect of the Offer
"Offer Document LPD"	:	31 December 2015, being the latest practicable date prior to the printing of the Offer Document
"Offer Price"	:	S$1.00 in cash for each Offer Share
"Offer Shares"	:	The Shares other than those Shares held, directly or indirectly, by the Offeror and parties acting in concert with it, as at the Offer Announcement Date.
"Offeror Securities"	:	(a) Offeror Shares; (b) securities which carry substantially the same rights as any Offeror Shares; or (c) convertible securities, warrants, options or derivatives in respect of any Offeror Shares or such securities in (b)

"Offeror Shares"	:	Ordinary shares in the capital of the Offeror
"SFA"	:	Securities and Futures Act (Chapter 289 of Singapore)
"Shares"	:	Ordinary shares in the capital of the Company
"Shareholders"	:	Holders of Shares (including persons whose Shares are deposited with CDP or who have purchased Shares on the SGX-ST)
"Valuation Reports"	:	The valuation reports issued by the Valuer dated 19 January 2016
"VWAP"	:	Volume weighted average price
"%" or "per cent."	:	Percentage or per centum
"RMB"	:	Renminbi, being the lawful currency of the People's Republic of China
"S$" and "cents"	:	Singapore Dollars and cents, respectively, being the lawful currency of Singapore

COMPANIES/ORGANISATIONS/PERSONS

"CDP"	:	The Central Depository (Pte) Limited
"Group"	:	The Company and its subsidiaries
"IFA" or "Xandar Capital"	:	Xandar Capital Pte. Ltd., the independent financial adviser to the Independent Directors in respect of the Offer
"Independent Directors"	:	The directors of the Company who are considered independent for the purpose of the Offer
"Offeror"	:	Precious Joy Management Limited
"Provenance Capital"	:	Provenance Capital Pte. Ltd.
"Share Transfer Agent"	:	Boardroom Corporate & Advisory Services Pte. Ltd., the Singapore share transfer agent of the Company
"SGX-ST"	:	Singapore Exchange Securities Trading Limited
"SIC"	:	Securities Industry Council of Singapore
"Valuer"	:	CBRE Limited

Acting in Concert, Associates. Unless otherwise defined, the expressions "**acting in concert**" and "**associates**" shall have the meanings given to them respectively in the Code.

Depositors. The terms "**Depositor**" and "**Depository Register**" shall have the meanings ascribed to them respectively in the SFA.

Genders. Words importing the singular shall, where applicable, include the plural and vice versa. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall, where applicable, include corporations.

Headings. The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Subsidiary. The expression "**subsidiary**" shall have the meaning given to it in the Companies Act.

Rounding. Any discrepancies in the figures in this Circular and between the listed amounts and the total thereof are due to rounding. Accordingly, any figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them.

Shareholders. References to "**you**", "**your**" and "**yours**" in this Circular are, as the context so determines, to Shareholders.

Statutes. Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Bermuda Companies Act, the Companies Act, the Code, the Listing Manual or any statutory modification thereof and not otherwise defined in this Circular shall, where applicable, have the meaning assigned to it under the Bermuda Companies Act, the Companies Act, the Code, the Listing Manual or any statutory modification thereof, as the case may be, unless the context otherwise requires.

Time and Date. Any reference to a time of day and date in this Circular shall be a reference to Singapore time and date respectively, unless otherwise stated.

Total number of Issued Shares. Unless otherwise stated, references in this Circular to the total number of issued Shares are based on 339,999,993 Shares as at the Latest Practicable Date.

Capitalised terms used in extracts of the Offer Document shall have the same meanings as ascribed to them in the Offer Document.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “aim”, “seek”, “expect”, “anticipate”, “estimate”, “believe”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future or conditional verbs such as “will”, “would”, “should”, “could”, “may” and “might”. These statements reflect the Company’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders and investors should not place undue reliance on such forward-looking statements, and neither the Company nor the IFA undertakes any obligation to update publicly or revise any forward-looking statement, subject to compliance with all applicable laws and regulations and/or rules of the SGX-ST and/or any other regulatory or supervisory body or agency.

INDICATIVE TIMETABLE

Despatch Date of Offer Document	:	11 January 2016
Date of despatch of Circular	:	25 January 2016
Closing Date	:	5.30 p.m. (Singapore time) on 15 February 2016, or such later date(s) as may be announced from time to time, by or on behalf of the Offeror.
Date of settlement of consideration for valid acceptances of the Offer	:	Within 10 days after receipt of acceptances of the Offer which are complete and valid in all respects.

LI HENG CHEMICAL FIBRE TECHNOLOGIES LIMITED

(Incorporated in Bermuda)
(Company Registration No. 40635)

LETTER TO THE SHAREHOLDERS FROM THE BOARD OF DIRECTORS

Board of Directors:
Mr. Chen Jianlong (Executive Chairman)
Mr. Chen Feng (Executive Director and Chief Executive Officer)
Mr. Chen Siren (Executive Director)
Mr. Chen Zengfu (Executive Director)
Mr. Liu Qiguan (Executive Director)
Mr. Tan Siok Sing (Lead Independent Non-Executive Director)
Mr. Ko Wai Lun Warren (Independent Non-Executive Director)
Mr. Ho Teck Cheong (Independent Non-Executive Director)

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

25 January 2016

To: The Shareholders of the Company

Dear Sir/Madam

VOLUNTARY UNCONDITIONAL GENERAL OFFER BY PROVENANCE CAPITAL, FOR AND ON BEHALF OF THE OFFEROR, TO ACQUIRE ALL THE ISSUED AND PAID-UP ORDINARY SHARES IN THE CAPITAL OF THE COMPANY, OTHER THAN THOSE ALREADY OWNED OR CONTROLLED BY THE OFFEROR AND THE PARTIES ACTING IN CONCERT WITH IT

1. BACKGROUND

1.1 Offer Announcement

On 22 December 2015, Provenance Capital announced, for and on behalf of the Offeror, that the Offeror intends to make a voluntary unconditional general offer for the Offer Shares in accordance with Section 139 of the Securities and Futures Act and Rule 15 of the Code.

A copy of the Offer Announcement is available on the website of the SGX-ST at www.sgx.com.

1.2 Offer Document

Shareholders should have by now received a copy of the Offer Document setting out, *inter alia*, the terms and conditions of the Offer. The principal terms and conditions of the Offer are set out in Section 2 of the Offer Document. **Shareholders are urged to read the terms and conditions of the Offer contained in the Offer Document carefully.**

A copy of the Offer Document is available on the website of the SGX-ST at www.sgx.com.

1.3 Purpose of this Circular

The purpose of this Circular is to provide Shareholders with relevant information pertaining to the Offer and to set out the recommendation of the Independent Directors and the advice of the IFA to the Independent Directors in respect of the Offer.

Shareholders should consider carefully the recommendation of the Independent Directors and the advice of the IFA to the Independent Directors in respect of the Offer before deciding whether to accept or reject the Offer.

If you are in any doubt about the Offer, you should consult your stockbroker, bank manager, accountant, solicitor, tax adviser or other professional adviser immediately.

2. THE OFFER

2.1 Offer Price

Section 2.1 of the Offer Document states that the consideration for each Offer Share is as follows:

For each Offer Share: S$1.00 in cash ("Offer Price").

The Offeror does not intend to revise the Offer Price, save that the Offeror reserves the right to do so in a competitive situation.

2.2 Offer Shares

Section 2.2 of the Offer Document states that the Offer is extended, on the same terms and conditions, to all the Offer Shares.

The Company had on 22 May 2015 completed its share consolidation exercise, pursuant to which the Company consolidated every five (5) ordinary shares with a par value of S$0.10 each into one (1) ordinary share with a par value of S$0.50 each ("**Consolidated Share**"), fractional entitlements were disregarded. For the purpose of the Offer, the term "**Shares**" shall be taken to refer to the Consolidated Shares and the term "**Offer Shares**" shall be construed accordingly.

2.3 Rights and Encumbrances

Section 2.3 of the Offer Document states that the Offer Shares are to be acquired:

(a) fully paid;

(b) free from all liens, equities, mortgages, charges, pledges, claims, encumbrances, rights of pre-emption and any other third party rights or interests of any nature whatsoever ("**Encumbrances**") and;

(c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto, including but not limited to the right to receive and retain all dividends, rights, returns of capital and other distributions ("**Distributions**") (if any) which may be announced, declared, paid or made by the Company, on or after the Offer Announcement Date.

If any Distributions are announced, declared, paid or made by the Company on or after the Offer Announcement Date, and the Offeror is not entitled to receive such Distributions in full in respect of any Offer Share tendered in acceptance of the Offer, the Offeror reserves the right to reduce the Offer Price payable in respect of such Offer Share by the amount of such Distributions.

2.4 Unconditional General Offer

Section 2.4 of the Offer Document states that **the Offer is unconditional in all respects**.

Shareholders who accept the Offer before the close of the Offer will be paid the Offer Price in cash within 10 days after the receipt by the Offeror of valid and complete acceptances of the Offer.

2.5 Warranty

Section 2.5 of the Offer Document states that acceptance of the Offer will be deemed to constitute an unconditional and irrevocable warranty by the accepting Shareholder that each Offer Share tendered in acceptance of the Offer is sold by the accepting Shareholder, as or on behalf of the beneficial owner(s) thereof, (a) fully paid, (b) free from Encumbrances, and (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto (including the right to receive and retain all Distributions (if any) which may be announced, declared, paid or made thereon by the Company on or after the Offer Announcement Date).

2.6 Duration of the Offer

The duration of the offer is set out in Section 2.6 of the Offer Document which is reproduced in italics below:

"2.6 Duration of the Offer

(a) Closing Date

Except insofar as the Offer may be withdrawn with the consent of the SIC and every person released from any obligation incurred thereunder, the Offer will remain open for acceptances by Shareholders for a period of at least 28 days from the date of posting of this Offer Document.

The Offer will close at 5.30 p.m. (Singapore time) on 15 February 2016 (subject to Rule 22.6 of the Code as described in sub-paragraph (b) below) or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

(b) Offer to Remain Open for 14 Days thereafter

Pursuant to Rule 22.6 of the Code, as the Offer is unconditional in all respects (including as to acceptances), unless the Offeror has stated in this Offer Document that the Offer will not be extended beyond the first closing date, being 15 February 2016 (as described in sub-paragraph (a) above), the Offer must remain open for acceptance for not less than 14 days after the date on which it would otherwise have closed, in order to give those Shareholders who have not accepted the Offer the opportunity to do so.

As the Offeror has not stated in this Offer Document that the Offer will not be extended beyond the first closing date, pursuant to Rule 22.6 of the Code, the Offer will remain open for a period of not less than 14 days after the date on which the Offer would otherwise have closed.

The final closing date of the Offer will be announced by Provenance Capital, for and on behalf of the Offeror, at the appropriate time in accordance with Rule 22.6 of the Code.

(c) Final Day Rule

Pursuant to Rule 22.9 of the Code, the Offer (whether revised or not) will not be capable of becoming or being declared to be unconditional as to acceptances after

5.30 p.m. (Singapore time) on the 60th day after the date of posting of this Offer Document or of being kept open after the expiry of such period, unless it has previously become or been declared to be unconditional as to acceptances, except with the prior approval of the SIC. The SIC will consider granting such permission in circumstances including but not limited to where a competing offer has been announced.

Please note that the Offer is unconditional in all respects.

(d) Subsequent Closing Date

If there is an extension of the Offer, pursuant to Rule 22.4 of the Code, any announcement of an extension of the Offer will state the next closing date or if the Offer is unconditional as to acceptances, a statement may be made that the Offer will remain open until further notice. In the latter case, those Shareholders who have not accepted the Offer will be notified in writing at least 14 days before the Offer is closed."

2.7 Details of the Offer

Further details on (a) the settlement of the consideration for the Offer, (b) the requirements relating to the announcement of the level of acceptances of the Offer, and (c) the right of withdrawal of acceptances of the Offer are set out in Appendix 4 to the Offer Document.

2.8 Procedures for Acceptance

The procedures for acceptance of the Offer are set out in Appendix 5 to the Offer Document and the FAA and/or FAT.

3. IRREVOCABLE UNDERTAKINGS

The irrevocable undertakings received by the Offeror and its Concert Parties to accept or reject the Offer are set out in Section 3 of the Offer Document which is reproduced in italics below:

"3. IRREVOCABLE UNDERTAKINGS

3.1 Irrevocable Undertakings

*Each of the Shareholders in paragraph 3.2 of the Offer Document (collectively, the "**Undertaking Shareholders**") have each acknowledged that they are acting in concert with the Offeror, and have provided the Offeror with irrevocable undertakings ("**Irrevocable Undertakings**") stating that they shall, inter alia: (a) waive their rights to receive the Offer; and (b) not transfer or otherwise dispose of any of their Shares as set out below during the period commencing from the date of the Irrevocable Undertakings and ending on the closing date of the Offer (as may be extended from time to time by or on behalf of the Offeror) or the abortion of the Offer, whichever is applicable.*

3.2 Shareholdings of the Undertaking Shareholders

The shareholdings of the Undertaking Shareholders in the Company are as follows:

Name of Undertaking Shareholder	***No. of Shares***	***Percentage shareholding in the Company (%)***
*Upperwin Investments Limited [(1)] ("**Upperwin**")*	*144,033,600*	*42.363*
*Proud City Management Limited [(2)] ("**Proud City**")*	*35,066,400*	*10.314*

Chen Jianlong [3]	*1,760,000*	*0.518*
*Mingwin Technology Limited [4] ("**Mingwin**")*	*19,040,000*	*5.600*
Wang Lili	*16,985,200*	*4.996*
Li Yi	*16,395,600*	*4.822*
Li Zhaoxin	*14,900,000*	*4.382*
Pan Debiao	*13,415,720*	*3.946*
Li Jia	*12,328,800*	*3.626*
Chen Eryuan	*248,000*	*0.073*
Lin Xueyou	*248,000*	*0.073*
Chen Chuanfei	*248,000*	*0.073*
Gao Tijiang	*246,000*	*0.072*
Chen Yidong	*246,000*	*0.072*
Gao Jinzhi	*240,000*	*0.071*
Total	***275,401,320***	***81.000***

Notes:

(1) Upperwin is an investment holding company incorporated in the British Virgin Islands. It is owned by Chen Jianlong (37.50%), Liu Qiguan (21.88%), Chen Siren (20.31%) and Chen Zengfu (20.31%);

(2) Proud City is an investment holding company incorporated in the British Virgin Islands. It is wholly-owned by Chen Feng;

(3) Chen Jianlong also owns 37.50% of Upperwin. As such, by virtue of Section 4 of the Securities and Futures Act, he is deemed to be interested in the Shares held by Upperwin; and

(4) Mingwin is an investment holding company incorporated in the British Virgin Islands. It is wholly-owned by Pan Zhuangzhi.

3.3 *Save for the Irrevocable Undertakings, as at the date of this Offer Announcement, neither the Offeror nor any party acting in concert with the Offeror has received any irrevocable undertakings from any other party to accept or reject the Offer."*

4. INFORMATION ON THE OFFEROR

The information on the Offeror is set out in Section 4 of the Offer Document which is reproduced in italics below:

"4. INFORMATION ON THE OFFEROR

4.1 *The Offeror is an investment holding company incorporated in the British Virgin Islands on 6 June 2007. The present issued share capital of the Offeror is US$11,000 comprising 11,000 ordinary shares with a par value of US$1.00 each.*

4.2 *The Offeror has been dormant and had not carried on any substantive business since its incorporation other than to enter into arrangements in connection with the Offer including financing arrangements for the purpose of the Offer.*

4.3 *Chen Jianlong is the sole director and the largest shareholder of the Offeror. Chen Jianlong and the other shareholders of the Offeror are the co-founders of the Group and executive directors of the Group.*

4.4 *The shareholders of the Offeror and their percentage shareholdings in the Offeror are as follows:*

Name of shareholder of the Offeror	*No. of shares in the Offeror*	*Percentage shareholding in the Offeror (%)*
(a) Chen Jianlong	3,392	30.84
(b) Chen Feng	2,133	19.39
(c) Liu Qiguan	1,917	17.43
(d) Chen Siren	1,779	16.17
(e) Chen Zengfu	1,779	16.17
Total	**11,000**	**100.00**

Chen Jianlong and Chen Feng are maternal cousins. Liu Qiguan is the husband of Chen Meifang, a paternal cousin of Chen Jianlong. Chen Siren and Chen Zengfu are not related to each other or to Chen Jianlong, Chen Feng and Liu Qiguan.

4.5 *As at the Latest Practicable Date, the Offeror does not hold any Shares. However, parties acting in concert with the Offeror own, in aggregate, 81.0% of the total issued Shares as set out in paragraph 3.2 of this Offer Document.*

Appendix 1 to this Offer Document sets out certain additional information on the Offeror."

5. RATIONALE FOR THE OFFER

The rationale for the Offer is set out in Section 7 of the Offer Document which is reproduced in italics below:

"7. RATIONALE FOR THE OFFER

7.1 Intention to delist and privatise the Company

*The Offeror intends to make the Offer with a view to delist the Company from the SGX-ST and if entitled to under the Companies Act 1981 of Bermuda (as amended) ("**Bermuda Companies Act**"), the Offeror (together with the parties acting in concert with it where appropriate) intends to compulsorily acquire all the Offer Shares, as further elaborated in paragraph 9 of this Offer Document.*

7.2 Opportunity for minority Shareholders to realise their investment in the Shares at a premium

The Offer Price is at a significant premium above the historical market prices of the Shares over the last 12-month period up to the date prior to the Offer Announcement Date. When compared to the historical market prices of the Shares over the 12-month period, the Offer Price represents a premium of approximately 100.8%, 104.5%, 60.3% and 58.7% above the VWAP per Share for the corresponding one (1)-month, three (3)-month, six (6)-month and 12-month periods respectively.

Through the Offer, accepting Shareholders will have an opportunity to realise their investments in the Company for a cash consideration at a significant premium above the historical market share prices, without incurring any brokerage and other trading costs.

7.3 Low trading liquidity of the Shares

The trading liquidity of the Shares has been low as shown in the table below:

Reference period prior to the Offer Announcement Date	***No. of Traded Days (1)***	***No. of Market Days***	***Average daily trading volume (2) ('000)***	***Average daily trading volume as a percentage of total number of issued Shares (3) (%)***
12-month	*182*	*248*	*49*	*0.014*
Six (6)-month	*66*	*125*	*24*	*0.007*
Three (3)-month	*15*	*63*	*4*	*0.001*
One (1)-month	*6*	*21*	*2*	*0.001*

Notes:

(1) traded days refer to the number of days on which the Shares were traded on the SGX-ST during the period;

(2) the average daily trading volume of the Shares is computed based on the total volume of Shares traded on the SGX-ST (excluding off market transactions) during the relevant periods, divided by the number of days when the SGX-ST was open for trading (excluding days with full day trading halts on the Shares) during that period; and

(3) based on the total number of issued Shares of 339,999,993 Shares.

The Offer therefore represents a cash exit opportunity for Shareholders who wish to realise their entire investment in the Shares but find it difficult to do so in the open market due to the low trading liquidity of the Shares.

7.4 Greater management flexibility

The Offeror believes that the privatisation of the Company will provide the Offeror with greater management flexibility to manage and develop the Group's businesses, optimise the use of its resources, and facilitate the implementation of any strategic initiatives and/or operational changes.

7.5 Eliminate compliance costs of listing

As a listed entity, the Company incurs listing, compliance and other related costs associated with the continued listing requirements under the Listing Manual. The privatisation of the Company will eliminate listing related expenses which can be channeled towards its business operations."

6. LISTING STATUS AND COMPULSORY ACQUISITION

The Offeror's intention with regards to the listing status and compulsory acquisition of the Company is set out in Section 8 of the Offer Document which is reproduced in italics below:

"8. LISTING STATUS AND COMPULSORY ACQUISITION

8.1 Listing Status

(a) Suspension of Trading

Under Rule 1105 of the Listing Manual, upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that brings the Shares held by the Offeror and parties acting or deemed to be acting in concert with him to above 90.0% of the Shares excluding treasury shares, the SGX-ST may suspend the listing of the Shares on the SGX-ST until such time when the SGX-ST is satisfied that at least 10.0% of the Shares excluding treasury shares are held by at least 500 shareholders who are members of the public. Under Rule 1303(1) of the Listing Manual, where the Offeror succeeds in garnering acceptances exceeding 90.0% of the Shares excluding treasury shares, thus causing the percentage of Shares excluding treasury shares held in public hands to fall below 10.0%, the SGX-ST will suspend the trading of the Shares only at the close of the Offer.

(b) Free Float

In addition, under Rule 724(1) of the Listing Manual, if the percentage of the total Shares held in public hands falls below 10.0%, the Company must as soon as practicable, announce the fact and the SGX-ST may suspend trading of all the Shares. Rule 724(2) of the Listing Manual states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, to raise the percentage of Shares in public hands to at least 10.0%, failing which the Company may be delisted.

In the event that the trading of the Shares on the SGX-ST is suspended pursuant to Rule 724(1), Rule 1105 or Rule 1303(1) of the Listing Manual, the Offeror does not intend to undertake or support any action for any such trading suspension by the SGX-ST to be lifted. It is the intention of the Offeror to privatise the Company and to delist the Company from the SGX-ST, should the option be available to the Offeror.

8.2 Compulsory Acquisition

*Under Section 103 of the Bermuda Companies Act, holders of not less than 95.0% of the shares in a target Bermuda company (herein referred to as "**Purchasers**") may give notice ("**s103 Acquisition Notice**") to the remaining shareholders of their intention to acquire the remaining shareholders' shares on the terms set out in the s103 Acquisition Notice. When such s103 Acquisition Notice is given, the Purchasers shall be entitled and bound to acquire the shares of the remaining shareholders on the terms set out in the s103 Acquisition Notice unless a remaining shareholder applies to the Court to have the Court appraise the value of such shares.*

Shareholders who are in doubt of their position under the Bermuda Companies Act are advised to seek their own independent legal advice."

Under Section 102 of the Bermuda Companies Act, an offeror who has, within four (4) months after the making of an offer under a scheme or contract:

(i) obtained acceptances from shareholders holding not less than 90% in value of the shares in a target Bermuda company whose transfer is involved (other than shares

already held, at the date of the offer, by the offeror, the offeror's subsidiaries, and nominees of the offeror or its subsidiaries); and

(ii) where, at the date of the offer, shares in the target Bermuda company whose transfer is involved, are already held by the offeror, the offeror's subsidiaries, and nominees of the offeror or its subsidiaries to a value greater than 10% of the total issued shares of the target Bermuda company, such accepting shareholders also represent not less than 75% in number of the holders of shares in the target Bermuda company whose transfer is involved (other than shares already held, at the date of the offer, by the offeror, the offeror's subsidiaries, and nominees of the offeror or its subsidiaries), and further provided that the offeror must have made the offer on the same terms to all holders of the shares whose transfer is involved (other than those already held as aforesaid),

may, at any time within two (2) months beginning from the date on which such threshold is achieved, give notice under Section 102(1) of the Bermuda Companies Act to any dissenting shareholder that the offeror wishes to acquire his shares (the "**Acquisition Notice**"). When such Acquisition Notice is given, upon the expiry of one (1) month from the date on which the notice was given, the offeror will be entitled and bound to acquire those shares on the same terms as the offer, unless an application is made by the dissenting shareholder(s) to the Supreme Court of Bermuda (the "**Court**") within one (1) month from the date on which the notice was given and the Court thinks fit to order otherwise.

Section 102(2) of the Bermuda Companies Act provides that where, pursuant to such a scheme or contract, shares in a target Bermuda company are transferred to an offeror or its nominee, and those shares together with any other shares in the target Bermuda company held by, or by a nominee for, the offeror or its subsidiary comprise 90% in value of the shares in the target Bermuda company, the offeror must within one (1) month from the date of the transfer give notice of that fact to the dissenting shareholder(s) and any such shareholder may within three (3) months from the giving of the notice to him give notice requiring the offeror to acquire its shares. Where a dissenting shareholder gives notice as aforesaid, the offeror will be entitled and bound to acquire the shares on the terms of the earlier offer, or on such terms as may be agreed or as the Court (on the application of either the offeror or the dissenting shareholder) thinks fit to order.

Shareholders who are in doubt of their position under the Bermuda Companies Act are advised to seek their own independent legal advice.

7. THE OFFEROR'S INTENTIONS FOR THE COMPANY

7.1 Offeror's Intentions for the Company

The Offeror's intentions for the Company is set out in Section 9 of the Offer Document which is reproduced in italics below:

"9. THE OFFEROR'S INTENTIONS FOR THE COMPANY

9.1 The Offeror does not intend to preserve the listing status of the Company, and the Offeror (together with the parties acting in concert with it where appropriate) when entitled, intends to exercise its (or their) rights of compulsory acquisition under the Bermuda Companies Act and does not intend to take steps for any trading suspension of the Shares by the SGX-ST to be lifted in the event that, inter alia, less than 10.0% of the Shares are held in public hands. In addition, the Offeror will submit an application to the SGX-ST to seek a voluntary delisting of the Company from the SGX-ST pursuant to the Listing Manual.

9.2 *Although the Offeror has no current intention of (a) making material changes to the Group's existing business, (b) re-deploying the Group's fixed assets, or (c) discontinuing the employment of the employees of the Group, other than in the ordinary course of business, nonetheless, the Offeror retains the flexibility at any time to consider options or opportunities which may present themselves, and which it regards to be in the interests of the Offeror and/or the Company. Following the close of the Offer, the Offeror will conduct a comprehensive review of the operations, management and financial position of the Group, and will evaluate various strategic options following the delisting.*"

On 20 January 2016, Provenance Capital announced on behalf of the Offeror, *inter alia*, that as at 5.00 p.m. (Singapore time) on 19 January 2016, the total number of (A) Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it; and (B) valid acceptances to the Offer, amount to an aggregate of 306,904,891 Shares, representing approximately 90.266% of the total number of issued Shares ("**Relevant Announcement**"). On 20 January 2016, the Company announced, *inter alia*, that based on the information in the Relevant Announcement, the percentage of Shares held by the public[1] as at 20 January 2016 was approximately 9.734% and was therefore less than the requisite 10% of the total number of issued Shares (excluding treasury shares) as required under Rule 723 of the Listing Manual.

Shareholders should note that pursuant to Rule 1303(1) of the Listing Manual, in a take-over situation, where the offeror succeeds in garnering acceptances exceeding 90% of the issuer's total number of issued shares (excluding treasury shares), thus causing the percentage of an issuer's total number of issued shares (excluding treasury shares) held in public hands to fall below 10%, **the SGX-ST will suspend trading of the listed securities of the issuer only at the close of the take-over offer**.

Shareholders should note that Offeror does not intend to take steps for any trading suspension of the Shares by the SGX-ST to be lifted. Further, the Offeror will submit an application to the SGX-ST to seek a voluntary delisting of the Company from the SGX-ST pursuant to the Listing Manual. The Offeror has stated in the Relevant Announcement that it intends to take steps to delist the Company from the SGX-ST following the close of the Offer.

7.2 Implications of Delisting

Shareholders should note that shares of unquoted companies are generally valued at a discount to the shares of comparable listed companies as a result of the lack of marketability. **If the Company is delisted from the Official List of the SGX-ST, it is likely to be difficult for Shareholders who do not accept the Offer to sell their Shares in the absence of a public market for the Shares as there is no arrangement for Shareholders to exit. Even if such Shareholders were able to sell their Shares, they may receive a lower price as compared to the Offer Price and where such transfer or sale of Shares involves a change in the beneficial ownership of those Shares, the prior written consent of (or, depending on the circumstances, notice to) the Bermuda Monetary Authority will be required.**

Shareholders should also note that, under the Code, except with the consent of the SIC, neither the Offeror nor any person acting in concert with it may, within six (6) months of the closure of the Offer, make a second offer to, or acquire any Shares from, any Shareholder on terms better than those made available under the Offer.

As an unquoted company, the Company will no longer be obliged to comply with the listing requirements of the SGX-ST, in particular the continuing corporate disclosure requirements

[1] Under the Listing Manual, "public" comprises Shareholders other than the directors, chief executive officer, substantial shareholders or controlling shareholders of the Company or its subsidiaries, and their respective associates.

under Chapter 7 and Appendices 7.1 to 7.4 of the Listing Manual. Nonetheless, as a company incorporated in Bermuda, the Company will still need to comply with the Bermuda Companies Act, the memorandum of association of the Company and its Bye-Laws, and the interests of Shareholders who do not accept the Offer will be protected to the extent provided for by the Bermuda Companies Act, the memorandum of association of the Company and the Bye-Laws. If the Company is delisted from the Official List of the SGX-ST, each depositor who holds Shares that are deposited with CDP and does not accept the Offer will be entitled to one share certificate representing his delisted Shares. The Singapore Share Transfer Agent will arrange to forward the share certificates to such depositors for their physical safekeeping.

Shareholders who are in doubt of their position should seek independent professional advice.

8. DIRECTORS' INTERESTS

Details of the Directors' including, *inter alia*, the Directors' direct and deemed interests in the Company Securities as at the Latest Practicable Date are set out in Appendix B to this Circular.

9. ADVICE AND RECOMMENDATION IN RELATION TO THE OFFER

9.1 Appointment of Independent Financial Adviser

Xandar Capital has been appointed as the independent financial adviser to the Independent Directors in respect of the Offer.

9.2 Independent Directors

Mr. Tan Siok Sing, Mr. Ko Wai Lun Warren and Mr. Ho Teck Cheong are considered independent for the purposes of making a recommendation to Shareholders in respect of the Offer.

Each of Mr. Chen Jianlong, Mr. Chen Feng, Mr. Liu Qiguan, Mr. Chen Siren and Mr. Chen Zengfu holds an interest in the Offeror Shares in the proportion as set out below. Accordingly, they are each a party presumed to be acting in concert with the Offeror under the Code and would face, or may reasonably be perceived to face, a conflict of interest, that would render each of them inappropriate to join the remainder of the Directors in making a recommendation on the Offer. Pursuant to rulings given by the SIC, each of Mr. Chen Jianlong, Mr. Chen Feng, Mr. Liu Qiguan, Mr. Chen Siren and Mr. Chen Zengfu will be exempted from the requirement of making a recommendation to Shareholders on the Offer. The interests of each of Mr. Chen Jianlong, Mr. Chen Feng, Mr. Liu Qiguan, Mr. Chen Siren and Mr. Chen Zengfu in the Offeror Shares is set out as follows:

(a) Mr. Chen Jianlong holds an interest of approximately 30.84% of the Offeror Shares;

(b) Mr. Chen Feng holds an interest of approximately 19.39% of the Offeror Shares;

(c) Mr. Liu Qiguan holds an interest of approximately 17.43% of the Offeror Shares;

(d) Mr. Chen Siren holds an interest of approximately 16.17% of the Offeror Shares; and

(e) Mr. Chen Zengfu holds an interest of approximately 16.17% of the Offeror Shares

Nonetheless, all the Directors are jointly and severally responsible for the accuracy of facts stated and the completeness of the information given by the Company to Shareholders, including information contained in announcements and documents issued by or on behalf of the Company in connection with the Offer.

Shareholders should read and consider carefully the advice of the IFA to the Independent Directors in respect of the Offer as set out in the IFA Letter and the recommendation of the Independent Directors set out in Section 9.4 below before deciding whether or not to accept the Offer.

9.3 IFA's Advice to the Independent Directors

The advice of the IFA to the Independent Directors in respect of the Offer is set out in the IFA Letter annexed as Appendix A to this Circular.

The opinion and advice of the IFA to the Independent Directors in respect of the Offer is reproduced in italics below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the IFA Letter.

"***8. OUR ADVICE***

Having regard to our terms of reference, in arriving at our opinion, we have taken into account a range of factors which we consider to be pertinent and have a significant bearing on our assessment of the Offer. We have carefully considered as many factors as we deemed essential and balanced them before arriving at our opinion. Accordingly, it is important that our IFA Letter, in particular, all the considerations and information we have taken into account, be read in its entirety.

We have set out below a summary of the factors we have taken into our consideration:

(a) the financial performance of the Group. We noted the Group's declining profitability in FY2014 and 9M2015 arising from decreased market demand and lower average selling prices of nylon yarn products;

(b) the Offer Price represents premiums of 58.7%, 60.3%, 104.5%, 100.8% and 115.1% over the VWAPs for the 12-month, 6-month, 3-month, 1-month periods prior to the Offer Announcement Date and the Last Trading Day respectively;

(c) the Offer Price represents premiums of 0.9% and 0.1% to the VWAPs for (a) the period after the Offer Announcement Date up to the Latest Practicable Date and (b) the Latest Practicable Date, respectively;

(d) the average daily traded volume of the Shares for the 12-month, 6-month, 3-month and 1-month period prior to the Offer Announcement Date was low, representing only 0.035%, 0.017%, 0.003% and 0.001% of the free float, respectively;

(e) the Shares have outperformed the FSSTI for the 1-year period up to the Offer Announcement Date, declining 10.6% as compared to the 14.4% decline in the FSSTI over the same period. For the period from the Offer Announcement Date up till the Latest Practicable Date, the Shares have increased sharply by 114.0% as compared to the 7.2% decline in the FSSTI as a result of the Offer. Although the Shares have generally outperformed the FSSTI for the 1-year period before the Offer Announcement Date up to the Latest Practicable Date, the prices of the Shares have been closing below the Offer Price for the above mentioned period;

(f) the Offer Price represents a discount of 60.0% to the NAV per Share and a discount of 57.3% to the RNAV per Share;

(g) the EV/EBITDA, P/NAV and P/NTA ratios of the Group, based on the Offer Price, are all within the range, but below the mean and median of the Comparable Companies.

However, when compared with the Singapore Comparables, the P/NAV and P/NTA ratios of the Group, based on the Offer Price, are above the P/NAV and P/NTA ratios of the Singapore Comparables;

(h) the premium of the Offer Price over the last transacted price, VWAP for the 1-month, 3-month and 6-month period prior to the Announcement Date, is within the range and significantly higher than the corresponding mean and median premium of Recent Privatisation Transactions;

(i) the ratio of the Offer Price over the NTA of the Shares, is below the range and below the corresponding mean and median offer price over NTA ratios of Recent Privatisation Transactions; and

(j) other relevant consideration as set out in Paragraph 7.7 of this IFA Letter.

Accordingly, after taking into account the above factors, we are of the opinion as of the date hereof that:

(I) The financial terms of the Offer, on balance, are not fair as the Offer Price is at a significant discount of 57.3% to the RNAV per Share of the Group as at 30 September 2015; and

(II) Taking into consideration the fact that the Offer Price is (a) at a significant premium over the historical price of the Shares in the one year prior to the Offer Announcement Date; and (b) is higher than the historical price of the Shares since March 2011 up till the Offer Announcement Date, we are of the view that the Offer Price is not fair but reasonable.

Accordingly, we advise the Independent Directors to recommend Shareholders to ACCEPT the Offer. *"*

Shareholders should read and consider carefully all the considerations relied upon by the IFA, in arriving at its advice to the Independent Directors, in conjunction with and in the context of the full text of the IFA Letter.

9.4 Recommendation of the Independent Directors

The Independent Directors, having considered carefully the terms of the Offer and the advice given by the IFA to the Independent Directors in the IFA Letter, have set out their recommendation on the Offer below:

The Independent Directors concur with IFA's assessment of the Offer and its recommendation thereon, as set out in Section 9.3 of this Circular and in the IFA Letter.

Accordingly, the Independent Directors recommend that the Shareholders ACCEPT the Offer.

In making the above recommendation, the Independent Directors have not had regard to the general or specific investment objectives, financial situations, risk profiles, tax positions and/or particular needs and constraints of any specific Shareholder. As different Shareholders would have different investment profiles and objectives, the Independent Directors recommend that any specific Shareholder who may require specific advice in relation to his Shares should consult his stockbroker, bank manager, solicitor, accountant, tax adviser, or other professional advisers.

Shareholders should read and consider carefully the recommendation of the Independent Directors and the advice of the IFA to the Independent Directors in

respect of the Offer in their entirety before deciding whether to accept or reject the Offer. Shareholders are also urged to read the Offer Document carefully. Shareholders should note that the IFA's advice to the Independent Directors in respect of the Offer should not be relied upon by any Shareholder as the sole basis for deciding whether or not to accept the Offer.

10. OVERSEAS SHAREHOLDERS

Overseas Shareholders should refer to Section 11 of the Offer Document which is reproduced in italics below:

"11. OVERSEAS SHAREHOLDERS

11.1 *The availability of the Offer to Shareholders whose addresses are outside Singapore, as shown on the register of members of the Company or, as the case may be, in the records of CDP (each, an "**Overseas Shareholder**") may be affected by the laws of the relevant overseas jurisdictions. Accordingly, any Overseas Shareholder should inform himself about and observe any applicable legal requirements, and exercise caution in relation to the Offer, as this Offer Document, the FAA and the FAT have not been reviewed by any regulatory authority in any overseas jurisdiction.* ***Where there are potential restrictions on sending this Offer Document, the FAA and/or the FAT to any overseas jurisdiction, the Offeror, Provenance Capital and CDP each reserves the right not to send these documents to Shareholders in such overseas jurisdictions. For the avoidance of doubt, the Offer is open to all Shareholders, including those to whom this Offer Document, the FAA and/or the FAT have not been, or may not be, sent.***

11.2 *Copies of this Offer Document and any other formal documentation relating to the Offer are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any jurisdiction where the making of or the acceptance of the Offer would violate the law of that jurisdiction (a "**Restricted Jurisdiction**") and will not be capable of acceptance by any such use, instrumentality or facility within any Restricted Jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction.*

11.3 *The Offer (unless otherwise determined by the Offeror and permitted by applicable law and regulation) will not be made, directly or indirectly, in or into, or by the use of mails of, or by any means or instrumentality (including without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of, any Restricted Jurisdiction, and the Offer will not be capable of acceptance by any such use, means, instrumentality or facilities.*

11.4 *Overseas Shareholders may, nonetheless, obtain copies of this Offer Document, the FAA and/or the FAT and any related documents, during normal business hours and up to the Closing Date, from the Offeror through its share transfer agent, Boardroom Corporate & Advisory Services Pte Ltd at 50 Raffles Place, Singapore Land Tower #32-01, Singapore 048623. Alternatively, an Overseas Shareholder may write to the Offeror through Boardroom Corporate & Advisory Services Pte Ltd at the address listed above to request for this Offer Document, the FAA and/or the FAT and any related documents to be sent to an address in Singapore by ordinary post at the Overseas Shareholder's own risk, no later than five (5) business days prior to the Closing Date.*

11.5 *It is the responsibility of any Overseas Shareholders who wishes to (a) request for this Offer Document, the FAA and/or the FAT and/or any related documents, or (b) accept the Offer, to satisfy himself as to the full observance of the laws of the relevant jurisdiction in that connection, including the obtaining of any governmental or other consent which may be required, and compliance with all necessary formalities or legal requirements and the payment of any taxes, imposts, duties or other requisite payments due in such jurisdiction. Such Overseas Shareholder shall be liable for any*

such taxes, imposts, duties or other requisite payments payable and the Offeror and any person acting on its behalf (including Provenance Capital) shall be fully indemnified and held harmless by such Overseas Shareholder for any such taxes, imposts, duties or other requisite payments as the Offeror and/or any person acting on its behalf (including Provenance Capital) may be required to pay. In (i) requesting for this Offer Document, the FAA and/or the FAT and any related documents and/or (ii) accepting the Offer, the Overseas Shareholder represents and warrants to the Offeror and Provenance Capital that he is in full observance of the laws of the relevant jurisdiction in that connection, and that he is in full compliance with all necessary formalities or legal requirements. Any Overseas Shareholder who is in any doubt about his position should consult his professional adviser in the relevant jurisdiction.

11.6 *The Offeror and Provenance Capital each reserves the right to notify any matter, including the fact that the Offer has been made, to any or all Overseas Shareholders by announcement to the SGX-ST and if necessary, paid advertisement in a daily newspaper published and circulated in Singapore, in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any Shareholder to receive or see such announcement or advertisement."*

11. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who wish to accept the Offer must do so not later than 5.30 p.m. (Singapore time) on 15 February 2016 or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

Shareholders who do not wish to accept the Offer need not take further action in respect of the Offer Document and the FAA and/or FAT which have been sent to them.

12. DIRECTORS' RESPONSIBILITY STATEMENT

The recommendation of the Independent Directors to Shareholders set out in Section 9.4 of this Circular is the sole responsibility of the Independent Directors. Save for the foregoing, the Directors (including any Director who may have delegated detailed supervision of this Circular) collectively and individually accept full responsibility for the accuracy of the information given in this Circular (other than those relating to the Offeror, the Concert Parties, the Offer, the IFA Letter, the Valuation Reports and the valuation certificates), and confirm after making all reasonable enquiries that, as at the Latest Practicable Date, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Group in the context of the Offer and the Directors are not aware of any material facts the omission of which would make any statement in this Circular misleading in any material respect.

In respect of the IFA Letter, the Valuation Reports and the valuation certificates, the sole responsibility of the Directors has been to ensure that the facts stated therein with respect to the Group are, to the best of their knowledge and belief, fair and accurate in all material respects.

Where any information in this Circular has been extracted or reproduced from published or otherwise publicly available sources (including, without limitation, the Offer Announcement, the Offer Document, the IFA Letter, the Valuation Reports and the valuation certificates) or obtained from the Offeror, the sole responsibility of the Directors has been to ensure through reasonable enquiries that such information has been accurately and correctly extracted from such sources, or as the case may be, accurately reflected or reproduced in this Circular.

Yours faithfully
For and on behalf of the Board

Mr Tan Siok Sing
Lead Independent Director

APPENDIX A
LETTER FROM XANDAR CAPITAL TO THE INDEPENDENT DIRECTORS

25 January 2016

Li Heng Chemical Fibre Technologies Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Attention: The Independent Directors

VOLUNTARY UNCONDITIONAL GENERAL OFFER BY PROVENANCE CAPITAL PTE. LTD. FOR AND ON BEHALF OF PRECIOUS JOY MANAGEMENT LIMITED TO ACQUIRE ALL THE ISSUED AND PAID-UP ORDINARY SHARES IN THE CAPITAL OF LI HENG CHEMICAL FIBRE TECHNOLOGIES LIMITED, OTHER THAN THOSE ALREADY OWNED OR CONTROLLED BY THE OFFEROR (AS DEFINED HEREIN) AND THE PARTIES ACTING IN CONCERT WITH IT

*For the purpose of this letter, capitalised terms not otherwise defined shall have the meanings given to them in the circular to Shareholders of Li Heng Chemical Fibre Technologies Limited dated 25 January 2016 (the "**Circular**").*

1. INTRODUCTION

On 22 December 2015, Provenance Capital Pte. Ltd. ("**Provenance Capital**") announced, for and on behalf of Precious Joy Management Limited (the "**Offeror**"), that the Offeror intends to make a voluntary unconditional general offer (the "**Offer**") for all the issued and paid-up ordinary shares (the "**Shares**") in the capital of Li Heng Chemical Fibre Technologies Limited (the "**Company**", and together with its subsidiaries, the "**Group**"), other than those Shares already owned, controlled or agreed to be acquired, directly or indirectly, by the Offeror and the parties acting in concert with it (the "**Offer Shares**").

On 11 January 2016, Provenance Capital announced, for and on behalf of the Offeror, that the offer document dated 11 January 2016 (the "**Offer Document**") had been despatched to the shareholders of the Company ("**Shareholders**").

In connection with the Offer, the Company has appointed Xandar Capital Pte. Ltd. ("**Xandar Capital**") as the independent financial adviser (the "**IFA**") to the Independent Directors (as defined in the Circular) to provide advise on whether the financial terms of the Offer are fair and reasonable. This letter sets out, *inter alia*, our evaluation and advice on the financial terms of the Offer (the "**IFA Letter**"), and forms part of the Circular which provides, *inter alia*, the details of the Offer and the recommendation of the Independent Directors in respect thereof.

2. TERMS OF REFERENCE

Xandar Capital has been appointed as the IFA to advise the Independent Directors on whether the financial terms of the Offer are fair and reasonable.

Our evaluation is limited to the financial terms of the Offer and our terms of reference do not require us to evaluate or comment on the rationale for, legal, strategic or commercial and/or

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risks or merits (if any) of the Offer. We have not relied on any financial projections or forecasts in respect of the Company or the Group. We are not required to express and we do not express any view herein on the growth prospects, financial position and earnings potential of the Company or the Group after the close of the Offer. We are also not expressing any view herein as to the prices at which the Shares may trade upon the close of the Offer. Such evaluation shall remain the sole responsibility of the Directors, although we may draw upon their views (to the extent deemed necessary or appropriate by us) in arriving at our opinion as set out in this IFA Letter.

We are not and were not involved in any aspect of the negotiations pertaining to the Offer or any other offers, if any. We are not required nor authorised to solicit, and we have not solicited, any indications of interest from any third party with respect to the Shares, and therefore are not able to, and will not compare the Offer to any other alternative transaction. We are also not addressing the relative merits of the Offer as compared to any alternative transaction, or other alternatives, or whether such alternatives could be achieved or are or will be available in future. We have also not conducted any review of the business, operations or financial condition of the Company and the Group.

We have not made any independent evaluation or appraisal of the assets and liabilities (including without limitation property, plant and equipment) of the Group. We have, however, been provided with (i) a valuation report and valuation certificate prepared by CBRE Limited for the Group's plant and machinery as at 31 December 2015 and (ii) a valuation certificate prepared by CBRE Limited for the Group's properties as at 31 December 2015 (collectively, the "**Valuation Reports**"). We have placed sole reliance thereon for the valuation and/or information contained in the Valuation Reports. We are not involved and assume no responsibility for the Valuation Reports. We have not made any independent verification of the matters or bases set out in the Valuation Reports. Accordingly, no representation or warranty, express or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of such information.

In the course of our evaluation, we have held discussions with certain Directors and management of the Company and have examined publicly available information as well as information provided and representations made to us by the aforesaid parties, including information in the Circular. We have not independently verified such information, whether written or verbal, and accordingly cannot and do not warrant, and do not accept any responsibility for the accuracy, completeness or adequacy of such information, representation and assurance. Nonetheless, we have made reasonable enquiries and used our judgement in assessing such information and have found no reason to doubt the accuracy and reliability of such information. The Directors have jointly and severally accepted full responsibility for the accuracy, completeness and adequacy of all such information and representations as provided and made by the aforesaid parties as contained herein.

We have relied upon the assurance of the Directors that the Directors collectively and individually accept full responsibility for the accuracy of the information given in the Circular (other than those relating to the Offeror, the Concert Parties, the Offer, the IFA Letter, the valuation reports and the valuation certificates) and confirm after making all reasonable enquiries that, as at the date of the Latest Practicable Date, to the best of their knowledge and belief, the Circular constitutes full and true disclosure of all material facts about the Group in the context of the Offer, and the Directors are not aware of any material facts the omission of which would make any statement in the Circular misleading in any material respect. Where any information in the Circular has been extracted or reproduced from published or otherwise publicly available sources (including, without limitation, the Offer Announcement, the Offer

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Document, the IFA Letter, the valuation reports and the valuation certificates) or obtained from the Offeror, the sole responsibility of the Directors has been to ensure through reasonable enquiries that such information has been accurately and correctly extracted from those sources or as the case may be, accurately reflected or reproduced in the Circular. In relation to this IFA Letter, the Directors have confirmed that the facts stated with respect to the Group are, to the best of their knowledge and belief, fair and accurate in all material aspects.

Our advice is based upon economic, industry, market, monetary, regulatory and other relevant conditions subsisting and the information provided to us as at the Latest Practicable Date. Such conditions and information may change significantly over a short period of time. We assume no responsibility to update, revise or reaffirm our advice in light of any subsequent development after the Latest Practicable Date that may affect our advice contained herein. Shareholders should take note of any announcements and/or events relevant to their consideration of the Offer which may be released or occur after the Latest Practicable Date.

In preparing this IFA Letter, we did not consider the specific investment objectives, financial situation, risk profiles, tax position and/or unique needs and constraints of any individual Shareholder or any specific group of Shareholders. We recommend that any individual Shareholder or group of Shareholders who may require specific advice in relation to his or their Shares, investment objectives or portfolios should consult his or their stockbroker, bank manager, legal, financial, tax or other professional advisers immediately.

This IFA Letter is for the use and benefit of the Independent Directors in connection with and for the purpose of their consideration of the Offer and the recommendation made by the Independent Directors shall remain their responsibility.

The Company has been separately advised by its own advisers in the preparation of the Circular (other than the IFA Letter). We have no role or involvement and have not provided any advice, financial or otherwise, whatsoever in the preparation, review and verification of the Circular (other than the IFA Letter). Accordingly, we take no responsibility for and express no views, express or implied, on the contents of the Circular (other than the IFA Letter).

Our advice in relation to the Offer should be considered in the context of the entirety of this IFA Letter and the Circular.

We recommend that the Independent Directors advise the Shareholders to read these pages carefully.

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3. THE OFFER

The Offer is made in accordance with Section 139 of the Securities and Futures Act (Chapter 289 of Singapore) and Rule 15 of the Singapore Code on Take-overs and Mergers ("**Code**") and subject to the terms and conditions set out in the Offer Document, a copy of which the Shareholders ought to have received as at the date of this IFA Letter. The salient information on the Offer found in Section 2 of the Offer Document is set out as follow:

3.1 OFFER PRICE

The consideration for each Offer Share will be as follows:

For each Offer Share: S$1.00 in cash ("Offer Price").

The Offeror does not intend to revise the Offer Price, save that the Offeror reserves the right to do so in a competitive situation.

3.2 OFFER SHARES

The Offer is extended, on the same terms and conditions, to all the Offer Shares.

3.3 RIGHTS AND ENCUMBRANCES

The Offer Shares are to be acquired (i) fully-paid; (ii) free from all liens, equities, mortgages, charges, pledges, claims, encumbrances, rights of pre-emption and any other third party rights or interests of any nature whatsoever; and (iii) together with all rights, benefits and entitlements attached thereto as at the date of the Offer Announcement ("**Offer Announcement Date**") and thereafter attaching thereto, including but not limited to the right to receive and retain all dividends, rights, returns of capital and other distributions ("**Distributions**") (if any) which may be announced, declared, paid or made by the Company, on or after the Offer Announcement Date.

If any Distributions are announced, declared, paid or made by the Company on or after the Offer Announcement Date, and the Offeror is not entitled to receive such Distributions in full in respect of any Offer Share tendered in acceptance of the Offer, the Offeror reserves the right to reduce the Offer Price payable in respect of such Offer Share by the amount of such Distributions.

Since the Offer Announcement Date and up to the Latest Practicable Date, we note that the Company has not announced, declared, paid or made any Distributions.

3.4 UNCONDITIONAL OFFER

The Offer is unconditional in all respects.

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4. INFORMATION ON THE OFFEROR

Information on the Offeror is set out in Section 4 and Appendix 1 of the Offer Document. Certain extracts have been reproduced in italics below:

"The Offeror is an investment holding company incorporated in the British Virgin Islands on 6 June 2007. The present issued share capital of the Offeror is US$11,000 comprising 11,000 ordinary shares with a par value of US$1.00 each.

The Offeror has been dormant and had not carried on any substantive business since its incorporation other than to enter into arrangements in connection with the Offer including financing arrangements for the purpose of the Offer.

Chen Jianlong is the sole director and the largest shareholder of the Offeror. Chen Jianlong and the other shareholders of the Offeror are the co-founders of the Group and executive directors of the Group.

The registered office of the Offeror is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands."

Based on the Offer Document, the Offeror did not hold any Shares as at 31 December 2015, being the latest practicable date for the Offer Document.

We note that Provenance Capital announced, for and on behalf of the Offeror, the following purchases by the Offeror between the date of the Offer Document and the Latest Practicable Date:

Date of purchase	Total number of Shares acquired / agreed to be acquired by the Offeror	Price per Share acquired (excluding brokerage commission, clearing fees and GST)
11 January 2016	700,000	S$0.995
12 January 2016	195,000	S$1.000
14 January 2016	895,000	S$1.000

As at the Latest Practicable Date, the Offeror and parties acting in concert with the Offeror own, in aggregate, 277,191,320 Shares or 81.527% of the total issued Shares.

5. IRREVOCABLE UNDERTAKINGS TO THE OFFER

Upperwin Investments Limited ("**Upperwin**"), Proud City Management Limited ("**Proud City**") Chen Jianlong, Mingwin Technology Limited ("**Mingwin**"), Wang Lili, Li Yi, Li Zhaoxin, Pan Debiao, Li Jia, Chen Eryuan, Lin Xueyou, Chen Chuanfei, Gao Tijiang, Chen Yidong and Gao Jinzhi (collectively, the "**Undertaking Shareholders**") have each acknowledged that they are acting in concert with the Offeror, and have provided the Offeror with irrevocable undertakings (the "**Irrevocable Undertakings**") stating that they shall, *inter alia*: (a) waive their rights to receive the Offer; and (b) not transfer or otherwise dispose of any of their Shares as set out below during the period commencing from the date of the Irrevocable Undertakings and ending

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on the closing date of the Offer (as may be extended from time to time by or on behalf of the Offeror) or the abortion of the Offer, whichever is applicable.

5.1 SHAREHOLDINGS OF THE UNDERTAKING SHAREHOLDERS

The shareholdings of the Undertaking Shareholders as disclosed in the Offer Document are as follows:

Name of Undertaking Shareholder	Number of Shares	Percentage shareholding in the Company (%)
Upperwin[(1)]	144,033,600	42.363
Proud City[(2)]	35,066,400	10.314
Chen Jianlong[(3)]	1,760,000	0.518
Mingwin[(4)]	19,040,000	5.600
Wang Lili	16,985,200	4.996
Li Yi	16,395,600	4.822
Li Zhaoxin	14,900,000	4.382
Pan Debiao	13,415,720	3.946
Li Jia	12,328,800	3.626
Chen Eryuan	248,000	0.073
Lin Xueyou	248,000	0.073
Chen Chuanfei	248,000	0.073
Gao Tijiang	246,000	0.072
Chen Yidong	246,000	0.072
Gao Jinzhi	240,000	0.071
Total	**275,401,320**	**81.000**

Notes:

(1) Upperwin is an investment holding company incorporated in the British Virgin Islands. It is owned by Chen Jianlong (37.50%), Liu Qiguan (21.88%), Chen Siren (20.31%) and Chen Zengfu (20.31%);

(2) Proud City is an investment holding company incorporated in the British Virgin Islands. It is wholly-owned by Chen Feng;

(3) Chen Jianlong owns 37.50% of Upperwin. As such, by virtue of Section 4 of the Securities and Futures Act, he is deemed to be interested in the Shares held by Upperwin; and

(4) Mingwin is an investment holding company incorporated in the British Virgin Islands. It is wholly-owned by Pan Zhuangzhi.

As disclosed in the Offer Document, save for the Irrevocable Undertakings, neither the Offeror nor any party acting in concert with the Offeror has received any irrevocable undertaking from any other to accept or reject the Offer.

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As at the Latest Practicable Date, based on publicly available information, the Offeror had not announced the receipt of any additional irrevocable undertakings to accept or reject the Offer.

6. INFORMATION ON THE COMPANY

The Company was incorporated in Bermuda as an exempted company with limited liability on 7 September 2007 and was listed on the Main Board of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 12 March 2008. The Company's registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The principal activities of the Company is that of investment holding while the Group is principally involved in the manufacture and sale of high-end nylon yarn products in the People's Republic of China ("**PRC**").

Further information on the Company and the Group can be found Appendix B to the Circular.

7. EVALUATION OF THE FINANCIAL TERMS OF THE OFFER

In our evaluation of the financial terms of the Offer, we have taken into account the following factors:

(a) Performance of the Shares;

(b) The net asset value and the revalued net asset value of the Group;

(c) Comparison of the valuation ratios of the Company and its broadly comparable listed companies;

(d) Comparison with recent completed privatisation transactions for companies listed on the SGX-ST;

(e) Financial performance of the Group;

(f) Dividend track record of the Company; and

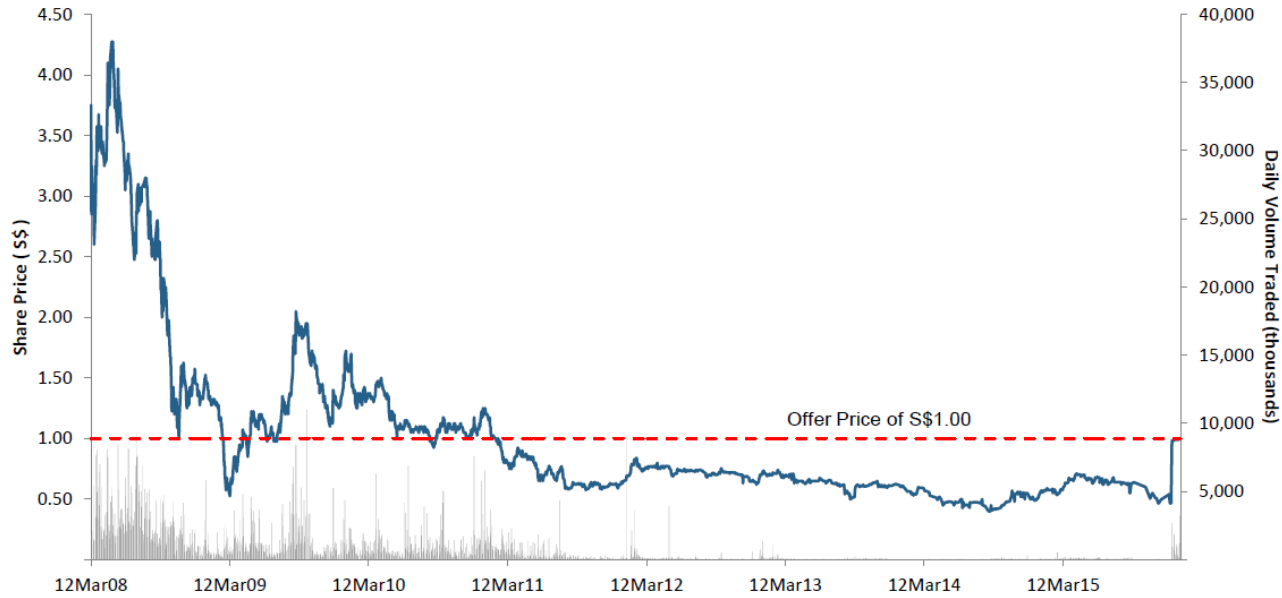
(g) Other considerations.

These factors are discussed in greater detail in the ensuing paragraphs.

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7.1 PERFORMANCE OF THE SHARES

The chart below sets out the daily closing prices[(1)] and volumes[(1)] traded for the Shares since it was listed on the Main Board of the SGX-ST on 12 March 2008 up till the Latest Practicable Date:



Source: Bloomberg L.P.

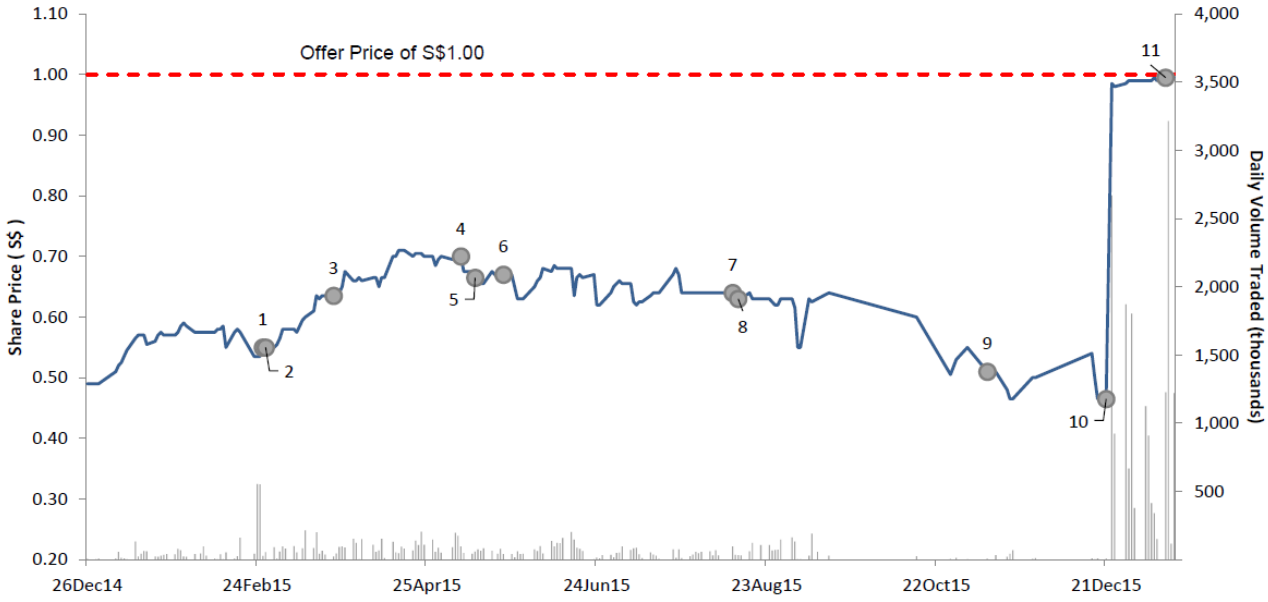
Note:

(1) Share prices and trading volumes have been adjusted for the 5-into-1 share consolidation which was effective on 22 May 2015.

The price of the Shares had been closing below the Offer Price since March 2011 up till the Offer Announcement Date. During this period, we note that the Group had been significantly more profitable in the financial years ended 31 December ("**FY**") 2011, FY2012 and FY2013 as compared to FY2014 and the nine months ended 30 September ("**9M**") 2015 with profits attributable to owners of the Company of RMB131.5 million in FY2011, RMB41.2 million in FY2012, RMB53.2 million in FY2013, RMB0.4 million in FY2014 and losses attributable to owners of the Company of RMB42.0 million in 9M2015.

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We further set out below a chart of the daily closing prices[(1)] and volume[(1)] traded for the Shares commencing from the 12 months period prior to the Offer Announcement Date up to the Latest Practicable Date:



Source: Bloomberg L.P.

Note:

(1) Share prices and trading volumes have been adjusted for the 5-into-1 share consolidation which was effective on 22 May 2015.

A summary of the salient announcements and events relating to the Company during the aforesaid period is set out below:

No.	Date	Event
1.	26 Feb 2015	The Company issued a profit guidance that the Group was expected to incur a net loss for the three months ended 31 December 2014 ("**4Q2014**"). The net loss in 4Q2014 was also expected to have an adverse and material impact on the Group's overall performance for FY2014.
2.	27 Feb 2015	The Company announced its unaudited consolidated financial statements for FY2014. The Company reported revenues of RMB2.516 billion and profits attributable to shareholders of the Company of RMB202,000.
3.	23 Mar 2015	The Company announced that it was proposing to undertake a share consolidation of every five (5) existing issued ordinary shares in the share capital of the Company into one (1) consolidated share, fractional entitlements to be disregarded ("**Share Consolidation**").
4.	7 May 2015	The Company issued a profit guidance that the Group was expected to incur a net loss for the three months ended 31 March 2015.

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No.	Date	Event
5.	12 May 2015	The Company announced its unaudited consolidated financial statements for the three months ended 31 March 2015. The Company reported revenues of RMB541.7 million and losses attributable to shareholders of the Company of RMB3.9 million.
6.	22 May 2015	The date the Share Consolidation was effective.
7.	11 Aug 2015	The Company issued a profit guidance that the Group was expected to incur a net loss for the six months ended 30 June 2015.
8.	13 Aug 2015	The Company announced its unaudited consolidated financial statements for the six months ended 30 June 2015. The Company reported revenues of RMB1.075 billion and losses attributable to shareholders of the Company of RMB16.4 million.
9.	10 Nov 2015	The Company announced its unaudited consolidated financial statements for the nine months ended 30 September 2015. The Company reported revenues of RMB1.518 billion and losses attributable to shareholders of the Company of RMB42.0 million.
10.	22 Dec 2015	Announcement of the Offer.
11.	11 Jan 2016	Despatch of the Offer Document.

Source: Company announcements from SGXNET.

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We have tabulated below selected statistical information on the share price performance[(1)] and trading liquidity[(1)] of the Shares for the 12-months period prior to the Offer Announcement Date and up to the Latest Practicable Date:

	Highest Price S$[(2)]	Lowest Price S$[(3)]	VWAP S$[(4)]	Premium of Implied Offer Price over/to VWAP %	Average daily trading volume '000[(5)]	Average daily trading volume as a percentage of free float %[(6)]
Prior to the Offer Announcement Date						
Last 12 months	0.710	0.465	0.630	58.7	49	0.035
Last 6 months	0.680	0.465	0.624	60.3	24	0.017
Last 3 months	0.600	0.465	0.489	104.5	4	0.003
Last 1 month	0.540	0.465	0.498	100.8	2	0.001
Last Trading Day[(7)]	0.465	0.465	0.465	115.1	8	0.006
After the Offer Announcement Date to the Latest Practicable Date						
After 22 December 2015 up to the Latest Practicable Date	0.995	0.980	0.991	0.9	1,135	0.810
Latest Practicable Date	0.995	0.995	0.9987	0.1	1,221	0.872

Source: Bloomberg L.P.

Notes:

(1) Share prices and trading volumes have been adjusted for the 5-into-1 share consolidation which was effective on 22 May 2015.

(2) The highest price refers to the highest daily closing price during the relevant period.

(3) The lowest price refers to the lowest daily closing price during the relevant period.

(4) The volume weighted average price ("**VWAP**") of the Shares over the relevant period.

(5) The average daily trading volume of the Shares is computed based on the total volume of Shares traded during the relevant period, divided by the number of days on which the SGX-ST is open for the trading of securities during the relevant period.

(6) Free float refers to the Shares other than those directly and deemed held by the Directors and the substantial shareholders of the Company. For the purpose of computing the average daily trading volume as a percentage of free float for the various periods, we have calculated the free float to be approximately 140.1 million Shares being the Shares not held by Directors and substantial shareholders, representing approximately 41.2% of the 339,999,993 total issued Shares.

(7) 21 December 2015, being the last trading day prior to the Offer Announcement Date ("**Last Trading Day**").

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We note the following with regard to the prices of the Shares:

(a) the price of the Shares have ranged between S$0.465 and S$0.710 in the 12 months prior to the Offer Announcement Date. The Company's share price has been on the decline since reaching a high of S$0.710 in the middle of April 2015;

(b) the Offer Price represents premiums of 58.7%, 60.3%, 104.5%, 100.8% and 115.1% over the VWAPs for the 12-month, 6-month, 3-month, 1-month periods prior to the Offer Announcement Date and the Last Trading Day respectively; and

(c) the Offer Price represents premiums of 0.9% and 0.1% to the VWAPs for (a) the period after the Offer Announcement Date up to the Latest Practicable Date and (b) the Latest Practicable Date, respectively.

We also note the following with regard to the trading liquidity of the Shares:

(a) in the 12 months prior to the Offer Announcement Date, the Shares were traded on 182 days out of a possible 248 market days, or approximately 73.4% of market days during the corresponding period;

(b) the average daily traded volume of the Shares for the 12-month, 6-month, 3-month and 1-month period prior to the Offer Announcement Date was low, representing only 0.035%, 0.017%, 0.003% and 0.001% of the free float, respectively;

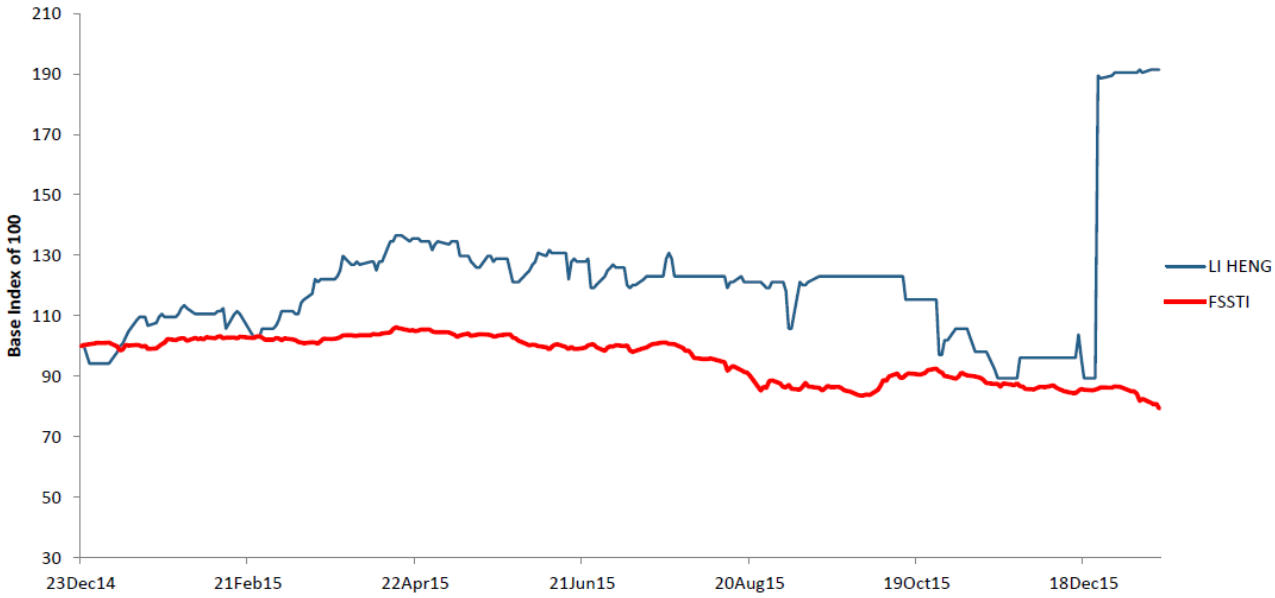
(c) the average daily traded volume of the Shares for the period after the Offer Announcement Date up to the Latest Practicable Date represented 0.810% of the free float. The increase in trading volume of the Shares subsequent to the Offer Announcement Date is likely to be attributable to the Offer Announcement; and

(d) The average daily traded volume of the Shares on the Latest Practicable Date represents 0.872% of the free float.

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In addition, to assess the relative performance of the Shares versus the Singapore equity market, we have compared the price movements of the Shares against that of the FTSE Straits Times Index (the "**FSSTI**"), which is a market capitalisation weighted index based on stocks of 30 representative companies listed on the Mainboard of the SGX-ST.

The chart below sets out the market price performance of the Shares and the FSSTI for the 12 months prior to the Offer Announcement Date up to the Latest Practicable Date.



Source: Bloomberg L.P.

Note:

(1) All share prices and FSSTI values have been rebased to 100 as at 23 December 2014 for comparison purposes.

	The Shares	FSSTI
Rebased Index as at 23 December 2014	100	100
Rebased Index as at Offer Announcement Date	89.4	85.6
Change from 23 December 2014 (%)	(10.6)	(14.4)
Rebased Index as at Latest Practicable Date	191.3	79.4
Change from 23 December 2014 (%)	91.3	(20.6)
Change from Offer Announcement Date (%)	114.0	(7.2)

Based on the above, we note the following:

(a) the Shares have outperformed the FSSTI for most of the 1-year period up to the Offer Announcement Date;

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(b) for the 1-year period up to the Offer Announcement Date, the Shares have declined by 10.6% as compared to the 14.4% decline in the FSSTI over the same period;

(c) for the period from the Offer Announcement Date up till the Latest Practicable Date, the Shares have increased sharply by 114.0% as compared to the 7.2% decline in the FSSTI as a result of the Offer; and

(d) for the period commencing from the 1-year prior to the Offer Announcement Date up till the Latest Practicable Date, the Shares have increased sharply by 91.3% as compared to the 20.6% decline in the FSSTI.

Although the Shares have generally outperformed the FSSTI for the 1-year period before the Offer Announcement Date up to the Latest Practicable Date, the prices of the Shares have been closing below the Offer Price for the above mentioned period.

Shareholders should, however, note that the historical trading performance of the Shares is not indicative of the future price levels, which may be affected by factors beyond the scope of our evaluation.

7.2 THE NET ASSET VALUE AND REVALUED NET ASSET VALUE OF THE GROUP

A summary of the latest audited financial position of the Group as at 31 December 2014 and the unaudited financial position of the Group as at 30 September 2015, is set out below:

RMB'millions	Audited as at 31 December 2014	Unaudited as at 30 September 2015
Current assets	1,849.4	1,964.9
Current liabilities	(347.6)	(262.6)
Net current assets	**1,501.8**	**1,702.3**
Non-current assets	2,337.6	2,095.0
Non-current liabilities	-	-
Total equity	**3,839.4**	**3,797.3**

The exchange rate applied for this paragraph 7.2 is the closing exchange rate of S$1 to RMB4.4632 as at 30 September 2015.

(a) NAV per Share

The net asset value of the Group ("**NAV**") attributable to Shareholders was RMB3.797 billion as at 30 September 2015. Based on the issued share capital of 339,999,993 Shares as at the Latest Practicable Date, the NAV per Share as at 30 September 2015 was RMB11.17 (equivalent to approximately S$2.5024), and the Offer Price represents a discount of 60.0% to the NAV per Share, or a Price/NAV Ratio of 0.40 times.

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(b) Composition of Assets

The Group had current assets of RMB1.965 billion and non-current assets of RMB2.095 billion as at 30 September 2015.

The current assets of the Group as at 30 September 2015 comprised mainly cash and bank balances of RMB1.089 billion, trade and bill receivables of RMB441.3 million, inventories of RMB401.2 million and prepayments, deposits and other receivables of RMB24.0 million. The non-current assets of the Group as at 30 September 2015, comprised property, plant and equipment of RMB2.082 billion and land use rights of RMB12.7 million

As at 30 September 2015, the Group had cash and bank balances of RMB1.089 billion which was equivalent to a cash per Share of approximately RMB3.20 and a net-cash NAV (that is, NAV excluding cash) per Share of approximately RMB7.97. The net-cash Offer Price of approximately RMB1.26 (being the Offer Price (equivalent to approximately RMB4.4632) less the cash per Share) is at a 84.2% discount to the net-cash NAV per Share.

Property, plant and equipment

All of the Group's property, plant and equipment are located in the PRC. Property, plant and equipment of RMB2.082 billion made up the bulk of the Group's total assets (approximately 51.3% of total assets) as at 30 September 2015.

We have been provided with the Valuation Reports for the Group's properties, plant and machinery by CBRE Limited (the "**Valuer**"). The Valuer has opined that the Group's properties had a capital value in existing state of RMB681,300,000, and the Group's plant and machinery had an aggregate market value for existing use of RMB1,172,290,000, as at 31 December 2015.

We extract the following from the Valuation Reports:

(a) Valuation certificate for the two properties in Fujian Province, PRC

"Our valuation has been made on the assumption that the owner sells the properties on the open market without the benefit or burden of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the values of the property interests."

"In valuing the industrial property held by the Group for occupation, we have adopted a Direct Comparison Approach assuming sale of each of these properties in its existing state by making reference to comparable sales transactions as available in the relevant market. Moreover we have adopted a Cost Approach. In valuing the office property held by the Group for occupation, we have adopted a Direct Comparison Approach assuming sale of each of these properties in its existing state by making reference to comparable sales transactions as available in the relevant market."

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(b) Valuation certificate for the plant and machinery

"We have appraised the assets on the basis of its Market Value for existing use."

"Market value for existing use is further defined as the market value of an asset based on continuation of its existing use, and otherwise in keeping with the market value definition regardless of whether or not the existing use represents the highest and best use of the property."

"We found no market rental evidenced for the plant and machinery that can be used as benchmark in the income approach, as such we have considered and excluded the income approach to value. Likewise, due to insufficient second-hand market data availability in the second-hand market we have considered and excluded the market approach to value. In the absence of any market information regarding sales and purchases of industrial facilities similar to the assets appraised, the most reliable approach in arriving at an opinion of value of the plant and machinery is by using the cost approach."

"In arriving at our assessment using the cost approach, we have firstly developed the Cost of Replacement New ("CRN") of each asset or group of assets."

"In developing the CRN, we have conducted inspection of the sites, perused accounting records, conducted interviews with senior engineering and accounting staff and obtained and reviewed detailed drawings and specifications relating to the plant and machinery. Due to time constraint we are not able to make contacts with major equipment vendors for the current cost of comparable equipment. In arriving at our CRN we have perused the original purchase contracts and invoices which were made available to us. Likewise, we have made references to similar plants that were recently built as well as on equipment catalogues and other published materials available."

"Having developed the CRN, we then deducted for the various elements of depreciation to arrive at a Depreciated Replacement Cost ("DRC"), which we have taken to be the market value for existing use. DRC includes depreciation allowance or loss of value arising from condition, utility, age, wear and tear, and obsolescence present (physical, functional or economic), taking into consideration past and present maintenance policy and rebuilding history."

Further information on the Valuation Reports are set out in Appendix D to this Circular.

The aggregate value of the properties, plant and machinery as opined by the Valuer amounted to RMB1.853 billion as at 31 December 2015. This is lower than the net book value of the Group's property, plant and equipment (including land use rights) of RMB2.095 billion as at 30 September 2015. Accordingly, the Group may need to write-down the value of its property, plant and equipment by RMB241,443,000.

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Trade receivables and inventories

As at 30 September 2015, the Group had trade and bill receivables of RMB441.3 million, inventories of RMB401.2 million which represented 10.9% and 9.9% of the total assets of the Group as at 30 September 2015.

	FY2012	FY2013	FY2014	9M2015
Trade receivables turnover (days)	38	51	57	72
Inventory turnover (days)	92	68	54	61

The Group's average trade receivables turnover days has been increasing across FY2012, FY2013, FY2014 and 9M2015. The average inventory turnover days had decreased in FY2013 and FY2014 before increasing slightly in 9M2015.

The Company has confirmed that in their opinion, there is no need to make any provisions for trade receivables or inventory obsolescence.

(c) Composition of Liabilities

The Group had current liabilities of RMB262.6 million and nil non-current liabilities as at 30 September 2015. The current liabilities of the Group as at 30 September 2015 comprised mainly bank loans of RMB149.3 million, trade and bill payables of RMB68.9 million, accrued expenses and other payables of RM36.4 million.

(d) The RNAV per Share

Save as disclosed above, the Company confirmed that there is no other event subsequent to 30 September 2015 which would materially affect the NAV of the Group as at the Latest Practicable Date.

Based on the above, we made the following adjustments to the Group's NAV:

RMB'millions	
Group's NAV as at 30 September 2015	3,797.3
Less: Revaluation write-down of property, plant and equipment	(241.4)
Group's Revalued NAV ("**RNAV**")	3,555.9
RNAV Share	RMB10.46
Discount of Offer Price to RNAV per Share	57.3%
Offer Price / RNAV Ratio (times)	0.43

The Shareholders should note that the above analysis on RNAV provides an estimate of the value of the Group assuming the hypothetical sale of all assets of the Group as at

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the Latest Practicable Date. However, such a hypothetical scenario is made without considering factors such as, *inter alia*, time value of money, market conditions, availability of buyers which may affect the actual realised value of the assets.

In connection with Rule 26.3 of the Code, the Company is required, *inter alia*, to make an assessment of any potential tax liability which would arise if the properties, plant and machinery, which are the subject of the Valuation Reports, were to be sold at the amount of the valuation. Based on the Valuation Reports, the potential tax liabilities that may be incurred by the Group on the hypothetical disposal of the properties, plant and machinery on an "as is" basis is approximately RMB173.5 million. The aforesaid tax liabilities will not crystallise if the Group does not dispose of its interests in the properties, plant and machinery. We note from Section 10 of Appendix B to the Circular that, as at the Latest Practicable Date, the Company has no immediate plan to dispose of its interests in the properties, plant and machinery. We also note from Section 9.2 of the Offer Document that the Offeror has no current intention to re-deploy the Group's fixed assets. If the potential tax liability of RMB173.5 million was taken into account, the Group's RNAV per Share would be RMB9.95 and the Offer Price / RNAV Ratio would be 0.45 times.

(e) NTA per Share

We note that the Group has no intangible assets and accordingly, the Group's NAV is the same as its net tangible assets ("**NTA**").

7.3 COMPARISON OF THE VALUATION MEASURES OF THE COMPANY IMPLIED BY THE OFFER PRICE AGAINST THOSE OF COMPARABLE COMPANIES

The Company is principally involved in the manufacture and sale of high-end nylon yarn products in in the PRC. Comparison is therefore made to companies listed in the region whose business is comparable to the Group ("**Comparable Companies**") to assess the Offer Price in relation to the valuation of the Comparable Companies as implied by their last traded prices as at the Latest Practicable Date.

We had discussions with management about the suitability and reasonableness of the Comparable Companies. We wish to highlight that the Comparable Companies are not exhaustive and it should be noted that there may not be any listed company that is directly comparable to the Group in terms of location, business activities, customer based, size of operations, asset base, geographical spread of activities geographical markets, track record, financial performance, operating and financial leverage, future prospects, liquidity, quality of earnings, accounting policies, risk profile and other relevant criteria.

In view of the above, it should be noted that any comparison made with respect to the Comparable Companies merely serves as an illustration and that the conclusions drawn from the comparisons may not necessarily reflect the perceived market valuation of the Company as at the Latest Practicable Date.

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A brief description of the Comparable Companies is set out below:

Names	Listing Location	Brief Business Description	Market Capitalisation as at the Latest Practicable Date [1] [2] (S$ million)
China Sky Chemical Fibre Co Ltd ("**China Sky**")	Singapore	China Sky manufactures chemical fibers, primarily nylon fibers for a broad range of commercial applications. China Sky's principal products are nylon full drawn yarn and nylon high oriented yarn.	32
China Gaoxian Fibre Fabric Holdings Ltd ("**China Gaoxian**")	Singapore	China Gaoxian manufactures polyester yarn and warp knit fabric. China Gaoxian markets its products to companies in China that manufacture apparel, automobile upholstery, sports shoes and headgear, curtains, bedding, bags, and umbrellas.	17
Ever Shine Textile Tbk PT ("**Ever Shine**")	Indonesia	Ever Shine manufactures a wide range of nylon, polyester, and acetate-based fabrics as well as garments. Ever Shine's products are for manufacturers of garments, umbrellas, sporting shoes, bags, hats, helmet linings, curtains, table cloths, artificial flowers, and toys.	38
Zig Sheng Industrial Co Ltd ("**Zig Sheng**")	Taiwan	Zig Sheng manufactures and markets polyester yarns. Zig Sheng's products include polyester texture yarns (PTYs), nylon stretch yarns, multifilla yarns, two-tone or three-tone polywool yarns, high stretch polyester yarns, super high stretch polyester yarns, high shrinkage yarns, lacing yarns, and cationic dyeable yarns.	197
Acelon Chemicals & Fiber Corp ("**Acelon**")	Taiwan	Acelon manufactures and markets yarns and chemical fibers. Acelon's products are nylon filaments, polyester yarns, drawn texture yarns, conjugate micro filaments, spandex, hollow filaments, nylon trilobal bright filament yarns, air texture yarns, high-tenacity cellulose filaments (lyocell), and fabrics.	71
Yiwu Huading Nylon Co Ltd ("**Yiwu Huading**")	PRC	Yiwu Huading develops, produces and sells nylon filament. Yiwu Huading manufactures nylon filaments, moisture absorbing Coolnylon filaments, and antibacterial Cleannylon filaments.	1,543

Source: Bloomberg Finance L.P., annual reports, announcements and websites of respective companies

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Notes:

(1) Market capitalisation of Comparable Companies are based on their respective closing prices as at the Latest Practicable Date.

(2) Based on the closing exchange rate of S$1:RMB4.583, S$1:IDR9663 and S$1:TWD23.32 as at the Latest Practicable Date. IDR and TWD refer to Indonesian Rupiah and New Taiwanese Dollar respectively.

For the comparison with the Comparable Companies, we have referred to various valuation ratios to provide an indication of the market expectations with regard to the valuation of these companies. In this respect, we have considered the following widely used ratios:

Valuation Ratio	General Description
EV/EBITDA	"EV" or "Enterprise Value" is defined as the sum of a company's market capitalisation, preferred equity, minority interests, short term and long term debts less its cash and cash equivalents. "EBITDA" stands for earnings before interest, tax, depreciation and amortisation but after share of associates' and joint ventures' income but excluding exceptional items. The "EV/EBITDA" multiple is an earnings-based valuation methodology that does not take into account the capital structure of a company as well as its interest, taxation, depreciation and amortisation charges. Therefore, it serves as an illustrative indicator of the current market valuation of the business of a company relative to its pre-tax operating cash flow and performance.
Price-to-Net Asset Value ("**P/NAV**")	P/NAV ratio illustrates the ratio of the market price of a company's share relative to its asset backing as measured in terms of its historical consolidated NAV per share as stated in its financial statements. The NAV figure provides an estimate of the value of a company assuming the sale of all its tangible and intangible assets, the proceeds which are first used to settle its liabilities and obligations with the balance available for distribution to its shareholders. Comparisons of companies using their book NAVs are affected by differences in their respective accounting policies, in particular their depreciation and asset valuation policies.
Price-to-Net Tangible Asset ("**P/NTA**")	"NTA" or "net tangible asset" is defined to exclude, where applicable, minority interests, deferred tax assets and liabilities, deferred expenditure and goodwill. P/NTA ratio illustrates the ratio of the market price of a company's share relative to its historical NTA per share as recorded in its financial statements. The NTA figure provides an estimate of the value of a company assuming the sale of all its tangible assets, the proceeds which are first used to settle its liabilities and obligations with the balance available for distribution to its shareholders. Comparisons of companies using their NTAs are affected by differences in their respective accounting policies, in particular, their depreciation and asset valuation policies.

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We set out in the table below the financial ratios of the Comparable Companies as at the Latest Practicable Date:

	Net Profit / (Loss) [1] (S$'m)	EV / EBITDA [2] (times)	P/NAV [3] (times)	P/NTA [3] (times)
China Sky	-59.1	0.6	0.1	0.1
China Gaoxian	-56.6	n.m.[4]	0.1	0.1
Ever Shine	-7.7	n.m.[4]	1.3	1.3
Zig Sheng	6.0	12.5	0.6	0.6
Acelon	1.5	19.6	0.9	0.9
Yiwu Huading	-32.3	n.m.[4]	2.8	2.9
Maximum		19.6	2.8	2.9
Minimum		0.6	0.1	0.1
Mean		10.9	1.0	1.0
Median		12.5	0.8	0.8
The Group [5]	-11.3	2.1	0.4	0.4
The Group (Based on RNAV) [6]			0.4	

Source: Bloomberg Finance L.P., annual reports and/or announcements of the respective companies, and other publicly available information.

Notes:

(1) The net profits attributable to shareholders in the most recent last twelve months ("**LTM**") compiled from the respective companies' financial results. Net profit figures are based upon the average exchange rates prevailing during the corresponding LTM period for each respective company.

(2) The EBITDA figures of the Comparable Companies are based upon the LTM information compiled from the respective companies' financial results. EV of the companies are based on their respective market capitalisations as at the Latest Practicable Date.

(3) The P/NAV and P/NTA ratios of the Comparable Companies are based on (i) their respective closing prices as at the Latest Practicable Date; and (ii) the most recent NAV and NTA attributable to shareholders as announced by the respective companies.

(4) Not meaningful as the respective companies had losses and negative EBITDA in the LTM.

(5) Based on the Offer Price of S$1.00 and the Group's LTM financials. EV for the Group is determined as the sum of the market capitalisation of the Group, as implied by the Offer Price, in addition to minority interest, short term and long term borrowings less cash and cash equivalents.

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(6) Based on the Offer Price of S$1.00 and the RNAV of RMB10.46 as at 30 September 2015. Please refer to Paragraph 7.2(d) of this IFA Letter for further details on the RNAV.

For illustrative purpose only, based on the above ratio analysis, we note that:

(a) the EV/EBITDA ratio of the Group as implied by the Offer Price is within the range, but below the mean and median of the EV/EBITDA ratios of the Comparable Companies;

(b) the P/NAV and P/NTA ratios of the Group as implied by the Offer Price are within the range, but below the mean and median of the P/NAV and P/NTA ratios of the Comparable Companies respectively;

(c) when compared with the comparable companies listed on the SGX-ST, being China Sky and China Gaoxian (the "**Singapore Comparables**"), the P/NAV and P/NTA ratios of the Group as implied by the Offer Price are higher than the P/NAV and P/NTA ratios of the Singapore Comparables; and

(d) the P/NAV ratio of the Group, as implied by the Offer Price and the RNAV, is within the range, but below the mean and median of the P/NAV and P/NTA ratios of the Comparable Companies respectively.

7.4 COMPARISON WITH RECENT COMPLETED PRIVATISATION TRANSACTIONS FOR COMPANIES LISTED ON THE SGX-ST

As disclosed in Section 9 of the Offer Document, the Offeror does not intend to preserve the listing status of the Company, and the Offeror (together with the parties acting in concert with it where appropriate) when entitled, intends to exercise its (or their rights of compulsory acquisition under the Bermuda Companies Act and does not intend to take steps for any trading suspension of the Shares by the SGX-ST to be lifted in the event that, *inter alia*, less than 10% of the Shares are held in public hands. In addition, the Offeror will submit an application to the SGX-ST to seek a voluntary delisting of the Company from the SGX-ST pursuant to the Listing Manual of the SGX-ST ("**Listing Manual**").

In assessing the Offer Price, in light of the above stated intention of the Company, we have compared the financial terms of the Offer with those of selected successful privatisation transactions that were announced and completed since January 2014 and up to the Latest Practicable Date, which were carried out either by way of voluntary delisting exit offers under Rule 1307 of the Listing Manual, offers being made by way of a scheme of arrangement under Section 210 of the Companies Act (Chapter 50 of Singapore) or general takeover offers under the Code where the offeror has stated its intentions to delist the listed company from the SGX-ST ("**Recent Privatisation Transactions**").

This analysis serves as a general indication of the relevant premium/discount that the offerors had paid in order to acquire the target companies without having regard to their specific industry characteristics or other considerations, and the comparison sets out the premium or discount represented by each of the respective offer prices to the last transacted prices and VWAPs prior to the announcement of the respective Recent Privatisation Transactions.

We wish to highlight that the premium that an offeror pays in any particular takeover depends on various factors such as the potential synergy that the offeror can gain by acquiring the target, the presence of competing bids for the target, prevailing market conditions and sentiments, attractiveness and profile of the target's business and assets, size of consideration and existing

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and desired level of control in the target. The comparison below is made without taking into consideration the underlying liquidity of the shares and the performance of the shares of the relevant companies below. Further, the list of target companies involved in Recent Privatisation Transactions set out in the analysis below are not directly comparable with the Group in terms of size of operations, market capitalisation, business activities, asset base, geographical spread, track record, accounting policy, financial performance, operating and financial leverage, future prospects and other relevant criteria. Hence, the comparison of the Offer with the Recent Privatisation Transactions set out below is for illustration purposes only. Conclusions drawn from the comparisons made may not reflect any perceived market valuation of the Group.

			Premium / (Discount) of offer price over/(to):				
	Date of announce-ment	Type[1]	Last transacted price (%)	1-month VWAP (%)	3-month VWAP (%)	6-month VWAP (%)	Offer price / NTA (times)
Singapore Land Limited[2]	24-Feb-14	VGO	11.2	16.9	13.9	11.0	0.7
Chemoil Energy Limited[3]	25-Feb-14	VD	29.0	31.1	32.5	31.1	1.1
Olam International Limited[4]	14-Mar-14	VGO	11.8	24.3	33.0	39.9	1.8
Asia Power Corporation Limited[5]	24-Mar-14	VD	-	1.2	2.1	9.7	0.6
China XLX Fertiliser Ltd[6]	31-Mar-14	VD	23.1	28.9	24.8	22.2	0.9
CapitaMalls Asia Limited[7]	14-Apr-14	VGO	23.0	27.0	25.5	20.5	1.2
Hotel Properties Limited[8]	14-Apr-14	MGO	11.8	15.6	16.7	14.3	0.8
ASJ Holdings Limited[9]	7-May-14	VGO	18.2	43.7	55.4	62.0	0.7
Goodpack Limited[10]	27-May-14	SOA / VGO	23.2	30.8	31.3	34.3	3.1
Lee Kim Tah Holdings Limited[11]	25-Sep-14	VGO	6.4	11.8	12.3	13.5	1.0
Perennial China Retail Trust[12]	27-Oct-14	VGO	29.6	34.0	33.0	32.1	0.9
Forterra Trust[13]	4-Nov-14	MGO	32.4	51.1	49.7	39.8	0.6
ECS Holdings Limited[14]	14-Nov-14	VGO	11.5	9.0	11.5	9.3	0.6
euNetworks Group Limited[15]	17-Nov-14	MGO / VD	32.6	58.4	69.2	101.2	2.1
UE E&C Ltd[16]	28-Nov-14	VGO	(2.3)	2.7	5.0	(2.9)	1.2
CH Offshore Ltd[17]	11-Dec-14	VGO	18.3	20.1	17.0	16.8	1.0

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	Date of announce-ment	Type[1]	Premium / (Discount) of offer price over/(to): Last transacted price (%)	1-month VWAP (%)	3-month VWAP (%)	6-month VWAP (%)	Offer price / NTA (times)
STATS ChipPAC Ltd[18]	30-Dec-14	VGO	1.3	7.1	(7.5)	(22.5)	1.9
LCD Global Investments Ltd[19]	12-Jan-15	VGO	10.0	11.5	13.4	13.4	1.2
Popular Holdings Limited[20]	14-Jan-15	VGO	39.1	39.7	37.3	32.2	1.2
Keppel Land Limited[21]	23-Jan-15	VGO	20.0	25.0	28.8	28.2	0.9
Action Asia Limited[22]	27-Feb-15	VD	69.6	67.6	66.7	64.5	0.8
United Envirotech Ltd[23]	5-Mar-15	VGO	12.6	16.5	20.2	28.1	7.2
Junma Tyre Cord Company Limited[24]	10-Mar-15	VD	222.6	162.3	174.7	167.7	0.9
Lizhong Wheel Group Ltd.[25]	17-Aug-15	VGO	96.1	87.3	79.2	92.3	0.6
Chosen Holdings Limited[26]	1-Sep-15	VGO	21.2	26.3	27.0	33.3	0.9
Maximum			222.6	162.3	174.7	167.7	7.2
Minimum			(2.3)	1.2	(7.5)	(22.5)	0.6
Mean			30.9	34.0	34.9	35.7	1.4
Median			20.0	26.3	27.0	28.2	0.9
The Group[27] (Based on Offer Price)	22-Dec-15	VGO	115.1	100.8	104.5	60.3	0.4

Notes:

(1) VGO – Voluntary General Offer, VD – Voluntary Delisting, MGO – Mandatory General Offer, SOA – Scheme of Arrangement.

(2) Based on the NTA per share of S$13.07 as at 31 December 2013.

(3) Based on the NTA per share of US$0.382 as at 31 December 2013.

(4) Based on the P/NTA ratio stated in the independent financial adviser letter to Olam International Limited as at 31 December 2013.

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(5) Based on the NTA per share of S$0.247 as at 31 December 2013.

(6) Based on the unaudited consolidated NTA per share of S$0.47 as at 31 March 2014.

(7) Based on the NAV per share of S$1.87 as at 31 March 2014.

(8) Based on the revalued NAV per share of S$5.01 on an as-is basis as at 31 March 2014.

(9) Based on the revalued NTA per share of S$0.091 as at 31 December 2013.

(10) Based on the unaudited NTA per share of S$0.81 as at 31 March 2014.

(11) Based on the revalued NAV per share (taking into account contingent tax liability) of S$1.107 as at 30 June 2014.

(12) Based on the NAV per share of S$0.74 as at 30 September 2014.

(13) Based on the revalued NAV per share of S$3.87 as at 30 September 2014.

(14) Based on the unaudited NAV per share of S$1.06 as at 30 September 2014.

(15) Based on the NTA per share of S$0.565 as at 31 December 2014.

(16) Based on the adjusted NAV per share of S$1.05 stated in the independent financial adviser letter to UE E&C Ltd less goodwill as at 30 September 2014.

(17) Based on the revalued NTA of US$291.06 million as at 31 December 2014.

(18) Based on the NTA (excluding the value of perpetual securities) of US$393,641,000 as at 29 March 2015.

(19) Based on the unaudited NTA of S$285.65 million as at 31 December 2014.

(20) Based on the unaudited revalued NTA attributable to shareholders (taking into account the revaluation surplus arising from the revalued properties) of S$218.1 million as at 31 October 2014.

(21) Based on the NAV per share of S$4.95 as at 31 December 2014.

(22) Based on the unaudited consolidated NTA per share of S$0.233 as at 31 March 2015.

(23) Based on United Envirotech Ltd's unaudited NAV of S$702,655,000 less goodwill and intangible assets as at 31 December 2014.

(24) Based on the revalued NTA per share of S$0.21 as at 31 December 2014.

(25) Based on the revalued NTA per share of S$0.86 as at 30 June 2015.

(26) Based on the revalued NTA per share of S$0.2826 as at 30 June 2015.

(27) Based on the Offer Price of S$1.00, the Group's LTM financials and the RNAV per Share of RMB10.46 (equivalent to approximately S$2.34).

Based on the above, we note that:

(i) the premium of the Offer Price over the last transacted price, VWAP for the 1-month, 3-month and 6-month period prior to the Announcement Date, is within the range and significantly higher than the corresponding mean and median premium of Recent Privatisation Transactions;

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(ii) the ratio of the Offer Price over the NTA of the Shares, is below the range and below the corresponding mean and median offer price over NTA ratios of Recent Privatisation Transactions; and

(iii) if the outliers, being Junma Tyre Cord Company Limited and United Envirotech Ltd, were excluded:

(a) the premium of the Offer Price over the last transacted price, VWAP for the 1-month and 3 month period prior to the Announcement Date, will be above the range, the mean and median premium of Recent Privatisation Transactions; and

(b) the ratio of the Offer Price over the NTA of the Shares, will be below the range and below the corresponding mean and median offer price over NTA ratios of Recent Privatisation Transactions.

7.5 FINANCIAL PERFORMANCE OF THE GROUP

A summary of the consolidated financial results of the Group for the financial years ended 31 December 2012 ("**FY2012**"), 2013 ("**FY2013**") and 2014 ("**FY2014**") and the unaudited consolidated financial results of the Groups for the nine months ended 30 September 2014 ("**9M2014**") and 2015 ("**9M2015**"), are set out below:

(RMB'millions)	**FY2012 Audited**	**FY2013 Audited**	**FY2014 Audited**	**9M2014 Unaudited**	**9M2015 Unaudited**
Revenue	3,446.6	2,904.5	2,515.8	1,934.0	1,517.6
Gross profit	204.0	191.6	111.9	97.1	42.1
Profit/(Loss) before income tax	55.3	78.0	8.9	15.3	(40.3)
Profit/(Loss) for the period attributable to owners of the Company	41.2	53.2	0.2	10.1	(42.0)

Source: Annual reports and Company announcements.

We note that the Group had been profitable in FY2012 and FY2013 with profits attributable to owners of the Company of RMB41.2 million and RMB53.2 million respectively. Profits attributable to owners of the Company declined substantially to RMB0.2 million in FY2014 on the back of *inter alia*: (i) declining revenues arising from lower sales volumes and lower selling prices, (ii) a one-time write off of property, plant and equipment amounting to RMB7.2 million of which RMB6.1 million was recognised in FY2014 as expense in cost of sales and (iii) an accounting estimate revision to the useful lives of the existing melting pipelines of the Group's nylon yarn production facilities from ten years to eight years which resulted in an increase in depreciation charges of RMB7.4 million of which RMB6.6 million was recognised in FY2014 as expense in cost of sales.

The average selling price of the Group's nylon yarn products have been on the decline, decreasing from RMB27,570 per metric tonne ("**mt**") in FY2012 to RMB24,730 per mt in FY2013 and decreasing further to RMB23,240 per mt in FY2014.

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Profitability continued to decline in 9M2015 with the Group reporting losses attributable to owners of the Company of RMB42.0 million. Revenues, gross profits and gross profit margins declined as a result of lower average selling prices and lower sales volume of their nylon yarn products due to the continued decrease in overall market demand of nylon yarn products amid a soft economy in China and overseas markets.

The Company provided a commentary on its outlook in the announcement of its unaudited financial results for 9M2015. Certain extracts have been reproduced in italics below:

"We expect the remainder of 2015 and early 2016 continue to be a period of uncertainty in terms of downstream demand and the overall global economic climates as signs of further slowdown in growth from the emerging markets, including China having started to show in the first few months of the year. Our downstream customers have been experiencing setbacks in orders, both from overseas and domestic markets, and selling price cuts which will undoubtedly trigger a chain reaction and affect operators like Li Heng as upstream suppliers of nylon yarns. As discussed in item 8.2 above, we are particularly mindful about the situation of our trade receivables due to the continued worsening of the overall economy in China. Our goal for the year ahead is to manage our operating cash effectively and efficiently to maintain a healthy liquidity position. Albeit the uncertain and difficult operating environment, we believe Li Heng is in good position to weather the storm of challenges ahead with our strong and efficient financial position and liquidity, as well as our well-established long-term relationship with our customers and suppliers."

7.6 DIVIDEND TRACK RECORD OF THE COMPANY

We understand from the Company that it does not have a formal dividend policy. We note from the annual reports of the Company that, since its listing in 2008, the Company had declared and paid dividends for FY2008, FY2009 and FY2010 but the Company has not declared any dividend in respect of FY2011, FY2012, FY2013 and FY2014.

7.7 OTHER CONSIDERATIONS

(a) Rationale for the Offer

The rationale for the Offer is set out in Section 7 of the Offer Document.

(b) No alternative offer

The Directors have confirmed that, as at the Latest Practicable Date, apart from the Offer being made by the Offeror, no alternative offer has been received. We also note that there is no publicly available evidence of any alternative offer for the Shares from any third party.

(c) No intention to revise the Offer Price

The Offeror has stated in the Offer Document that it does not intend to revise the Offer Price, save that the Offeror reserves the right to do so in a competitive situation. We note that as at the Latest Practicable Date, no competitive situation has arisen.

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(d) Unconditional offer

We note that the Offer is not subject to any conditions and is unconditional in all respects.

(e) Control of the Company

As at the Latest Practicable Date, the Offeror and its concert parties own or control in aggregate 277,191,320 Shares, representing approximately 81.527% of the issued share capital of the Company. As such, the Offeror and its concert parties effectively have statutory control of the Company which mean that the Offeror and its concert parties will be in a position to influence the outcome of resolutions which require Shareholders' approval (provided that the Offeror and its concert parties do not have an interest in such resolutions).

(f) Listing status

(i) Suspension of Trading

Under Rule 1105 of the Listing Manual, upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that brings the Shares held by the Offeror and parties acting or deemed to be acting in concert with it to above 90.0% of the Shares excluding treasury shares, the SGX-ST may suspend the listing of the Shares on the SGX-ST until such time when the SGX-ST is satisfied that at least 10.0% of the Shares excluding treasury shares are held by at least 500 shareholders who are members of the public. Under Rule 1303(1) of the Listing Manual, where the Offeror succeeds in garnering acceptances exceeding 90.0% of the Shares excluding treasury shares, thus causing the percentage of Shares excluding treasury shares held in public hands to fall below 10.0%, the SGX-ST will suspend the trading of the Shares only at the close of the Offer.

(ii) Free Float

In addition, under Rule 724(1) of the Listing Manual, if the percentage of the total Shares held in public hands falls below 10.0%, the Company must as soon as practicable, announce the fact and the SGX-ST may suspend trading of all the Shares. Rule 724(2) of the Listing Manual states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, to raise the percentage of Shares in public hands to at least 10.0%, failing which the Company may be delisted.

As set out in Section 8.1 of the Offer Document, in the event that the trading of the Shares on the SGX-ST is suspended pursuant to Rule 724(1), Rule 1105 or Rule 1303(1) of the Listing Manual, the Offeror does not intend to undertake or support any action for any such trading suspension by the SGX-ST to be lifted. It is the intention of the Offeror to privatise the Company and to delist the Company from the SGX-ST, should the option be available to the Offeror.

Based on the total Shares owned or controlled by the Offeror and its concert parties of 277,191,320 Shares and total valid acceptances amounting to 12,979,272 Shares as at the Latest Practicable Date, the Offeror and its concert parties will only need to acquire

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and/or receive valid acceptances for another 15,829,402 Shares for the SGX-ST to suspend the trading of the Shares at the close of the Offer.

(g) Compulsory acquisition

As set out in Section 8.2 of the Offer Document, under Section 103 of the Bermuda Companies Act, holders of not less than 95.0% of the shares in a target Bermuda company (herein referred to as "**purchasers**") may give notice ("**s103 Acquisition Notice**") to the remaining shareholders of their intention to acquire the remaining shareholders' shares on the terms set out in the s103 Acquisition Notice. When such s103 Acquisition Notice is given, the purchasers shall be entitled and bound to acquire the shares of the remaining shareholders on the terms set out in the s103 Acquisition Notice unless a remaining shareholder applies to the Supreme Court of Bermuda (the "**Court**") to have the Court appraise the value of such shares.

The Offeror and its concert parties own or control in aggregate 277,191,320 Shares, representing approximately 81.527% of the issued share capital of the Company as at the Latest Practicable Date. We also note that, as at the Latest Practicable Date, the Offeror received valid acceptances amounting to 12,979,272 Shares, representing approximately 3.817% of the total number of issued Shares of the Company. Therefore, the Offeror and its concert parties will need to acquire a further 32,829,402 Shares (or 9.656% of the issued share capital of the Company) before they can effect a compulsory acquisition of the Company via a s103 Acquisition Notice.

(h) Offeror's intentions for the Group

As set out in Section 9 of the Offer Document, the Offeror does not intend to preserve the listing status of the Company, and the Offeror (together with the parties acting in concert with it where appropriate) when entitled, intends to exercise its (or their) rights of compulsory acquisition under the Bermuda Companies Act and does not intend to take steps for any trading suspension of the Shares by the SGX-ST to be lifted in the event that, *inter alia*, less than 10% of the Shares are held in public hands. In addition, the Offeror will submit an application to the SGX-ST to seek a voluntary delisting of the Company from the SGX-ST pursuant to the Listing Manual.

Although the Offeror has no current intention of (a) making material changes to the Group's existing business, (b) re-deploying the Group's fixed assets, or (c) discontinuing the employment of the employees of the Group, other than in the ordinary course of business, nonetheless, the Offeror retains the flexibility at any time to consider options or opportunities which may present themselves, and which it regards to be in the interests of the Offeror and/or the Company. Following the close of the Offer, the Offeror will conduct a comprehensive review of the operations, management and financial position of the Group, and will evaluate various strategic options following the delisting.

(i) Trading liquidity of the Shares

As set out in the above paragraphs, the Offeror and its concert parties own or control in approximately 81.527% of the issued share capital of the Company as at the Latest Practicable Date, and the Offeror had received valid acceptances representing approximately 3.817% of the total number of issued Shares of the Company as at the Latest Practicable Date. Accordingly, as at the Latest Practicable Date, the balance

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Shares not held by the Offeror and its concert parties amounted to only 49,829,401 Shares, or approximately 14.66% of the issued share capital of the Company.

Shareholders should note that, should the listing status of the Company be preserved, the trading liquidity of the Shares is likely to be affected by the reduced number of Shares not held by the Offeror and its concert parties.

(j) Transaction costs in connection with the disposal of the Shares

As the Offer is unconditional in all respects, Shareholders who accept the Offer will receive the entire proceeds in cash with ten days after receipt by the Offeror of their respective valid acceptances. The Offer presents an opportunity for Shareholders to dispose of their Shares for cash without any transaction costs as opposed to the sale of the Shares in the open markets which will incur expenses such as brokerage commission and transaction costs.

(k) Subsequent event

Subsequent to the Latest Practicable Date, we note that as at 5.00 pm on 19 January 2016, the total number of (A) Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it; and (B) valid acceptances to the Offer, amount to an aggregate of 306,904,891 Shares, representing approximately 90.266% of the total number of issued Shares. Accordingly, trading of the Shares may be suspended by the SGX-ST at the close of the Offer as the percentage of Shares held in public hands is less than the requisite 10% of the total number of issued Shares (excluding treasury shares) as required under Rule 723 of the Listing Manual. Please refer to Section 7.1 and 7.2 of the Circular for further information on the suspension of trading and implications of delisting.

8. OUR ADVICE

Having regard to our terms of reference, in arriving at our opinion, we have taken into account a range of factors which we consider to be pertinent and have a significant bearing on our assessment of the Offer. We have carefully considered as many factors as we deemed essential and balanced them before arriving at our opinion. Accordingly, it is important that our IFA Letter, in particular, all the considerations and information we have taken into account, be read in its entirety.

We have set out below a summary of the factors we have taken into our consideration:

(a) the financial performance of the Group. We noted the Group's declining profitability in FY2014 and 9M2015 arising from decreased market demand and lower average selling prices of nylon yarn products;

(b) the Offer Price represents premiums of 58.7%, 60.3%, 104.5%, 100.8% and 115.1% over the VWAPs for the 12-month, 6-month, 3-month, 1-month periods prior to the Offer Announcement Date and the Last Trading Day respectively;

(c) the Offer Price represents premiums of 0.9% and 0.1% to the VWAPs for (a) the period after the Offer Announcement Date up to the Latest Practicable Date and (b) the Latest Practicable Date, respectively;

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(d) the average daily traded volume of the Shares for the 12-month, 6-month, 3-month and 1-month period prior to the Offer Announcement Date was low, representing only 0.035%, 0.017%, 0.003% and 0.001% of the free float, respectively;

(e) the Shares have outperformed the FSSTI for the 1-year period up to the Offer Announcement Date, declining 10.6% as compared to the 14.4% decline in the FSSTI over the same period. For the period from the Offer Announcement Date up till the Latest Practicable Date, the Shares have increased sharply by 114.0% as compared to the 7.2% decline in the FSSTI as a result of the Offer. Although the Shares have generally outperformed the FSSTI for the 1-year period before the Offer Announcement Date up to the Latest Practicable Date, the prices of the Shares have been closing below the Offer Price for the above mentioned period;

(f) the Offer Price represents a discount of 60.0% to the NAV per Share and a discount of 57.3% to the RNAV per Share;

(g) the EV/EBITDA, P/NAV and P/NTA ratios of the Group, based on the Offer Price, are all within the range, but below the mean and median of the Comparable Companies. However, when compared with the Singapore Comparables, the P/NAV and P/NTA ratios of the Group, based on the Offer Price, are above the P/NAV and P/NTA ratios of the Singapore Comparables;

(h) the premium of the Offer Price over the last transacted price, VWAP for the 1-month, 3-month and 6-month period prior to the Announcement Date, is within the range and significantly higher than the corresponding mean and median premium of Recent Privatisation Transactions;

(i) the ratio of the Offer Price over the NTA of the Shares, is below the range and below the corresponding mean and median offer price over NTA ratios of Recent Privatisation Transactions; and

(j) other relevant consideration as set out in Paragraph 7.7 of this IFA Letter.

Accordingly, after taking into account the above factors, we are of the opinion as of the date hereof that:

(I) The financial terms of the Offer, on balance, are not fair as the Offer Price is at a significant discount of 57.3% to the RNAV per Share of the Group as at 30 September 2015; and

(II) Taking into consideration the fact that the Offer Price is (a) at a significant premium over the historical price of the Shares in the one year prior to the Offer Announcement Date; and (b) is higher than the historical price of the Shares since March 2011 up till the Offer Announcement Date, we are of the view that the Offer Price is not fair but reasonable.

Accordingly, we advise the Independent Directors to recommend Shareholders to ACCEPT the Offer.

In rendering the above advice, we have not given regard to the specific investment objectives, financial situation, tax position or particular needs and constraints of any individual Shareholder.

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As each individual Shareholder would have different investment objectives and profiles, we would advise that any individual Shareholder who may require specific advice in relation to his investment objectives or portfolio should consult his legal, financial, tax or other professional adviser immediately. The Independent Directors should advise Shareholders that the opinion and advice of Xandar Capital should not be relied upon by any Shareholder as the sole basis for deciding whether or not to accept the Offer, as the case may be.

This IFA Letter is addressed to the Independent Directors for their benefit, in connection with and for the purpose of their consideration of the financial terms of the Offer, but the recommendation made by them to the Shareholders shall remain their responsibility. Whilst a copy of this IFA Letter may be reproduced in the Circular, neither the Company nor the Directors may reproduce, disseminate or quote this IFA Letter (or any part thereof) for any other purpose at any time and in any manner without the prior written consent of Xandar Capital in each specific case.

This opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours truly
For and on behalf of
XANDAR CAPITAL PTE. LTD.

LOO CHIN KEONG
EXECUTIVE DIRECTOR

PAULINE SIM POI LIN
HEAD OF CORPORATE FINANCE

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APPENDIX B
GENERAL INFORMATION

1. DIRECTORS

The names, addresses and designations of the Directors as at the Latest Practicable Date are set out below:

Name	Address	Designation
Chen Jianlong	No. 6 Shuang Zhu Xia, Hua Yang Village, Jin Feng Town, Changle, Fujian Province, People's Republic of China	Executive Chairman
Chen Feng	No.161 Qing Qiao, Qing Qiao Village, He Shang Town, Changle, Fujian Province, People's Republic of China	Executive Director and Chief Executive Officer
Chen Siren	No.12 Biao Xian, Hua Yang Village, Jin Feng Town, Changle, Fujian Province, People's Republic of China	Executive Director
Chen Zengfu	No.1 Shuang Zhu Xia, Hua Yang Village, Jin Feng Town, Changle, Fujian Province, People's Republic of China	Executive Director
Liu Qiguan	Unit 603, Block 14, Yang Guang Cheng, No. 28 Fu Xin Road, Gu Lou District, Fuzhou, Fujian Province, People's Republic of China	Executive Director
Tan Siok Sing	45 Greenfield Drive, Singapore 457945	Lead Independent Non-Executive Director
Ko Wai Lun Warren	15th Floor, Villa Elegance, No. 1 Robinson Road, Mid Levels, Hong Kong	Independent Non-Executive Director
Ho Teck Cheong	Block 54 Telok Blangah Drive #06-34, Singapore 100054	Independent Non-Executive Director

2. REGISTERED OFFICE

The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

3. PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding while the Group is principally engaged in the manufacturing and sale of high-end nylon fibers and polyamide chips in the People's Republic of China.

4. SHARE CAPITAL AND RIGHTS IN RESPECT OF VOTING, DIVIDENDS AND CAPITAL

4.1 Issued Share Capital

The issued and paid-up share capital of the Company as at the Latest Practicable Date is S$170,000,000 comprising 339,999,993 issued Shares.

4.2 Capital, Dividends and Voting Rights

The rights of Shareholders in respect of capital, dividends and voting are contained in the Bye-Laws. The relevant provisions in the Bye-Laws relating to the rights of Shareholders in respect of capital, dividends and voting have been extracted and reproduced in Appendix C to this Circular. The Memorandum and Bye-Laws are available for inspection at the office of the Company's Singapore Share Transfer Agent at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623. Capitalised terms and expressions not defined in the extracts have the meanings ascribed to them in the Bye-Laws and/or the Bermuda Companies Act.

4.3 Number of Shares Issued since the End of the Last Financial Year

As at the Latest Practicable Date, no new Shares have been issued since the end of FY2015, being the last financial year of the Company.

4.4 Share consolidation

The Company had on 22 May 2015 completed its share consolidation exercise, pursuant to which the Company consolidated every five (5) ordinary shares with a par value of S$0.10 each into one (1) ordinary share of par value with a par value of S$0.50 each, fractional entitlements were disregarded.

4.5 Options and Convertible Instruments

As at the Latest Practicable Date, there are no other outstanding instruments convertible into, rights to subscribe for, and options in respect of, the Shares.

5. DISCLOSURE OF INTERESTS

5.1 Interests of the Company in Offeror Securities

As at the Latest Practicable Date, the Company does not have any direct or deemed interests in any Offeror Securities.

5.2 Dealings in Offeror Securities by the Company

During the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date, the Company has not dealt for value in any Offeror Securities.

5.3 Interests of the Directors in Offeror Securities

Save as disclosed below, none of the Directors has any direct or indirect interests in any Offeror Securities as at the Latest Practicable Date:

Offeror Shares

	Direct Interest		Deemed Interest	
Name	**No. of Offeror Shares**	**%(1)**	**No. of Offeror Shares**	**%(1)**
Chen Jianlong	3,392	30.84	-	-
Chen Feng	2,133	19.39	-	-
Chen Siren	1,779	16.17	-	-
Chen Zengfu	1,779	16.17	-	-
Liu Qiguan	1,917	17.43	-	-
Total	**11,000**	**100**	-	-

Note:

(1) Based on the total number of issued shares of the Offeror being 11,000.

5.4 Dealings in Offeror Securities by the Directors

The following Directors subscribed for and were allotted the following Offeror Shares on 9 October 2015:

Name of Director	Price per Offeror Share (US$)	Total number of Offeror Shares acquired
Chen Jianlong	377	377
Chen Feng	173	173
Chen Siren	146	146
Chen Zengfu	146	146
Liu Qiguan	158	158

Save as disclosed above, during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date, none of the Directors has dealt for any value in any Offeror Securities.

5.5 Interests of the Directors in Company Securities

Save as disclosed below, none of the Directors has any direct or deemed interests in any Company Securities as at the Latest Practicable Date:

Shares

	Direct Interest		Deemed Interest	
Name	**Shares**	**%(1)**	**Shares**	**%(1)**
Chen Jianlong (2) (4)	1,760,000	0.518	145,823,600	42.889
Chen Feng (3) (4)	-	-	36,856,400	10.840
Chen Siren (2) (4)	-	-	145,823,600	42.889
Chen Zengfu (2) (4)	-	-	145,823,600	42.889
Liu Qiguan (2) (4)	-	-	145,823,600	42.889
Tan Siok Sing	-	-	-	-
Ko Wai Lun Warren	-	-	-	-
Ho Teck Cheong	-	-	-	-

Notes:

(1) Based on the total number of issued Shares being 339,999,993 as at the Latest Practicable Date.

(2) Upperwin Investments Limited ("**Upperwin**") holds 144,033,600 Shares, representing approximately 42.363% of the total Shares. The shareholders of Upperwin are Mr. Chen Jianlong (37.50%), Mr. Liu Qiguan (21.88%), Mr. Chen Siren (20.31%), and Mr. Chen Zengfu (20.31%). They are each deemed to be interested in the 144,033,600 Shares held by Upperwin.

(3) Proud City Management Limited ("**Proud City**") holds 35,066,400 Shares, representing approximately 10.314% of the total Shares. Mr. Chen Feng is the owner of the entire issued share capital of Proud City. He is deemed to be interested in all the shares held by Proud City.

(4) As at the Latest Practicable Date, the Offeror holds 1,790,000 Shares, representing approximately 0.526% of the total Shares. The shareholders of the Offeror are Mr. Chen Jianlong (30.84%), Mr. Chen Feng (19.39%), Mr. Chen Siren (16.17%), Mr. Chen Zengfu (16.17%) and Mr. Liu Qiguan (17.43%). They are each deemed to be interested in the 1,790,000 Shares held by the Offeror.

5.6 Dealings in Company Securities by the Directors

Save as disclosed below, none of the Directors has dealt for value in the Company Securities during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date:

Name of Director	Date of Transaction	Price per Share (S$)	Total number of Shares acquired
Chen Jianlong[(1)]	11 January 2016	0.995	700,000
Chen Jianlong[(2)]	12 January 2016	1.000	195,000
Chen Jianlong[(3)]	14 January 2016	1.000	895,000
Chen Feng[(1)]	11 January 2016	0.995	700,000
Chen Feng[(2)]	12 January 2016	1.000	195,000
Chen Feng[(3)]	14 January 2016	1.000	895,000
Chen Siren[(1)]	11 January 2016	0.995	700,000
Chen Siren[(2)]	12 January 2016	1.000	195,000
Chen Siren[(3)]	14 January 2016	1.000	895,000
Chen Zengfu[(1)]	11 January 2016	0.995	700,000
Chen Zengfu[(2)]	12 January 2016	1.000	195,000
Chen Zengfu[(3)]	14 January 2016	1.000	895,000
Liu Qiguan[(1)]	11 January 2016	0.995	700,000
Liu Qiguan[(2)]	12 January 2016	1.000	195,000
Liu Qiguan[(3)]	14 January 2016	1.000	895,000

Note:

(1) These Shares are held by the Offeror and were acquired by the Offeror on 11 January 2016.
(2) These Shares are held by the Offeror and were acquired by the Offeror on 12 January 2016.
(3) These Shares are held by the Offeror and were acquired by the Offeror on 14 January 2016.

5.7 Offeror Securities owned by or controlled by the IFA

As at the Latest Practicable Date, none of the IFA, or any of the funds whose investments are managed by the IFA on a discretionary basis owns or controls any Offeror Securities.

5.8 Dealings in Offeror Securities by the IFA

During the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date, none of the IFA, or any of the funds whose investments are managed by the IFA on a discretionary basis, has dealt for value in the Offeror Securities.

5.9 Company Securities owned or controlled by the IFA

As at the Latest Practicable Date, none of the IFA, or any of the funds whose investments are managed by the IFA on a discretionary basis, owns or controls any Company Securities.

5.10 Dealings in Company Securities by the IFA

During the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date, none of the IFA, or any of the funds whose investments are managed by the IFA on a discretionary basis, has dealt for value in the Company Securities.

5.11 Intentions of the Directors in respect of their Shares

As at the Latest Practicable Date:

(a) each of Mr. Chen Jianlong, Mr. Chen Feng, Mr. Liu Qiguan, Mr. Chen Siren and Mr. Chen Zengfu has a deemed interest in an aggregate of 1,790,000 Shares, representing approximately 0.53% of the total number of issued Shares, which are held by the Offeror;

(b) each of Mr. Chen Jianlong, Mr. Liu Qiguan, Mr. Chen Siren and Mr. Chen Zengfu has a deemed interest in an aggregate of 144,033,600 Shares, representing approximately 42.36% of the total number of issued Shares, which are held by Upperwin;

(c) Mr. Chen Feng has a deemed interest in an aggregate of 35,066,400 Shares, representing approximately 10.31% of the total number of issued Shares, which are held by Proud City; and

(d) Mr. Chen Jianlong has a direct interest in an aggregate of 1,760,000 Shares, representing approximately 0.52% of the total number of issued Shares, which are held by him.

Mr. Chen Jianlong, Proud City and Upperwin have each acknowledged that they are acting in concert with the Offeror, and have provided the Offeror with irrevocable undertakings ("**Irrevocable Undertakings**") stating that they shall, *inter alia*: (a) waive their rights to receive the Offer; and (b) not transfer or otherwise dispose of any of their Shares as set out below during the period commencing from the date of the Irrevocable Undertakings and ending on the closing date of the Offer (as may be extended from time to time by or on behalf of the Offeror) or the abortion of the Offer, whichever is applicable.

Until the closing date of the Offer (as may be extended from time to time by or on behalf of the Offeror) or the abortion of the Offer, whichever is applicable:

(a) each of Mr. Chen Jianlong, Mr. Chen Feng, Mr. Liu Qiguan, Mr. Chen Siren and Mr. Chen Zengfu does not intend to transfer or otherwise dispose of any the Offeror Shares he holds;

(b) each of Mr. Chen Jianlong, Mr. Liu Qiguan, Mr. Chen Siren and Mr. Chen Zengfu does not intend to transfer or otherwise dispose of any the shares of Upperwin he holds; and

(c) Mr. Chen Feng does not intend to transfer or otherwise dispose of any the shares of Proud City he holds.

Save as disclosed above, all the other Directors do not own or hold any Shares.

6. OTHER DISCLOSURES

6.1 Directors' Service Contracts

As at the Latest Practicable Date:

(a) there are no service contracts between any of the Directors or proposed directors with the Company or any of its subsidiaries which have more than 12 months to run and which are not terminable by the employing company within the next 12 months without paying any compensation; and

(b) there are no such contracts entered into or amended during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

6.2 Arrangements affecting Directors

As at the Latest Practicable Date:

(a) it is not proposed that any payment or other benefit shall be made or given to any Director or director of any other corporation which is by virtue of Section 6 of the Companies Act deemed to be related to the Company, as compensation for loss of office or otherwise in connection with the Offer;

(b) save as disclosed in Section 3 of the Letter to the Shareholders from The Board of Directors and paragraph 5.11 of Appendix B to this Circular, there are no agreements or arrangements made between any Director and any other person in connection with or conditional upon the outcome of the Offer; and

(c) none of the Directors has a material personal interest, whether direct or indirect, in any material contract entered into by the Offeror.

7. MATERIAL CONTRACTS WITH INTERESTED PERSONS

Save as disclosed below, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries has entered into material contracts with persons who are Interested Persons (other than those entered into in the ordinary course of business) during the period beginning three (3) years before the Offer Announcement Date.

Pursuant to an operating lease agreement between the Company and Changle Liyuan Polyamide Enterprise Co., Ltd ("**Liyuan**") which commenced on 1 September 2006 ("**Operating Lease Agreement**"), Liyuan has received the following aggregate amount of lease payments from the Group in the last three financial years for the properties leased by the Group from Liyuan:

FY2015	**FY2014**	**FY2013**
RMB6,012,000	RMB6,012,000	RMB6,012,000

The Operating Lease Agreement expired on 31 August 2015. On 14 August 2015, the Group entered into a lease agreement (the "**New Operating Lease Agreement**") with Liyuan to lease from Liyuan the same properties under the Operating Lease Agreement. The New Operating Lease Agreement is for a term of nine years commencing from 1 September 2015 ("**Initial Term**"). Under the New Operating Lease Agreement, the Group shall pay Liyuan an annual rent of approximately RMB6.0 million ("**Annual Rent**"), as supported by a valuation report by an independent valuer. The Annual Rent is payable by the Group to Liyuan on a monthly basis. During the Initial Term, the New Operating Lease Agreement may be terminated at the option of the Group by giving at least three months' notice to Liyuan. There is no provision for Liyuan to terminate the Liyuan Lease Agreement unilaterally.

8. MATERIAL LITIGATION

As at the Latest Practicable Date, the Directors are not aware of any material litigation, claims or proceedings pending or threatened against, or made by, the Company or any of its subsidiaries or any facts likely to give rise to any such material litigation, claims or proceedings, which might materially and adversely affect the financial position of the Company and any of its subsidiaries, taken as a whole.

9. FINANCIAL INFORMATION

9.1 Consolidated Statements of Comprehensive Income

Certain financial information extracted from the audited consolidated statements of comprehensive income of the Group for the last three (3) financial years (FY2014, FY2013 and FY2012) of the Group and the unaudited consolidated financial statements of the Group for the nine months ended 30 September 2015 is summarised below. The summary set out below should be read together with the annual reports and the audited consolidated statements of comprehensive income of the Group for the relevant financial periods, the Company's announcement on the unaudited consolidated financial statements of the Group for the nine months ended 30 September 2015 and their respective accompanying notes.

	Nine months ended 30/09/2015 (Unaudited) RMB'000	**Year ended 31/12/2014 (Audited) RMB'000**	**Year ended 31/12/2013 (Audited) RMB'000**	**Year ended 31/12/2012 (Audited) RMB'000**
Revenue	1,517,567	2,515,779	2,904,455	3,446,607
Cost of sales	(1,475,464)	(2,403,868)	(2,712,871)	(3,242,575)
Gross profit	42,103	111,911	191,584	204,032
Other income	9,485	19,206	16,874	4,095
Selling and distribution expenses	(18,447)	(28,829)	(32,405)	(33,284)
Administrative expenses	(65,887)	(79,564)	(80,547)	(91,094)
Operating (loss)/profit	(32,746)	22,724	95,506	83,749
Finance costs	(7,513)	(13,851)	(17,486)	(28,477)
(Loss)/Profit before income tax	(40,259)	8,873	78,020	55,272
Income tax expense	(1,755)	(8,671)	(24,805)	(14,075)
Minority Interest	-	-	-	-
(Loss)/Profit for the period/year attributable to owners of the Company	(42,014)	202	53,215	41,197
Other comprehensive income for the period/year	-	-	-	-
Total comprehensive (loss)/income attributable to owners of the Company	(42,014)	202	53,215	41,197
(Losses)/earnings per share[(1)]				
-Basic (RMB cents)	(12.36)	0.06	15.65	12.12
Dividends per share	-	-	-	-

Notes:

(1) The Company had on 22 May 2015 completed its share consolidation exercise, pursuant to which the Company consolidated every five ordinary shares with a par value of S$0.10 each into one ordinary share with a par value of S$0.50 each, fractional entitlements were disregarded. The basic earnings per share for the three years ended 31 December 2012, 2013 and 2014 have been restated to illustrate what the basic earnings per share for the three years then ended would have been if the Company's share consolidation had taken place during the three years then ended.

(2) There were no exceptional items for the financial periods set out in the table above.

9.2 Consolidated Statements of Financial Position

The audited consolidated statements of financial position of the Group for the last two financial years ended 31 December 2014 and 31 December 2013 and the unaudited consolidated statement of financial position of the Group as at the nine months ended 30 September 2015 are summarised below. The summary set out below should be read together with the annual reports and the audited consolidated statements of financial position of the Group for the relevant financial periods, the Company's announcement on the unaudited consolidated financial statements of the Group for the nine months ended 30 September 2015 and their respective accompanying notes.

	30/09/2015	**31/12/2014**	**31/12/2013**
	(Unaudited)	**(Audited)**	**(Audited)**
	RMB'000	**RMB'000**	**RMB'000**
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	2,082,317	2,324,428	2,549,468
Land use rights	12,716	12,951	13,266
Deposits paid for purchase of property, plant and equipment	-	246	604
	2,095,033	2,337,625	2,563,989
Current assets			
Inventories	401,194	268,751	451,719
Trade and bill receivables	441,305	376,833	433,888
Prepayments, deposits and other receivables	23,991	40,739	12,658
Pledged deposits	9,353	5,377	16,258
Cash and bank balances	1,089,065	1,157,678	982,765
	1,964,908	1,849,378	1,897,288

Current liabilities			
Trade and bill payables	68,865	42,680	231,747
Accrued expenses and other payables	36,388	42,905	47,705
Amount due to a related party	501	501	501
Amounts due to directors	7,502	4,397	5,088
Bank loans	149,342	253,633	332,297
Provision for tax	-	3,530	4,784
	262,598	347,646	622,122
Net current assets	1,702,310	1,501,732	1,275,166
Net assets	3,797,343	3,839,357	3,839,155
EQUITY			
Equity attributable to owners of the Company			
Share capital	862,991	862,991	862,991
Reserves	2,934,352	2,976,366	2,976,164
Total equity	3,797,343	3,839,357	3,839,155

9.3 Significant Accounting Policies

A summary of the significant accounting policies of the Group are set out in the notes to the audited consolidated financial statements of the Group for FY2014 contained in the annual report of the Company for FY2014.

9.4 Changes in accounting polices

The Group adopts International Financial Reporting Standards ("**IFRS**") in its financial statements. In line with new and revised IFRSs, changes to the Group's accounting policy have been made for periods beginning on or after 1 January 2015. However, the adoption of such new IFRSs did not result in any substantial or material change in the accounting policies of the Group which will cause the figures set out in paragraphs 9.1 and 9.2 of Appendix B to this Circular to be not comparable to a material extent.

9.5 Material Changes in Financial Position

Save as disclosed in this Circular and in publicly available information on the Group (including but not limited to the Company's announcement on the unaudited consolidated financial statements of the Group for the nine months ended 30 September 2015), as at the Latest Practicable Date, there has been no known material change in the financial position of the Group since 31 December 2014, being the date of the Company's last published audited consolidated financial statements.

9.6 Material Change in Information

Save as disclosed in this Circular and save for the information relating to the Company and the Offer that is publicly available, there has been no material change in any information previously published by or on behalf of the Company during the period commencing from the Offer Announcement Date and ending on the Latest Practicable Date.

10. VALUATION ON PROPERTY, PLANT AND MACHINERY

The Company has commissioned an independent valuation of the property, plant and machinery (the "**PPE**") of the Company. The valuation certificates by the Valuer are set out in Appendix D to this Circular. Under Rule 26.3 of the Code, the Company is required, *inter alia*, to make an assessment of any potential tax liability which would arise if the PPE, which are the subject of a valuation given in connection with an offer, were to be sold at the amount of the valuation. Based on the Valuation Reports, the potential tax liabilities that may be incurred by the Group on the hypothetical disposal of the PPE on an "as is" basis is approximately S$37.9 million (RMB173.5 million). The aforesaid tax liabilities will not crystallise if the Group does not dispose of its interests in the PPE. As at the Latest Practicable Date, the Company has no immediate plan to dispose of its interests in the PPE.

11. GENERAL

11.1 All expenses and costs incurred by the Company in relation to the Offer will be borne by the Company.

11.2 The independent financial adviser, Xandar Capital, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name in this Circular, its advice to the Independent Directors set out in Section 9.3 of this Circular, the IFA Letter set out in Appendix A to this Circular and all references thereto in the form and context in which they appear in this Circular.

11.3 The Valuer has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, letters, the Valuation Reports, the valuation certificates which are annexed hereto as Appendix D to this Circular and all references thereto in the form and context in which they appear in this Circular.

12. EXTRACTS OF DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the office of the Company's Singapore Share Transfer Agent at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623 during normal business hours for the period during which the Offer remains open for acceptance:

(a) the memorandum of association and bye-laws of the Company;

(b) annual reports of the Company for FY2012, FY2013 and FY2014 and the unaudited consolidated financial statements of the Group for the nine months ended 30 September 2015;

(c) the IFA Letter as set out in Appendix A to this Circular;

(d) the Valuation Reports and valuation certificates; and

(e) the letters of consent referred to in Paragraph 11 above.

APPENDIX C
EXTRACTS FROM THE BYE-LAWS OF THE COMPANY

The relevant provisions in the Bye-Laws of the Company in respect of capital, dividends and voting in relation to the Shares have been extracted and set out below.

1. Rights in Respect of Capital

SHARE CAPITAL

3. (1) The authorised share capital of the Company at the date on which these Bye-Laws come into effect shall be divided into shares of a par value of S$0.10 each.

(2) The Company may purchase its own shares for cancellation or to acquire them as Treasury Shares in accordance with the Act on such terms as the Board shall think fit. Any power of the Company to purchase or otherwise acquire its own shares shall be exercisable by the Board in accordance with and subject to the Act, the Company's memorandum of association and, for so long as the shares of the Company are listed on the Designated Stock Exchange, the prior approval of the Members in general meeting for such purchase or acquisition. Such approval of the Members shall remain in force until (i) the conclusion of the annual general meeting of the Company following the passing of the resolution granting the said authority or (ii) the date by which such annual general meeting is required to be held or (iii) it is revoked or varied by ordinary resolution of the Company in general meeting, whichever is the earliest, and may thereafter be renewed by the Members in general meeting. For so long as the shares of the Company are listed on the Designated Stock Exchange, the Company shall make an announcement to the Designated Stock Exchange of any purchase or acquisition by the Company of its own shares on the market day following the day of such purchase or acquisition.

(3) Neither the Company nor any of its subsidiaries shall give, whether directly or indirectly, whether by means of loan, guarantee, provision of security or otherwise, any financial assistance for the purpose of the acquisition or proposed acquisition by any person of any shares in the Company, but nothing in this Bye-law shall prohibit transactions permitted under the Act.

ALTERATION OF CAPITAL

4. The Company may from time to time by ordinary resolution in accordance with Section 45 of the Act:-

(a) Increase its capital by such sum, to be divided into shares of such amounts, as the resolution shall prescribe;

(b) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(c) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or such restrictions which in the absence of any such determination by the Company in general meeting, as the Directors may determine provided always that where the Company issues shares which do not carry voting rights, the words "non-voting" shall appear in the designation of such shares and where the equity capital includes shares with different voting rights, the designation of each class of shares, other than those with

the most favourable voting rights, must include the words "restricted voting" or "limited voting";

(d) sub-divide its shares, or any of them, into shares of smaller amount than is fixed by the memorandum of association (subject, nevertheless, to the Act), and may by such resolution determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred rights or be subject to any such restrictions as compared with the other or others as the Company has power to attach to unissued or new shares;

(e) change the currency denomination of its share capital;

(f) make provision for the issue and allotment of shares which do not carry any voting rights; and

(g) cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

5. The Board may settle as it considers expedient any difficulty which arises in relation to any consolidation and division under the last preceding Bye-law and in particular but without prejudice to the generality of the foregoing may issue certificates in respect of fractions of shares or arrange for the sale of the shares representing fractions and the distribution of the net proceeds of sale (after deduction of the expenses of such sale) in due proportion amongst the Members who would have been entitled to the fractions, and for this purpose the Board may authorise some person to transfer the shares representing fractions to their purchaser or resolve that such net proceeds be paid to the Company for the Company's benefit. Such purchaser will not be bound to see to the application of the purchase money nor will his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale.

6. The Company may from time to time by special resolution, subject to any confirmation or consent required by law, reduce its authorised or issued share capital or any share premium account or other undistributable reserve in any manner permitted by law.

7. Except so far as otherwise provided by the conditions of issue, or by these Bye-laws, any capital raised by the creation of new shares shall be treated as if it formed part of the original capital of the Company, and such shares shall be subject to the provisions contained in these Bye-laws with reference to the payment of calls and instalments, transfer and transmission, forfeiture, lien, cancellation, surrender, voting and otherwise.

SHARE RIGHTS

8. (1) Subject to any special rights conferred on the holders of any shares or class of shares, any share in the Company (whether forming part of the present capital or not) may be issued with or have attached thereto such rights or restrictions whether in regard to dividend, voting, return of capital or otherwise as the Company may by ordinary resolution determine or, if there has not been any such determination or so far as the same shall not make specific provision, as the Board may determine.

(2) All the rights attaching to a Treasury Share shall be suspended and shall not be exercisable by the Company while it holds such Treasury Share and, except where required by the Act, all Treasury Shares shall be excluded from the calculation of any percentage or fraction of the share capital or shares, of the Company.

9. (1) *In the event of preference shares being issued the total nominal value of issued preference shares shall not at any time exceed the total nominal value of the issued ordinary shares and preference shareholders shall have the same rights as ordinary shareholders as regards receiving of notices, reports and balance sheets and attending general meetings of the Company, and preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital or winding-up or sanctioning a sale of the undertaking or where the proposition to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six (6) months in arrear.*

(2) *Subject to Sections 42 and 43 of the Act, any preference shares may be issued or converted into shares that, at a determinable date or at the option of the Company or the holder if so authorised by its memorandum of association, are liable to be redeemed on such terms and in such manner as the Company before the issue or conversion may by ordinary resolution of the Members determine.*

(3) *The Company has power to issue further preference capital ranking equally with, or in priority to, preference shares already issued.*

VARIATION OF RIGHTS

10. *Whenever the share capital of the Company is divided into different classes of shares, subject to the provisions of the Statutes, preference capital other than redeemable preference capital may be repaid and the special rights attached to any class may be varied or abrogated either with the consent in writing of the holders of three-quarters in nominal value of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class (but not otherwise) and may be so repaid, varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding-up. To every such separate general meeting and all adjournments thereof all the provisions of these Bye-laws relating to general meetings of the Company and to the proceedings thereat shall mutatis mutandis apply, except that the necessary quorum (other than at an adjourned meeting) shall be two persons at least holding or representing by proxy at least one-third in nominal value of the issued shares of the class and at any adjourned meeting of such holders, two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum and that any holder of shares of the class present in person or by proxy may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him, provided always that where the necessary majority for such a special resolution is not obtained at such general meeting, consent in writing if obtained from the holders of three-quarters in nominal value of the issued shares of the class concerned within two months of such general meeting shall be as valid and effectual as a special resolution carried at such general meeting. The foregoing provisions of this Bye-law shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the special rights whereof are to be varied.*

11. *The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied, modified or abrogated by the creation or issue of further shares ranking pari passu therewith.*

SHARES

12. (1) *Subject to the Act and to the rules or regulations of the Designated Stock Exchange (if applicable), no shares may be issued by the Board without the prior approval of the Company in general meeting but subject thereto and to these Bye-laws and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, the unissued shares of the Company (whether forming part of the original or any increased capital) shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration and upon such terms and conditions as the Board may in its absolute discretion determine but so that no shares shall be issued at a discount.*

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to Members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the Board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(2) *Subject to any direction to the contrary that may be given by the Company in general meeting or except as permitted under the rules or regulations of the Designated Stock Exchange, all new shares shall before issue be offered to such persons who as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as far as the circumstances admit, to the amount of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined. After the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Board may dispose of those shares in such manner as they think most beneficial to the Company. The Board may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Board, be conveniently offered under this Bye-law 12(2).*

(3) *Notwithstanding Bye-law 12(2) above but subject to the Statutes and the rules or regulations of the Designated Stock Exchange (if applicable), the Company in general meeting may by ordinary resolution grant to the Directors a general authority, either unconditionally or subject to such conditions as may be specified in the said ordinary resolution (including but not limited to the aggregate number of Shares which may be issued and the duration of the general authority), to issue shares in the capital of the Company whether by way of rights, bonus or otherwise; and/or 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) warrants, debentures or other instruments convertible into shares; Provided that unless otherwise specified in the ordinary resolution or required by any applicable rules or regulations of the Designated Stock Exchange, such general authority will continue (notwithstanding the authority conferred by the said ordinary resolution may have ceased to be in force) in relation to the issue of shares pursuant to any Instrument made or granted by the Directors while the said ordinary resolution was in force.*

(4) The Board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine, Provided that such issue must be specifically approved by the Company in general meeting if required by the rules or regulations of the Designated Stock Exchange.

(5) Subject to the rules or regulations of the Designated Stock Exchange (if applicable), the Company may issue its shares in fractional denominations and deal with such fractions to the same extent as its whole shares and shares in fractional denominations shall have in proportion to the respective fractions represented thereby all of the rights of whole shares including (but without limiting the generality of the foregoing) the right to vote, to receive dividends and distributions and to participate in a winding-up.

13. The Company may in connection with the issue of any shares exercise all powers of paying commission and brokerage conferred or permitted by the Act. Subject to the Act, the commission may be satisfied by the payment of cash or by the allotment of fully or partly paid shares or partly in one and partly in the other.

14. Except as required by law, no person shall be recognised by the Company as holding any share upon any trust and the Company shall not be bound by or required in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any fractional part of a share or (except only as otherwise provided by these Bye-laws or by law) any other rights in respect of any share except an absolute right to the entirety thereof in the registered holder.

15. (1) Subject to the terms and conditions of any application for shares, the Board shall allot shares applied for within ten (10) market days of the closing date of any such application (or such other period as may be approved by the Designated Stock Exchange).

(2) Subject to the Act and these Bye-laws, the Board may at any time after the allotment of shares but before any person has been entered in the Register as the holder, recognise a renunciation thereof by the allottee in favour of some other person and may accord to any allottee of a share a right to effect such renunciation upon and subject to such terms and conditions as the Board considers fit to impose.

2. Rights in Respect of Dividends

DIVIDENDS AND OTHER PAYMENTS

135. The Board may, subject to these Bye-laws and in accordance with the Act, declare a dividend in any currency to be paid to the Members and such dividend may be paid in cash or wholly or partly in specie in which case the Board may fix the value for distribution in specie of any assets. The Board may declare and make such other distributions (in cash or in specie) to the Members as may be lawfully made out of the assets of the Company. The Company in general meeting may also, subject to these Bye-laws and in accordance with the Act, declare a dividend or such other distribution to be paid to the Members but no dividend or distribution shall be declared by the Company in general meeting in excess of the amount recommended by the Board.

136. Without prejudice to the generality of the above Bye-law 135 if at any time the share capital of the Company is divided into different classes, the Board may pay such dividends in respect of those shares in the capital of the Company which confer on the holders thereof deferred or non-preferential rights as well as in respect of those shares which confer on the holders thereof preferential rights with regard to dividend and provided that the Board acts bona fide the Board shall not incur any responsibility to the holders of shares conferring any preference for any damage that they may suffer by reason of the payment of any dividend on any shares having deferred or

non-preferential rights and may also pay periodically any fixed dividend which is payable on any shares of the Company.

137. *No dividend shall be paid or distribution made if to do so would render the Company unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than the aggregate of its liabilities and its issued share capital and share premium accounts.*

138. *Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provide:-*

    (a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated for the purposes of this Bye-law as paid up on the share; and

    (b) all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

139. *The Board may deduct from any dividend or other moneys payable to a Member by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.*

140. *No unpaid dividend or distribution or other moneys payable by the Company shall bear interest as against the Company.*

141. *Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address or, in the case of joint holders, addressed to the holder whose name stands first in the Register in respect of the shares at his address as appearing in the Register or addressed to such person and at such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the Register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.*

142. *All dividends or bonuses unclaimed for one (1) year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. Any dividend or bonuses unclaimed after a period of six (6) years from the date of declaration shall be forfeited and shall revert to the Company. The payment by the Board of any unclaimed dividend or other sums payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof.*

143. *Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind and in particular of paid up shares, debentures or warrants to subscribe securities of the Company or any other company, or in any one or more of such ways, and where any difficulty arises in regard to the distribution the Board may settle the same as it thinks expedient, and in particular may issue certificates in respect of fractions of shares, disregard fractional entitlements or round the same up or down, and may fix the value for distribution of such specific assets, or any part thereof, and may determine that cash payments shall be made to any Members upon the footing of the value so fixed in order to*

adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Board and may appoint any person to sign any requisite instruments of transfer and other documents on behalf of the persons entitled to the dividend, and such appointment shall be effective and binding on the Members. The Board may resolve that no such assets shall be made available to Members with registered addresses in any particular territory or territories where, in the absence of a registration statement or other special formalities, such distribution of assets would or might, in the opinion of the Board, be unlawful or impracticable and in such event the only entitlement of the Members aforesaid shall be to receive cash payments as aforesaid. Members affected as a result of the foregoing sentence shall not be or be deemed to be a separate class of Members for any purpose whatsoever.

144. (1) *For so long as the shares of the Company are listed on the Designated Stock Exchange, any scheme which enables the Members to elect to receive securities in lieu of cash amount of any dividend must be approved by the Members in general meeting in accordance with applicable rules or regulations of the Designated Stock Exchange.*

(2) *The Board shall have full power to make such provisions as it thinks fit for the implementation of a scheme approved pursuant to the provisions of paragraph (1) of this Bye law, and the Board may do all acts and things considered necessary or expedient to give effect to such a scheme.*

(3) *Any resolution declaring a dividend on shares of any class, whether a resolution of the Company in general meeting or a resolution of the Board, may specify that the same shall be payable or distributable to the persons registered as the holders of such shares at the close of business on a particular date, notwithstanding that it may be a date prior to that on which the resolution is passed, and thereupon the dividend shall be payable or distributable to them in accordance with their respective holdings so registered, but without prejudice to the rights inter se in respect of such dividend of transferors and transferees of any such shares. The provisions of this Bye-law shall mutatis mutandis apply to bonuses, capitalisation issues, distributions of realised capital profits or offers or grants made by the Company to the Members.*

RESERVES

145. *Before recommending any dividend, the Board may set aside out of the profits of the Company such sums as it determines as reserves which shall, at the discretion of the Board, be applicable for any purpose to which the profits of the Company may be properly applied and pending such application may, also at such discretion, either be employed in the business of the Company or be invested in such investments as the Board may from time to time think fit and so that it shall not be necessary to keep any investments constituting the reserve or reserves separate or distinct from any other investments of the Company. The Board may also without placing the same to reserve carry forward any profits which it may think prudent not to distribute.*

CAPITALISATION

146. *The Company may, upon the recommendation of the Board, at any time and from time to time pass an ordinary resolution to the effect that it is desirable to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including the profit and loss account) whether or not the same is available for distribution and accordingly that such amount be set free for distribution among the Members or any class of Members who would be entitled thereto if it were distributed by way of dividend and in the same proportions, on the footing that the same is not paid in cash but is applied either in or towards paying up the amounts for the time being unpaid on any shares in the Company held by such Members respectively or in paying up in full unissued shares, debentures or other obligations of the Company, to be allotted and distributed credited as fully paid up among such Members, or partly in*

one way and partly in the other, and the Board shall give effect to such resolution provided that, for the purposes of this Bye-law, a share premium account and any reserve or fund representing unrealised profits, may be applied only in paying up in full unissued shares of the Company to be issued to such Members credited as fully paid. In carrying sums to reserve and in applying the same the Board shall comply with the provisions of the Act.

147. The Board may settle, as it considers appropriate, any difficulty arising in regard to any distribution under the last preceding Bye-law and in particular may issue certificates in respect of fractions of shares or authorise any person to sell and transfer any fractions or may resolve that the distribution should be as nearly as may be practicable in the correct proportion but not exactly so or may ignore fractions altogether, and may determine that cash payments shall be made to any Members in order to adjust the rights of all parties, as may seem expedient to the Board. The Board may appoint any person to sign on behalf of the persons entitled to participate in the distribution any contract necessary or desirable for giving effect thereto and such appointment shall be effective and binding upon the Members.

3. Rights in Respect of Voting

GENERAL MEETINGS

55. An annual general meeting of the Company shall be held in each year other than the year in which its statutory meeting is convened at such time (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting unless a longer period would not infringe the rules or regulations of the Designated Stock Exchange, if any) and place as may be determined by the Board. In addition, for so long as the shares of the Company are listed on the Designated Stock Exchange, the interval between the close of the Company's financial year and the date of the Company's annual general meeting shall not exceed four (4) months or such other period as may be prescribed or permitted by the Designated Stock Exchange.

56. Each general meeting, other than an annual general meeting, shall be called a special general meeting. General meetings may be held in any part of the world as may be determined by the Board.

57. The Board may whenever it thinks fit call special general meetings, and, subject to the Act, Members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Act.

NOTICE OF GENERAL MEETINGS

58. (1) At least fourteen (14) days' Notice of a general meeting shall be given to each Member entitled to attend and vote thereat. A general meeting at which the passing of a special resolution is to be considered shall be called by not less than twenty-one (21) days' Notice. A general meeting, whether or not a special resolution will be considered at such meeting, may be called by shorter notice if it is so agreed:-

(a) in the case of a meeting called as an annual general meeting, by all the Members entitled to attend and vote thereat; and

(b) in the case of any other meeting, by a majority in number of the Members having the right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the issued shares giving that right.

(2) For so long as the shares of the Company are listed on the Designated Stock Exchange, at least fourteen (14) days' notice of any general meeting shall be given by advertisement in an English daily newspaper in circulation in Singapore and in writing to the Designated Stock Exchange.

(3) The period of notice shall be exclusive of the day on which it is served or deemed to be served and exclusive of the day on which the meeting is to be held, and the Notice shall specify the day, time and place of the meeting and, in case of special business, the general nature of the business. Any Notice of a general meeting to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution on the Company in respect of such special business. The Notice convening an annual general meeting shall specify the meeting as such. Notice of every general meeting shall be given to all Members other than to such Members as, under the provisions of these Bye-laws or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, to all persons entitled to a share in consequence of the death or bankruptcy or winding-up of a Member and to each of the Directors and the Auditors.

(4) The Secretary may postpone any general meeting called in accordance with the provisions of these Bye-laws (other than a meeting requisitioned under these Bye-laws) provided that notice of postponement is given to each Member before the time for such meeting. Fresh notice of the date, time and place for the postponed meeting shall be given to each Member in accordance with the provisions of these Bye-laws.

59. The accidental omission to give Notice of a meeting or (in cases where instruments of proxy are sent out with the Notice) to send such instrument of proxy to, or the non-receipt of such Notice or such instrument of proxy by, any person entitled to receive such Notice shall not invalidate any resolution passed or the proceedings at that meeting.

PROCEEDINGS AT GENERAL MEETINGS

60. (1) Members may participate in any general meeting by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.

(2) All business shall be deemed special that is transacted at a special general meeting, and also all business that is transacted at an annual general meeting, with the exception of declaring a dividend, the reading, considering and adopting of the accounts and balance sheet and the reports of the Directors and Auditors and other documents required to be annexed to the balance sheet, the election of Directors and appointment of Auditors and other officers in the place of those retiring, the fixing of the remuneration of the Auditors, and the voting of remuneration or extra remuneration to the Directors.

(3) No business, other than the appointment of a chairman of a meeting, shall be transacted at any general meeting unless a quorum of Members is present at the time when the meeting proceeds to business. Except as herein otherwise provided, two (2) Members present in person shall form a quorum, provided that if the Company shall at any time have only one

Member, one Member present in person or by proxy, or being a corporation by its representative duly authorized, shall form a quorum for the transaction of business at any general meeting of the Company held during such time. For the purposes of this Bye-law Member includes a person attending as a proxy or as a duly authorized representative of a corporation which is a Member.

61. *If within thirty (30) minutes (or such longer time not exceeding one hour as the chairman of the meeting may determine to wait) after the time appointed for the meeting a quorum is not present, the meeting, if convened on the requisition of Members, shall be dissolved. In any other case it shall stand adjourned to the same day in the next week at the same time and place or to such time and place as the Board may determine. If at such adjourned meeting a quorum is not present within half an hour from the time appointed for holding the meeting, the meeting shall be dissolved.*

62. *The chairman (if there be one) of the Board, and if not the president (if there be one) of the Company, shall preside as chairman at every general meeting. If at any meeting the chairman or the president, as the case may be, is not present within fifteen (15) minutes after the time appointed for holding the meeting, or if neither of them is willing to act as chairman, the Directors present shall choose one of their number to act, or if one Director only is present he shall preside as chairman if willing to act. If no Director is present, or if each of the Directors present declines to take the chair, or if the chairman chosen shall retire from the chair, the Members present in person or by proxy and entitled to vote shall elect one of their number to be chairman.*

63. *The chairman may, with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place as the meeting shall determine, but no business shall be transacted at any adjourned meeting other than the business which might lawfully have been transacted at the meeting had the adjournment not taken place. When a meeting is adjourned for fourteen (14) days or more, at least seven (7) clear days' Notice of the adjourned meeting shall be given specifying the time and place of the adjourned meeting but it shall not be necessary to specify in such notice the nature of the business to be transacted at the adjourned meeting and the general nature of the business to be transacted. Save as aforesaid, it shall be unnecessary to give notice of an adjournment.*

64. *If an amendment is proposed to any resolution under consideration but is in good faith ruled out of order by the chairman of the meeting, the proceedings on the substantive resolution shall not be invalidated by any error in such ruling. In the case of a resolution duly proposed as a special resolution, no amendment thereto (other than a mere clerical amendment to correct a patent error) may in any event be considered or voted upon.*

VOTING

65. *Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with these Bye-laws, at any general meeting (i) on a show of hands every Member present in person (or being a corporation, is present by a representative duly authorised under Section 78 of the Act), or by proxy shall have one vote and the chairman of the meeting shall determine which proxy shall be entitled to vote where a Member (other than the Depository) is represented by two proxies, and (ii) on a poll every Member present in person or by proxy or, in the case of a Member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder or which he represents and in respect of which all calls due to the Company have been paid, but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. In the event that a Member participates in a general meeting by telephone or electronic means or other communication facilities, the chairman of the meeting shall direct the manner in which*

such Member may cast his vote on a show of hands or by poll, as the case may be. A resolution put to the vote of a meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:-

(a) by the chairman of such meeting; or

(b) by at least three Members present in person (or in the case of a Member being a corporation by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or

(c) by a Member or Members present in person (or in the case of a Member being a corporation by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all Members having the right to vote at the meeting; or

(d) by a Member or Members present in person (or in the case of a Member being a corporation by its duly authorised representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right, or

(e) where the Depository is a Member, by at least three proxies representing the Depository.

A demand by a person as proxy for a Member or in the case of a Member being a corporation by its duly authorised representative shall be deemed to be the same as a demand by a Member.

66. Unless a poll is duly demanded and the demand is not withdrawn, a declaration by the chairman that a resolution has been carried, or carried unanimously, or by a particular majority, or not carried by a particular majority, or lost, and an entry to that effect made in the minute book of the Company, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded for or against the resolution.

67. If a poll is duly demanded the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.

68 A poll demanded on the election of a chairman, or on a question of adjournment, shall be taken forthwith. A poll demanded on any other question shall be taken in such manner (including but not limited to the use of ballot or voting papers or tickets) and either forthwith or at such time (being not later than thirty (30) days after the date of the demand) and place as the chairman directs. It shall not be necessary (unless the chairman otherwise directs) for notice to be given of a poll not taken immediately.

69. The demand for a poll shall not prevent the continuance of a meeting or the transaction of any business other than the question on which the poll has been demanded, and, with the consent of the chairman, it may be withdrawn at any time before the close of the meeting or the taking of the poll, whichever is the earlier.

70. On a poll votes may be given either personally or by proxy.

71. A person entitled to more than one vote on a poll need not use all his votes or cast all the votes he uses in the same way.

72. In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of such meeting shall be entitled to a second or casting vote in addition to any other vote he may have.

73. Where there are joint holders of any share any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register in respect of the joint holding. Several executors or administrators of a deceased Member in whose name any share stands shall for the purposes of this Bye-law be deemed joint holders thereof.

74. (1) A Member who is a patient for any purpose relating to mental health or in respect of whom an order has been made by any court having jurisdiction for the protection or management of the affairs of persons incapable of managing their own affairs may vote, whether on a show of hands or on a poll, by his receiver, committee, curator bonis or other person in the nature of a receiver, committee or curator bonis appointed by such court, and such receiver, committee, curator bonis or other person may vote on a poll by proxy, and may otherwise act and be treated as if he were the registered holder of such shares for the purposes of general meetings, provided that such evidence as the Board may require of the authority of the person claiming to vote shall have been deposited at the Office, head office or Registration Office, as appropriate, not less than forty-eight (48) hours before the time appointed for holding the meeting, or adjourned meeting or poll, as the case may be.

(2) Any person entitled under Bye-law 53 to be registered as the holder of any shares may vote at any general meeting in respect thereof in the same manner as if he were the registered holder of such shares, provided that forty-eight (48) hours at least before the time of the holding of the meeting or adjourned meeting, as the case may be, at which he proposes to vote, he shall satisfy the Board of his entitlement to such shares, or the Board shall have previously admitted his right to vote at such meeting in respect thereof.

75. No Member shall, unless the Board otherwise determines, be entitled to attend and vote and to be reckoned in a quorum at any general meeting unless he is duly registered and all calls or other sums presently payable by him in respect of shares in the Company have been paid.

76. If:-

(a) any objection shall be raised to the qualification of any voter; or

(b) any votes have been counted which ought not to have been counted or which might have been rejected; or

(c) any votes are not counted which ought to have been counted;

the objection or error shall not vitiate the decision of the meeting or adjourned meeting on any resolution unless the same is raised or pointed out at the meeting or, as the case may be, the adjourned meeting at which the vote objected to is given or tendered or at which the error occurs. Any objection or error shall be referred to the chairman of the meeting and shall only vitiate the decision of the meeting on any resolution if the chairman decides that the same may have affected the decision of the meeting. The decision of the chairman on such matters shall be final and conclusive.

PROXIES

77. (1) Any Member entitled to attend and vote at a meeting of the Company who is the holder of two or more shares shall be entitled to appoint not more than two proxies to attend and vote instead of him at the same general meeting provided that if the Member is the Depository:-

(a) the Depository may appoint more than two proxies to attend and vote at the same general meeting and each proxy shall be entitled to exercise the same powers on behalf of the Depository as the Depository could exercise, including, notwithstanding Bye-law 65, the right to vote individually on a show of hands;

(b) unless the Depository specifies otherwise in a written notice to the Company, the Depository shall be deemed to have appointed as the Depository's proxies to vote on behalf of the Depository at a general meeting of the Company each of the Depositors who are individuals and whose names are shown in the records of the Depository as at a time not earlier than forty-eight (48) hours prior to the time of the relevant general meeting supplied by the Depository to the Company and notwithstanding any other provisions in these Bye-laws, the appointment of proxies by virtue of this Bye-law 77(1)(b) shall not require an instrument of proxy or the lodgement of any instrument of proxy;

(c) the Company shall accept as valid in all respects the form of instrument of proxy approved by the Depository (the "CDP Proxy Form") for use at the date relevant to the general meeting in question naming a Depositor (the "Nominating Depositor") and permitting that Nominating Depositor to nominate a person or persons other than himself as the proxy or proxies appointed by the Depository. The Company shall, in determining rights to vote and other matters in respect of a completed CDP Proxy Form submitted to it, have regard to the instructions given by and the notes (if any) set out in the CDP Proxy Form. The submission of any CDP Proxy Form shall not affect the operation of Bye-law 77(1)(b) and shall not preclude a Depositor appointed as a proxy by virtue of Bye-law 77(1)(b) from attending and voting at the relevant meeting but in the event of attendance by such Depositor the CDP Proxy Form submitted bearing his name as the Nominating Depositor shall be deemed to be revoked;

(d) the Company shall reject any CDP Proxy Form of a Nominating Depositor if his name is not shown in the records of the Depository as at a time not earlier than forty-eight (48) hours prior to the time of the relevant general meeting supplied by the Depository to the Company; and

(e) on a poll the maximum number of votes which a Depositor, or proxies appointed pursuant to a CDP Proxy Form in respect of that Depositor, is able to cast shall be the number of shares credited to the Securities Account of that Depositor as shown in the records of the Depository as at a time not earlier than forty-eight (48) hours prior to the time of the relevant general meeting supplied by the Depository to the Company, whether that number is greater or smaller than the number specified in any CDP Proxy Form or instrument of proxy executed by or on behalf of the Depository.

(2) In any case where an instrument of proxy appoints more than one proxy (including the case when a CDP Proxy Form is used), the proportion of the

shareholding concerned to be represented by each proxy shall be specified in the instrument of proxy.

(3) A proxy need not be a Member. In addition, subject to Bye-law 77(1), a proxy or proxies representing either a Member who is an individual or a Member which is a corporation shall be entitled to exercise the same powers on behalf of the Member which he or they represent as such Member could exercise, including, notwithstanding Bye-law 65, the right to vote individually on a show of hands. On a poll, a proxy need not use all the votes he is entitled to cast or cast all such votes in the same way.

78. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same or, in the case of the Depository, signed by its duly authorised officer by some method or system of mechanical signature as the Depository may deem appropriate. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the fact.

79. The instrument appointing a proxy and (if required by the Board) the power of attorney or other authority (if any) under which it is signed on behalf of the appointor (which shall, for this purpose, include a Depositor), or a certified copy of such power or authority, shall be delivered to such place or one of such places (if any) as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the meeting (or, if no place is so specified at the Registration Office or the Office, as may be appropriate) not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than twenty-four (24) hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of twelve (12) months from the date named in it as the date of its execution, except at an adjourned meeting or on a poll demanded at a meeting or an adjourned meeting in cases where the meeting was originally held within twelve (12) months from such date. Delivery of an instrument appointing a proxy shall not preclude a Member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.

80. Instruments of proxy shall be in any usual or common form (including any form approved from time to time by the Depository) or in such other form as the Board may approve (provided that this shall not preclude the use of the two-way form) and the Board may, if it thinks fit, send out with the notice of any meeting forms of instrument of proxy for use at the meeting. The instrument of proxy shall be deemed to confer authority to demand or join in demanding a poll and to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates.

81. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal, or revocation of the instrument of proxy or of the authority under which it was executed, provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company at the Office or the Registration Office (or such other place as may be specified for the delivery of instruments of proxy in the notice convening the meeting or other document sent therewith) two (2) hours at least before the commencement of the meeting or adjourned meeting, or the taking of the poll, at which the instrument of proxy is used.

82. Anything which under these Bye-laws a Member may do by proxy he may likewise do by his duly appointed attorney and the provisions of these Bye-laws relating to proxies and instruments appointing proxies shall apply mutatis mutandis in relation to any such attorney and the instrument under which such attorney is appointed.

CORPORATIONS ACTING BY REPRESENTATIVES

83. (1) Any corporation which is a Member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or at any meeting of any class of Members. The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual Member and such corporation shall for the purposes of these Bye-laws be deemed to be present in person at any such meeting if a person so authorised is present thereat.

(2) Where a Member is the Depository (or its nominee, in each case, being a corporation), it may authorise such persons as it thinks fit to act as its representatives at any meeting of the Company or at any meeting of any class of Members provided that the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of this Bye-law shall be entitled to exercise the same rights and powers as if such person was the registered holder of the shares of the Company held by the Depository (or its nominee) in respect of the number and class of shares specified in the relevant authorisation including the right to vote individually.

(3) Any reference in these Bye-laws to a duly authorised representative of a Member being a corporation shall mean a representative authorised under the provisions of this Bye-law.

APPENDIX D

EXTRACTS OF VALUATION REPORT AND CERTIFICATES

CBRE Limited

Suites 1204-06,12/F, 3/F & 4/F
Three Exchange Square
8 Connaught Place
Central, Hong Kong
T 852 2820 2800
F 852 2810 0830
香港中環康樂廣場八號交易廣場第三期
十二樓 1204-06 室,三樓及四樓
電話 852 2820 2800 傳真 852 2810 0830

www.cbre.com.hk
地產代理（公司）牌照號碼
Estate Agent's Licence No: C-004065

19 January, 2016

The Directors
Li Heng Chemical Fibre Technologies Ltd
4/F Li Heng Building, Chao Yang Zhong Lu
Changle City, Fujian Province
The People's Republic of China

Dear Sirs,

In accordance with your instructions, we have conducted a valuation of plant and machinery exhibited to us as those held by Li Heng Chemical Fibre Technologies Limited (referred herein as "LiHeng"). We confirm that we have carried out inspections, made relevant inquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value for existing use of the plant and machinery retrospective as at 31 December, 2015. It is our understanding that this valuation is required for public circular purposes.

We have appraised the assets on the basis of its Market Value for existing use. Market Value is defined as the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion.

Market value for existing use is further further defined as the market value of an asset based on continuation of its existing use, and otherwise in keeping with the market value definition regardless of whether or not the existing use represents the highest and best use of the property.

We have assumed that the assets could be sold in the open market for its continued use. It is not intended to represent the amount that might be realized from piecemeal disposition of the machinery and equipment in the market place or from some other use of the property.

This summary report forms part of the detailed valuation report dated 19January, 2016 (Our Ref. No.: 16-CNHK-0016-3), which comprises: -

- Confidentiality and disclaimer;
- A narrative section, which identifies the plant and machinery valued, scope and character of our investigation; the premise of the value adopted; the valuation process employed and the opinion of value;
- A summary of values; and
- A schedule, with technical description of the plant and machinery, showing for each item or group of items the appraised market value for existing use.

NARRATIVE DESCRIPTION

Company Background

LiHeng is mainly engaged in the manufacture and sale of textile grade PA6 chips and high-end nylon yarn products in the PRC. It has two production facilities in Changle City, Fujian Province, PRC, strategically located amongst clusters of textile and garment manufacturing industries, which are its main customers, and related supporting service industries. These two manufacturing facilities are:-

Liyuan Manufacturing Facility

The Liyuan manufacturing facility is situated in Jinfeng Industrial Zone, Shanbian Village, Zhanggang Town, in Changle City. It manufactures FDY, HOY, and POY types nylon yarn with a total design output of 20,250 tons of HOY per annum, 20,250 tons of POY per annum, and 23,000 tons of FDY per annum.

Liheng Manufacturing Facility

The Liheng manufacturing facility is a fully integrated nylon yarn factory complex with 2 textile grade PA6 chips plants having a combined capacity of 170,00 tons per annum supporting the downstream yarn manufacturing facility. The yarn manufacturing facility was built in 3 phases, the first phase has a combined capacity of 51,900 tons per annum of FDY/HOY/POY/DTY nylon yarns, whilst the second phase has a combined capacity of 51,800 tons per annum of FDY/HOY/POY/DTY nylon yarns. Whilst the three yarn production facilities has the capability to produce DTY yarns, at present only FDY, HOY, and PY are produce by LiHeng.

The manufacturing complex is situated at Binhai Industrial Zone, Changle City, Fujian Province, the People's Republic of China.

Assets Valued

Assets under review comprise the plant and machinery utilised in the production of textile grade PA6 chips and in the production of high-end nylon yarns. Major plant and machinery valued comprised yarn production lines, yarn stretchers, yarn twisters, polymer chips production plants, nitrogen generating plants, steam generation plants, air conditioning systems, compressed air systems, water purification systems, and electrical distribution systems. Other associated equipment comprises furniture and office equipment, laboratory equipment, and transportation equipment.
Assets valued are more technically described in the Schedule of Assets portion of this report.

Exclusion

This valuation excludes the land, buildings, leasehold improvements, materials on hand, inventory, semi-finished and finished products, spare parts, company records or any current or intangible assets.

Inspection & Investigation

We have carried out physical inspection and investigations of the plant and machinery from 7 to 10 January, 2016 and found the following:-

Liyuan Manufacturing Facility

- We found that the major plant and machinery in Liyuan range in age from 4 to 12 years old, and were sourced mainly from Japan, Germany, and China.
- We found that Phase 1 & 2 nylon yarn production lines were rebuilt in 2011. We also found that some air compressors no longer exist and were replaced with new ones.
- Generally, we observed that the plant and machinery in Liyuan to be generally in good operating condition and are well maintained.
-

Liheng Manufacturing Facility

- We found that the major plant and machinery in Liheng range in age from a few months old to 9 years old, and were sourced from Japan, Germany, and China.
- We found that Phase 1 nylon yarn production line was rebuilt in 2014. We also found that the yarn false twisters were not in use. We were told that this is due to the dust from the nearby renovation works.
- We found that the imported equipment and technology of the 2 polymer chips plants were sourced from Lurgi GmbH of Germany, whilst the local component and technology were mainly supplied by Beijing Sanlian Textile & Chemical Technology Co Ltd.
- We found that one line of the 2x100TPD Polymer Chips Plant No. 2 was not in used at the time of inspection, we were told that this due to product current demand.
- Generally, except for those items not in operation at the time of our inspection, the plant and machinery were observed to be in good operating condition and well maintained.

Our valuation was based on brief visual inspection. We have not carried out a full mechanical survey, nor have we inspected other items, which are covered, unexposed or inaccessible.

Items that were covered, unexposed or inaccessible (i.e., underground pipe, submersible pumps, etc.) were assessed based on the premise that these items are in a condition commensurate with age and usage

VALUATION METHODOLOGY

There are three generally accepted approaches to value, namely:

The Cost Approach

The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence present (physical, functional or economic), taking into consideration past and present maintenance policy and rebuilding history.

The cost approach generally furnishes the most reliable indication of value for assets without a known used market.

The Market Approach

The market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised machinery and equipment relative to the market comparative.

Assets for which there is an established used market may be appraised by this approach.

The Income Approach

The income approach is the present worth of the future economic benefits of ownership. This approach is generally applied to an aggregation of assets that consists of all assets of a business enterprise including working capital and tangible and intangible assets.

Analysis

Any number or combination of the three approaches to value may be used in a particular valuation, depending upon the objectives and the nature of the property involved.

We found no market rental evidenced for the plant and machinery that can be used as benchmark in the income approach, as such we have considered and excluded the income approach to value. Likewise, due to insufficient second-hand market data availability in the second-hand market we have considered and excluded the market approach to value. In the absence of any market information regarding sales and purchases of industrial facilities similar to the assets appraised, the most reliable approach in arriving at an opinion of value of the plant and machinery is by using the cost approach.

Cost Approach

In arriving at our assessment using the cost approach, we have firstly developed the Cost of Replacement New ("CRN") of each asset or group of assets.

CRN is the estimated amount of money needed to acquire a similar new item having the nearest equivalent utility as the property being valued taking into consideration current prices of materials and manufactured equipment, shipping and handling, labour, contractor's overhead, design and supervision, profit and fees, and other attendant costs associated with its acquisition and installation, but without provision for overtime or bonuses for labour and premium for materials.

In developing the CRN, we have conducted inspection of the sites, perused accounting records, conducted interviews with senior engineering and accounting staff and obtained and reviewed detailed drawings and specifications relating to the plant and machinery. Due to time constraint we are unable to make contacts with major equipment vendors for the current cost of comparable equipment. In arriving at our CRN we have perused the original purchase contracts and invoices which were made available to us. Likewise, we have made references to similar plants that were recently built as well as on equipment catalogues and other published materials available.

Having developed the CRN, we then deducted for the various elements of depreciation to arrive at a Depreciated Replacement Cost ("DRC"), which we have taken to be the market value for existing use. DRC includes depreciation allowance or loss of value arising from condition, utility, age, wear and tear, and obsolescence present (physical, functional or economic), taking into consideration past and present maintenance policy and rebuilding history.

Where due to the nature of the asset, we were not able to carry out any inspection (i.e., underground pipe, submersible pumps, etc.), our assessment, was based on the premise that the asset is in a condition commensurate with age and usage.

General Comment

The valuation assumes that full disclosure of all information and facts which may affect our valuations was made to ourselves; we cannot accept any liability or responsibility, unless such full disclosure was made.

At points throughout our investigation and analysis, we relied upon data contained in standard reference works and other published materials. Although these data were judged to be accurate and current, we cannot be responsible for errors that may have been caused by the data's being inaccurate or obsolete.

We have not investigated the title or any liabilities affecting the plant and machinery appraised. No consideration was made for any outstanding amount owed under financing agreements, if any.
This valuation report has been prepared, in conformity with the RICS Red Book published by the Royal Institution of Chartered Surveyors and the International Valuation Standards published by IVSC.

OPINION OF VALUE

Premised on the foregoing, we are of the opinion that the market value for existing use of the plant and machinery retrospective as at 31 December, 2015 is fairly represented in the amount of **RMB1,172,290,000(RENMINBI ONE BILLION ONE HUNDRED SEVENTY TWO MILLION TWO HUNDRED NINETY THOUSAND).**A breakdown is shown in the attached summary of values.

Yours faithfully
For and on behalf of
CBRE LIMITED

Ir Mario E. Maninggo MRICS
Senior Director
Valuation & Advisory Services

Note: Mario E. Maninggo is a chartered plant and machinery valuer, mechanical engineer and an industrial appraiser who has 24 years extensive experience in plant and machinery valuation in the People's Republic of China and the Asia Pacific region.

SUMMARY OF VALUES

DESCRIPTION	MARKET VALUE for existing use (RMB)
Plant & Machinery	
Machinery & Equipment	1,154,024,600
Furniture & Office Equipment	7,568,100
Transportation Equipment	10,694,300
Grand Total	**1,172,287,000**
Rounded to	**1,172,290,000**

CBRE Limited

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地產代理（公司）牌照號碼
Estate Agent's Licence No: C-004065

Our Ref: 16-CNHK-0016/JIP/ICH/THE

19 January 2016

The Board of Directors,
LI HENG CHEMICAL FIBRE TECHNOLOGIES LIMITED
4/F, Li Heng Building, Chao Yang Zhong Lu, Changle,
Fujian, China 350200

Dear Sirs,

In accordance with your instructions to us to value the property interests (the "Properties") held by Li Heng Chemical Fibre Technologies Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") in the Peoples Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of property interests as at December 31, 2015 (the "Valuation Date").

Valuation Basis, Assumptions and Methodology

Our valuation is prepared in accordance with "The HKIS Valuation Standards (2012 Edition)" ("the Standards") published by The Hong Kong Institute of Surveyors ("the HKIS").

Our valuation is made on the basis of Market Value which is defined by the International Valuation Standards and followed by the HKIS to mean "the estimated amount for which an asset or liability should exchange on the Valuation Date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

We have also complied with all the requirements contained in Rule 26 "Asset Valuations" of the Singapore Code on take-overs and mergers.

Our valuation has been made on the assumption that the owner sells the properties on the open market without the benefit or burden of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the values of the property interests.

No allowance has been made in our valuation for any charges, mortgages or amounts owing neither on the properties nor for any expenses or taxation which may be incurred in effecting sale. Unless otherwise stated, it is assumed that the properties were free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

In valuing the industrial property held by the Group for occupation, we have adopted a Direct Comparison Approach assuming sale of each of these properties in its existing state by making reference to comparable sales transactions as available in the relevant market. Moreover we have adopted a Cost Approach. In valuing the office property held by the Group for occupation, we have adopted a Direct Comparison Approach assuming sale of each of these properties in its existing state by making reference to comparable sales transactions as available in the relevant market.

Source of Information

We have relied to a considerable extent on information given by the Group, in particular, but not limited to, the sales records, planning approvals, statutory notices, easements, development scheme, site area and floor area, tenancies and relevant information. No on-site measurement has been taken. Dimensions, measurements and areas included in the valuation certificates are only approximations. We have taken every reasonable care both during inspecting the information provided to us and in making relevant enquiries. We have no reason to doubt the truth and accuracy of the information provided to us by the Group, which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information provided to us.

We have been provided with title documents for the properties in the PRC. We have not searched the original documents to verify ownership.

Property Inspection

We have inspected the properties to such extent as for the purpose of this valuation. In the course of our inspection, we did not notice any serious defects. However, we have not carried out any structural survey nor any tests were made on the building services. Therefore, we are not able to report whether the properties are free of rot, infestation or any other structural defects.

We have not carried out site measurements to verify the correctness of the site area of the property and have assumed that the site area shown on the documents and official site plan handed to us is correct. During our inspection, we have not carried our investigations on the site to determine the suitability of the ground conditions and the services for any future development. Our valuation is on the basis that these aspects are satisfactory.

The property inspections were carried out on 08 January 2016 by Mr. Thomas Hermans.

Currency

Unless otherwise stated, all monetary amounts are stated in Renminbi ("RMB"), the official currency of the PRC.

Disclaimers, Limitations and Qualifications

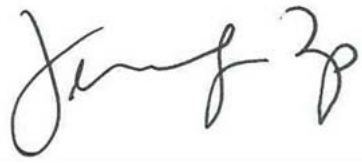
The liability of CBRE and its directors and employees is limited to the addressee of this report only. No accountability, obligation or liability to any third parties is accepted.

You agree to indemnify and hold us harmless against and from any and all losses, claims, actions, damages, expenses, or liabilities, including reasonable attorneys' fees, to which we may become subjects in connection with this engagement. Your obligation for indemnification and reimbursement shall extend to any controlling person of CBRE, including any director, officer, employee, subcontractor, affiliate or agent. In the event we are subject to any liability in connection with this engagement, regardless of legal theory advanced, such liability will be limited to three times of the amount of fees we received for this engagement.

This valuation report is provided subject to the assumptions, qualifications, limitations and disclaimers detailed throughout this report. Reliance on this report and extension of our liability is conditional upon the reader's acknowledgement and understanding of these statements. This valuation is for the use only of the party to whom it is addressed and for no other purpose. No responsibility is accepted to any third party who may use or rely on the whole or any part of the content of this valuation. The valuer has no pecuniary interest that would conflict with the proper valuation of the property.

We enclose herewith our summary of values and valuation certificates.

Yours faithfully,
For and on behalf of
CBRE Limited



Jennifer Ip MRICS
Director
Valuation & Advisory Services
Greater China

SUMMARY OF VALUES

	Property Interests	Capital Value in existing state as at 31 December 2015 (RMB)	Interests attributable to the Group	Capital Value attributable to the Group as at 31 December 2015 (RMB)
Group I — Property interests held by the Group for Occupation				
1.	3rd Floor and 4th Floor, Li Heng Building, Chao Yang Zhong Lu, Changle 350200, Fujian Province, the PRC	20,300,000	100%	20,300,000
2.	Industrial Estate, Binhai Industrial Zone, Changle 350218, Fujian Province, the PRC	661,000,000	100%	661,000,000

Group I — Property interests held by the Group for occupation in the PRC

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 December 2015
1.	3rd Floor and 4th Floor, Li Heng Building, Chao Yang Zhong Lu, Changle 350200, Fujian Province, the PRC	Two office floors comprising each 1,369.59 sq.m. of office accommodation, with a combined floor area of 2,739 sq.m. The two office floors form a part of the Li Heng Building, which is a mixed use high-rise building with 13 floors and a single storey parking basement. Li Heng Building was completed in 2009. The property is held under a State-owned Land Use Rights Certificate for office use with a term of 50 years expiring on 17 January 2047.	As at the Valuation Date, the Property was owner-occupied for office use	RMB 20,300,000 100% interest attributable to the Group: RMB 20,300,000 (Renminbi Twenty Million Three Hundred Thousand)

Note(s):

1. Pursuant to the Building Ownership Certificate Nos. Dasha San Ceng Fang Chan Zheng 10003051and Dasha San Si Ceng Fang Chan Zheng 100030512 dated 03 September 2010. The registered owner of the properties is Li Heng Chemical Fibre Technologies Co., Ltd (长乐力恒锦纶科技有限公司) and the properties are held for office uses, with a gross floor area of approximately 2,739.18 sq.m.

2. We have prepared our valuation on the following assumptions:

   a. All compensation costs, land grant premium, infrastructure costs, and expenses otherwise payable in respect of the grant of the property have been fully settled.

   b. The design and development of the property are in compliance with the current town planning requirements, rules and regulations and have been approved by the relevant government authorities.

   c. The property is freely transferable/ lettable either on strata-title basis or as a whole to both local and foreign purchasers/ tenants.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 December 2015
2.	Industrial Estate, Binhai Industrial Zone, Changle 350218, Fujian Province, the PRC	The property comprises several buildings with a total gross floor area of approximately 242,518 sq.m. of industrial space. The completion years vary from 2006 to 2013. The site area comprises approximately 325,151 sq.m. The property is held under two State-owned Land Use Rights Certificates for industrial use with a term of 50 years expiring on 7 March 2056.	As at the Valuation Date, the Property was owner-occupied for industrial, dormitory and industrial-office use.	RMB 661,000,000 100% interest attributable to the Group: RMB 661,000,000 (Renminbi Six Hundred Sixty One Million)

Note(s):

1. Pursuant to the State-owned Land Use Rights Grant Contract dated 28 February 2006, the land use rights of the parcel of land on which the property is erected, with a site area of 343,112 sq.m., has been granted to Li Heng Chemical Fibre Technologies Limited (长乐力恒锦纶科技有限公司) for industrial use for a term of 50 years.

2. Pursuant to the State-owned Land Use Rights Certificate Nos. Min Hang Guo Yong (2009) 00164 and Min Hang Guo Yong (2009) 00163 dated 24 April 2009, the land use rights of the parcel of land on which the property is erected, with a site area of 325,151 sq.m., has been granted to Li Heng Chemical Fibre Technologies Limited (长乐力恒锦纶科技有限公司) for Industrial use for a term expiring on 07 March 2056.

3. Pursuant to the Building Ownership Certificate Nos. Hang Fang Quan Zheng H0602066 dated 03 August 2006, H0703109 dated 21 September 2007, H09005191 and H09005190 dated 13 August 2009, H09003724 and H09003723 dated 09 June 2009, H10003312 and H10003313 dated 08 October 2010, H12004085 dated 11 December 2012, CL13001480 dated 10 May 2013, CL13001482 dated 13 May 2013, CL14001239 dated 09 June 2014, the registered owner of the property is Li Heng Chemical Fibre Technologies Limited (长乐力恒锦纶科技有限公司) and the properties are held for Industrial uses, with a gross floor area of approximately 242,518.08 sq.m.

4. We have prepared our valuation on the following assumptions:
   a. All compensation costs, land grant premium, infrastructure costs, and expenses otherwise payable in respect of the grant of the property have been fully settled.
   b. The design and development of the property are in compliance with the current town planning requirements, rules and regulations and has been approved by the relevant government authorities.
   c. The property is freely transferable/ lettable either on strata-title basis or as a whole to both local and foreign purchasers/ tenants.

APPENDIX E
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015

LI HENG CHEMICAL FIBRE TECHNOLOGIES LIMITED
(Incorporated in Bermuda)

Financial Statements and Dividend Announcement For the Three Months ended 30 September 2015

PART I - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

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

Consolidated Statement of Comprehensive Income

	Three months ended			Nine months ended		
	30/09/2015 (Unaudited) RMB'000	**30/09/2014 (Unaudited) RMB'000**	**Change**	**30/09/2015 (Unaudited) RMB'000**	**30/09/2014 (Unaudited) RMB'000**	**Change**
Revenue	**442,840**	614,693	-28.0%	**1,517,567**	1,934,033	-21.5%
Cost of sales	**(433,517)**	(585,216)	-25.9%	**(1,475,464)**	(1,836,939)	-19.7%
Gross profit	**9,323**	29,477	-68.4%	**42,103**	97,094	-56.6%
Other income	**3,211**	7,462	-57.0%	**9,485**	12,131	-21.8%
Selling and distribution expenses	**(5,423)**	(7,162)	-24.3%	**(18,447)**	(22,210)	-16.9%
Administrative expenses	**(29,865)**	(20,262)	47.4%	**(65,887)**	(59,874)	10.0%
Operating (loss)/profit	**(22,754)**	9,515	NM	**(32,746)**	27,141	NM
Finance costs	**(2,889)**	(3,653)	-20.9%	**(7,513)**	(11,875)	-36.7%
(Loss)/Profit before income tax	**(25,643)**	5,862	NM	**(40,259)**	15,266	NM
Income tax expense	**-**	(3,295)	-100.0%	**(1,755)**	(5,141)	-65.9%
(Loss)/Profit for the period attributable to owners of the Company	**(25,643)**	2,567	NM	**(42,014)**	10,125	NM
Other comprehensive income for the period	**-**	-	NM	**-**	-	NM
Total comprehensive (loss)/income attributable to owners of the Company	**(25,643)**	2,567	NM	**(42,014)**	10,125	NM
(Losses)/earnings per share [2][3] -Basic (RMB cents)	**(7.54)**	0.76		**(12.36)**	2.98	

NM = Not Meaningful

Notes:

1. The Company was incorporated in Bermuda under the Companies Act 1981 of Bermuda on 7 September 2007 as an exempted company with limited liability. The Company adopted a secondary name, 力恒化纤科技有限公司, on 19 October 2007. The principal activity of the Company is investment holding.
2. The calculation of basic (losses)/earnings per share for the three months and nine months ended 30 September 2014 and 2015 is based on the (loss)/profit attributable to owners of the Company and 340,000,000 ordinary shares in issue as at 30 September 2015.
3. Every five ordinary shares of the Company were consolidated into one ordinary share of the Company on 22 May 2015. The basic earnings per share for the three months and nine months ended 30 September 2014 have been restated to illustrate what the basic earnings per share for the three months and nine months then ended would have been if the Company's share consolidation had taken place during the three months and nine months then ended.

The (loss)/profit before income tax is arrived at after charging / (crediting) the following:

	Three months ended			Nine months ended		
	30/09/2015 (Unaudited) RMB'000	30/09/2014 (Unaudited) RMB'000	Change	30/09/2015 (Unaudited) RMB'000	30/09/2014 (Unaudited) RMB'000	Change
Interest income on bank deposits	(3,211)	(2,543)	26.3%	(9,444)	(8,130)	16.2%
Amortisation of land use rights	78	79	-1.3%	235	236	-0.4%
Depreciation of property, plant and equipment	83,633	82,272	1.7%	251,897	249,993	0.8%
Gain on disposal of long-term financial assets	-	-	NM	-	(68)	-100.0%
Exchange loss/(gain), net	10,096	(4,919)	NM	5,821	(4,001)	NM
Interest charges on bank loans stated at amortised cost	2,889	3,653	-20.9%	7,513	11,875	-36.7%
Minimum lease payment under operating leases for leasehold buildings	1,612	1,616	-0.2%	4,840	4,849	-0.2%

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

Statements of Financial Position

	Group		Company	
	30/09/2015	**31/12/2014**	**30/09//2015**	**31/12/2014**
	(Unaudited)	**(Audited)**	**(Unaudited)**	**(Audited)**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	**2,082,317**	2,324,428	**-**	-
Land use rights	**12,716**	12,951	**-**	-
Interests in subsidiaries	**-**	-	**1,524,063**	1,524,063
Deposits paid for purchase of property, plant and equipment	**-**	246	**-**	-
	2,095,033	2,337,625	**1,524,063**	1,524,063
Current assets				
Inventories	**401,194**	268,751	**-**	-
Trade and bill receivables	**441,305**	376,833	**-**	-
Prepayments, deposits and other receivables	**23,991**	40,739	**-**	-
Amounts due from subsidiaries	**-**	-	**1,424,220**	1,429,886
Pledged deposits	**9,353**	5,377	**-**	-
Cash and bank balances	**1,089,065**	1,157,678	**2,051**	3,605
	1,964,908	1,849,378	**1,426,271**	1,433,491
Current liabilities				
Trade and bill payables	**68,865**	42,680	**-**	-
Accrued expenses and other payables	**36,388**	42,905	**7,107**	5,567
Amount due to a related party	**501**	501	**-**	-
Amounts due to directors	**7,502**	4,397	**6,554**	3,449
Bank loans	**149,342**	253,633	**-**	-
Provision for tax	**-**	3,530	**-**	-
	262,598	347,646	**13,661**	9,016
Net current assets	**1,702,310**	1,501,732	**1,412,610**	1,424,475
Net assets	**3,797,343**	3,839,357	**2,936,673**	2,948,538
EQUITY				
Equity attributable to owners of the Company				
Share capital	**862,991**	862,991	**862,991**	862,991
Reserves	**2,934,352**	2,976,366	**2,073,682**	2,085,547
Total equity	**3,797,343**	3,839,357	**2,936,673**	2,948,538

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 30/09/2015		As at 31/12/2014	
Secured	**Unsecured**	**Secured**	**Unsecured**
RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
133,537	15,805	235,499	18,134

Details of any collateral:

The Group's bank loans are secured by the following assets:-

	30/09/2015 RMB'000	**31/12/2014 RMB'000**
Time deposits	-	3,927
Leasehold buildings	472,867	522,851
Plant and machinery	225,638	269,309
Land use rights	12,716	12,951
Total	**711,221**	**809,038**

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

Consolidated Statement of Cash Flows

	Group Three months ended		Group Nine months ended	
	30/09/2015 (Unaudited) RMB'000	30/09/2014 (Unaudited) RMB'000	30/09/2015 (Unaudited) RMB'000	30/09/2014 (Unaudited) RMB'000
Cash flows from operating activities				
(Loss)/Profit before income tax	**(25,643)**	5,862	**(40,259)**	15,266
Adjustments for:				
Amortisation of land use rights	**78**	79	**235**	236
Depreciation of property, plant and equipment	**83,633**	82,272	**251,897**	249,993
Gain on disposals of long term financial assets	**-**	-	**-**	(68)
Interest income	**(3,211)**	(2,543)	**(9,444)**	(8,130)
Unrealised exchange loss/(gain)	**720**	1,158	**1,336**	(354)
Interest expense	**2,889**	3,653	**7,513**	11,875
Operating profit before working capital changes	**58,466**	90,481	**211,278**	268,818
Increase in inventories	**(4,850)**	(72,827)	**(132,443)**	(17,632)
(Increase)/Decrease in trade and bill receivables	**(46,044)**	7,982	**(64,472)**	48,132
(Increase)/Decrease in prepayments, deposits and other receivables	**(6,319)**	26,184	**16,748**	(5,873)
(Decrease)/Increase in trade and bill payables	**(41,754)**	(1,180)	**26,185**	(179,183)
Decrease in accrued expenses and other payables	**(3,113)**	(1,477)	**(6,085)**	(16,072)
Increase/(Decrease) in amounts due to directors	**1,035**	1,035	**3,105**	(1,726)
Cash (used in)/generated from operations	**(42,579)**	50,198	**54,316**	96,464
Income taxes paid	**-**	(3,653)	**(5,285)**	(11,875)
Interest paid	**(2,889)**	(993)	**(7,513)**	(6,630)
Net cash (used in)/generated from operating activities	**(45,468)**	45,552	**41,518**	77,959
Cash flows from investing activities				
Purchase of property, plant and equipment	**(185)**	(44,001)	**(8,594)**	(50,350)
Deposits paid for property, plant and equipment	**(580)**	(32,141)	**(1,378)**	(32,439)
Decrease/(Increase) in pledged deposits	**5,258**	(1,208)	**(3,976)**	11,369
Net proceeds from disposals of long-term financial assets	**-**	-	**-**	719
Interest received	**3,211**	2,543	**9,444**	8,130
Net cash generated from/(used in) investing activities	**7,704**	(74,807)	**(4,504)**	(62,571)
Cash flows from financing activities				
Proceeds of new bank loans	**24,089**	85,260	**173,319**	422,031
Repayments of bank loans	**(57,409)**	(109,132)	**(277,610)**	(529,585)
Net cash used in financing activities	**(33,320)**	(23,872)	**(104,291)**	(107,554)
Net decrease in cash and cash equivalents	**(71,084)**	(53,127)	**(67,277)**	(92,166)
Cash and cash equivalents at beginning of period	**1,160,869**	945,238	**1,157,678**	982,765
Effect of foreign exchange rate changes on cash and cash equivalents	**(720)**	(1,158)	**(1,336)**	354
Cash and cash equivalents at end of period	**1,089,065**	890,953	**1,089,065**	890,953
Analysis of balances of cash and cash equivalents				
Cash and bank balances	**1,089,065**	890,953	**1,089,065**	890,953

MAJOR NON-CASH TRANSACTIONS

Out of the deposits paid during the three months ended 30 September 2015 and brought forward from the previous year, an amount of RMB1,624,000 (2014: RMB2,459,000) formed part of the additions of property, plant and equipment during the period then ended.

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

Statements of Changes in Equity

Group

	Share capital (Unaudited) RMB'000	Share premium* (Unaudited) RMB'000	Merger reserve* (Unaudited) RMB'000	Statutory reserves* (Unaudited) RMB'000	Retained earnings* (Unaudited) RMB'000	Total equity (Unaudited) RMB'000
At 1 January 2014	862,991	1,167,515	(378,487)	675,643	1,511,493	3,839,155
Profit for the period	-	-	-	-	5,321	5,321
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	5,321	5,321
Balance at 31 March 2014	**862,991**	**1,167,515**	**(378,487)**	**675,643**	**1,516,814**	**3,844,476**
Profit for the period	-	-	-	-	2,237	2,237
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	2,237	2,237
Balance at 30 June 2014	**862,991**	**1,167,515**	**(378,487)**	**675,643**	**1,519,051**	**3,846,713**
Profit for the period	-	-	-	-	2,567	2,567
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	2,567	2,567
Balance at 30 September 2014	**862,991**	**1,167,515**	**(378,487)**	**675,643**	**1,521,618**	**3,849,280**
At 1 January 2015	862,991	1,167,515	(378,487)	679,477	1,507,861	3,839,357
Loss for the period	-	-	-	-	(3,886)	(3,886)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(3,886)	(3,886)
Balance at 31 March 2015	**862,991**	**1,167,515**	**(378,487)**	**679,477**	**1,503,975**	**3,835,471**
Loss for the period	-	-	-	-	(12,485)	(12,485)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(12,485)	(12,485)
Balance at 30 June 2015	**862,991**	**1,167,515**	**(378,487)**	**679,477**	**1,491,490**	**3,822,986**
Loss for the period	-	-	-	-	(25,643)	(25,643)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(25,643)	(25,643)
Balance at 30 September 2015	**862,991**	**1,167,515**	**(378,487)**	**679,477**	**1,465,847**	**3,797,343**

* The consolidated reserves of the Group of approximately RMB2,934,352,000 (2014: RMB2,986,289,000) as presented in the Group's statement of financial position as at 30 September 2015 comprised these reserves.

Statements of Changes in Equity (continued)

Company

	Share capital (Unaudited) RMB'000	Share premium** (Unaudited) RMB'000	Contributed surplus** (Unaudited) RMB'000	Retained earnings** (Unaudited) RMB'000	Total equity (Unaudited) RMB'000
At 1 January 2014	862,991	1,167,515	835,536	96,678	2,962,720
Profit for the period	-	-	-	1,438	1,438
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	1,438	1,438
Balance at 31 March 2014	**862,991**	**1,167,515**	**835,536**	**98,116**	**2,964,158**
Loss for the period	-	-	-	(1,255)	(1,255)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(1,255)	(1,255)
Balance at 30 June 2014	**862,991**	**1,167,515**	**835,536**	**96,861**	**2,962,903**
Loss for the period	-	-	-	(6,361)	(6,361)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(6,361)	(6,361)
Balance at 30 September 2014	**862,991**	**1,167,515**	**835,536**	**90,500**	**2,956,542**
At 1 January 2015	862,991	1,167,515	835,536	82,496	2,948,538
Loss for the period	-	-	-	(6,326)	(6,326)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(6,326)	(6,326)
Balance at 31 March 2015	**862,991**	**1,167,515**	**835,536**	**76,170**	**2,942,212**
Loss for the period	-	-	-	(444)	(444)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(444)	(444)
Balance at 30 June 2015	**862,991**	**1,167,515**	**835,536**	**75,726**	**2,941,768**
Loss for the period	-	-	-	(5,095)	(5,095)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(5,095)	(5,095)
Balance at 30 September 2015	**862,991**	**1,167,515**	**835,536**	**70,631**	**2,936,673**

** The reserves of the Company of approximately RMB2,073,682,000 (2014: RMB2,093,551,000) as presented in the Company's statement of financial position as at 30 September 2015 comprised these reserves.

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

	Number of shares	Amount S$'000
Issued and fully paid:		
As at 31 December 2014, ordinary shares of S$0.10 each	**1,700,000,000**	**170,000**
As at 30 September 2015, ordinary shares of S$0.50 each	**340,000,000**	**170,000**

Every five ordinary shares of the Company were consolidated into one ordinary share of the Company on 22 May 2015 pursuant to the approval by shareholders of the Company at the Special General Meeting held on 29 April 2015.

The issued share capital of the Company as at 31 December 2014 and 30 September 2015 was equivalent to approximately RMB862,991,000.

There were no share options or convertibles outstanding that may be converted into the Company's shares as at 31 December 2014 and 30 September 2015.

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

	As at 30 September 2015	As at 31 December 2014
Total number of issued shares	340,000,000	1,700,000,000
Less: Treasury shares	-	-
Total number of issued shares excluding treasury shares	340,000,000	1,700,000,000

Every five ordinary shares of the Company were consolidated into one ordinary share of the Company on 22 May 2015 pursuant to the approval by shareholders of the Company at the Special General Meeting held on 29 April 2015.

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

Not applicable. During the current financial period reported on and the immediately preceding financial year, the Company did not have any outstanding treasury shares.

2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)

The figures have neither been audited nor reviewed by the Company's auditors.

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

Not applicable.

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

Except as disclosed in item 5 below, the Group has adopted the same accounting policies and methods of computation as stated in the Group's audited financial statements for the year ended 31 December 2014.

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

The Group adopted all the new and revised IFRSs that are relevant to the Group and are effective for annual periods beginning on or after 1 January 2015. Changes to the Group's accounting policies have been made as required.

The adoption of the new and revised IFRSs did not result in any substantial change to the Group's accounting policies nor will it have any significant impact on the financial statements.

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

	Group			
	Three months ended		Nine months ended	
	30/09/2015 (Unaudited)	30/09/2014 (Unaudited)	30/09/2015 (Unaudited)	30/09/2014 (Unaudited)
(Losses)/Earnings per share (RMB cents)	**(7.54)**	0.76	**(12.36)**	2.98

The calculation of basic (losses)/earnings per share for the three months and nine months ended 30 September 2014 and 2015 is based on the (loss)/profit attributable to owners of the Company and 340,000,000 ordinary shares in issue as at 30 September 2015.

Every five ordinary shares of the Company were consolidated into one ordinary share of the Company on 22 May 2015. The basic earnings per share for the three months and nine months ended 30 September 2014 have been restated to illustrate what the basic earnings per share for the three months and nine months then ended would have been if the Company's share consolidation had taken place during the three months and nine months then ended.

There were no potential ordinary shares in existence for the three months and nine months ended 30 September 2014 and 2015 and accordingly, no diluted (losses)/earnings per share has been presented.

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

	Group		Company	
	30/09/2015 (Unaudited)	31/12/2014 (Audited)	30/09/2015 (Unaudited)	31/12/2014 (Audited)
Net asset value per ordinary share (RMB)	11.17	11.29	8.64	8.67

Net asset value per ordinary share of the Group/Company was calculated based on the 340,000,000 ordinary shares in issue as at 30 September 2015.

Every five ordinary shares of the Company were consolidated into one ordinary share of the Company on 22 May 2015. Net asset value per ordinary share of the Group/Company as at 31 December 2014 have been restated to illustrate what the net asset value per ordinary share would have been if the Company's share consolidation had taken place as at 31 December 2014.

During the current financial period reported on and the immediately preceding financial year, the Company did not have any outstanding treasury shares.

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

8.1 REVIEW OF PERFORMANCE

	Three months ended 30/09/2015 ("3Q2015")		Three months ended 30/09/2014 ("3Q2014")		Nine months ended 30/09/2015 ("9M2015")		Nine months ended 30/09/2014 ("9M2014")	
	RMB'000	% to total	RMB'000	% to total	RMB'000	% to total	RMB'000	% to total
Revenue								
Highly Oriented Yarn/Partially Oriented Yarn ("HOY/POY")	142,121	32.1%	230,634	37.5%	548,249	36.1%	716,766	37.1%
Fully Drawn Yarn ("FDY")	206,214	46.6%	281,462	45.8%	668,130	44.0%	870,688	45.0%
Drawn Textured Yarn ("DTY")	94,505	21.3%	102,597	16.7%	301,188	19.9%	346,579	17.9%
Total	442,840	100.0%	614,693	100.0%	1,517,567	100.0%	1,934,033	100.0%
Cost of Sales								
HOY/POY	140,490	32.4%	221,840	37.9%	537,876	36.4%	690,838	37.6%
FDY	200,404	46.2%	265,528	45.4%	644,249	43.7%	816,829	44.5%
DTY	92,623	21.4%	97,848	16.7%	293,339	19.9%	329,272	17.9%
Total	433,517	100.0%	585,216	100.0%	1,475,464	100.0%	1,836,939	100.0%
Gross Profit								
HOY/POY	1,631	17.5%	8,794	29.8%	10,373	24.6%	25,928	26.7%
FDY	5,810	62.3%	15,934	54.1%	23,881	56.7%	53,859	55.5%
DTY	1,882	20.2%	4,749	16.1%	7,849	18.6%	17,307	17.8%
Total	9,323	100.0%	29,477	100.0%	42,103	100.0%	97,094	100.0%
Gross Profit Margin								
HOY/POY	1.15%		3.81%		1.89%		3.62%	
FDY	2.82%		5.66%		3.57%		6.19%	
DTY	1.99%		4.63%		2.61%		4.99%	
Overall	2.11%		4.80%		2.77%		5.02%	

8.1.1 3Q2015 compared to 3Q2014

Revenue, Cost of Sales and Gross Profit

The Group's revenue decreased by RMB171.9 million or approximately 28.0% to RMB442.8 million in 3Q2015 from RMB614.7 million in 3Q2014. The decrease in revenue was mainly due to drops in average selling prices ("ASPs") and sales volume of our nylon yarn products due to the continued overall decrease in market demand of nylon yarn products amid a soft economy in China and its overseas markets.

In 3Q2015, we saw decreases in ASPs of all of our products across the board. Overall ASPs of our nylon yarn products decreased from RMB22,800 per metric ton ("mt") in 3Q2014 to RMB18,353 per mt in 3Q2015, representing a decrease of approximately 19.5%. ASPs of our different nylon yarn products in 3Q2015 are as follows:

	3Q2015 RMB	3Q2014 RMB	Change
HOY/POY	17,237	21,850	-21.1%
FDY	18,113	22,740	-20.3%
DTY	21,003	25,470	-17.5%
Overall	18,353	22,800	-19.5%

In 3Q2015, our nylon yarn sales volume was approximately 24,130 mt, approximately 10.5% lower than the 26,960 mt sold in 3Q2014.

Due to decreases in sales volume and cost of raw materials, cost of sales decreased by RMB151.7 million or approximately 25.9% to RMB433.5 million in 3Q2015 from RMB585.2 million in 3Q2014.

As a result of a drop in revenue and a disproportionate decrease in cost of sales, both our gross profit ("GP") and gross profit margin ("GPM") suffered a setback in 3Q2015. Our GP decreased significantly by RMB20.2 million or 68.4% from RMB29.5 million in 3Q2014 to RMB9.3 million in 3Q2015. During the same period, we also saw a drop in GPM from 4.8% in 3Q2014 to 2.1% in 3Q2015.

Other income

In 3Q2015, other income represents interest income of RMB3.2 million. This contrasts with interest income of RMB2.5 million and net exchange gain of RMB4.9 million in 3Q2014. In 3Q2015, we incurred a net exchange loss of RMB10.1 million, which was classified as an item under administrative expenses. The increase in interest income was due to higher average bank deposit balances maintained by the Group in 3Q2015 while exchange loss in 3Q2015 was a result of the depreciation of RMB against the USD and the EUR and the increase in overseas raw material purchases in 3Q2015.

Selling and distribution expenses

Selling and distribution expenses decreased by RMB1.8 million or approximately 24.3% to RMB5.4 million in 3Q2015 from RMB7.2 million in 3Q2014 mainly on lower amount of sales, resulting in lower overall transportation costs and sales personnel commissions.

Administrative expenses

Administrative expenses, which include mainly such items as staff cost, depreciation and local levies and fees, increased by RMB9.6 million or 47.4% to RMB29.9 million in 3Q2015 from RMB20.3 million in 3Q2014. The increase was mainly attributable to the net exchange loss of RMB10.1 million incurred in 3Q2015. The Group had a net exchange gain of RMB4.9 million which was classified as an item under other income in 3Q2014.

Depreciation

Depreciation remained stable in 3Q2015 at RMB83.6 million compared to RMB82.3 million in 3Q2014. By comparison to 3Q2014, in 3Q2015, depreciation charge included in cost of production and administrative expenses increased by approximately RMB1.3 million and RMB0.1 million to RMB78.9 million and RMB4.7 million respectively while depreciation charged to selling and distribution expenses decreased by approximately RMB23,000 to approximately RMB73,000 in 3Q2015 from approximately RMB96,000 in 3Q2014.

Finance costs

Finance costs decreased by RMB0.8 million or approximately 20.9% to RMB2.9 million in 3Q2015 from RMB3.7 million in 3Q2014 mainly due to a lower level of average short term bank borrowings maintained by the Group in 3Q2015.

8.1.2 9M2015 compared to 9M2014

Revenue, Cost of Sales and Gross Profit

The Group's revenue decreased by RMB416.4 million or approximately 21.5% to RMB1,517.6 million in 9M2015 from RMB1,934.0 million in 9M2014. The decrease in revenue was mainly due to drops in ASPs and sales volume of our nylon yarn products due to the continued overall decrease in market demand of nylon yarn products amid a soft economy in China and its overseas markets.

In 9M2015, we saw decreases in ASPs of all of our products across the board. Overall ASPs of our nylon yarn products decreased from RMB23,360 per mt in 9M2014 to RMB18,880 per mt in 9M2015, representing a decrease of approximately 19.2%. ASPs of our different nylon yarn products in 9M2015 are as follows:

	9M2015 RMB	9M2014 RMB	Change
HOY/POY	17,920	22,320	-19.7%
FDY	18,610	23,330	-20.2%
DTY	21,710	25,920	-16.2%
Overall	18,880	23,360	-19.2%

In 9M2015, our nylon yarn sales volume was approximately 80,370 mt, approximately 3.0% lower than the 82,800 mt sold in 9M2014.

Due to decreases in sales volume and cost of raw materials, cost of sales decreased by RMB361.4 million or approximately 19.7% to RMB1,475.5 million in 9M2015 from RMB1,836.9 million in 9M2014.

As a result of a drop in revenue and a disproportionate decrease in cost of sales, both our gross profit ("GP") and gross profit margin ("GPM") suffered a setback in 9M2015. Our GP decreased significantly by RMB55.0 million or 56.6% from RMB97.1 million in 9M2014 to RMB42.1 million in 9M2015. During the same period, we also saw a drop in GPM from 5.0% in 9M2014 to 2.8% in 9M2015.

Other income

In 9M2015, other income represents mainly interest income of RMB9.4 million. This contrasts with interest income of RMB8.1 million and net exchange gain of RMB4.0 million in 9M2014. In 9M2015, we incurred a net exchange loss of RMB5.8 million, which was classified as an item under administrative expenses. The increase in interest income was due to higher average bank deposit balances maintained by the Group in 9M2015 while exchange loss in 9M2015 was a result of the depreciation of RMB against the USD and the EUR and the increase in overseas raw material purchases during the period, particularly in 3Q2015 when we incurred a net exchange loss of RMB10.1 million.

Selling and distribution expenses

Selling and distribution expenses decreased by RMB3.8 million or approximately 16.9% to RMB18.4 million in 9M2015 from RMB22.2 million in 9M2014 mainly on lower amount of sales, resulting in lower overall transportation costs and sales personnel commissions.

Administrative expenses

Administrative expenses, which include mainly such items as staff cost, depreciation and local levies and fees, increased by RMB6.0 million or 10.0% to RMB65.9 million in 9M2015 from RMB59.9 million in 9M2014. The increase was mainly attributable to the net exchange loss of RMB5.8 million incurred in 9M2015. The Group had a net exchange gain of RMB4.0 million which was classified as an item under other income in 9M2014.

Depreciation

Depreciation remained stable in 9M2015 at RMB251.9 million compared to RMB250.0 million in 9M2014. By comparison to 9M2014, in 9M2015, depreciation charges included in cost of sales increased by approximately RMB2.1 million to approximately RMB238.1 million while depreciation charged to administrative expenses and selling and distribution expenses decreased by approximately RMB0.1 million and RMB11,000 to approximately RMB13.6 million and RMB251,000 respectively.

Finance costs

Finance costs decreased by RMB4.4 million or approximately 36.7% to RMB7.5 million in 9M2015 from RMB11.9 million in 9M2014 mainly due to a lower level of average short term bank borrowings maintained by the Group in 9M2015.

8.1.3 Taxation

PRC income tax is calculated based on the statutory income tax rate of 25% of the assessable income of Liheng (PRC) as determined in accordance with the relevant PRC income tax rules and regulations in the consolidated financial statements of the Group for the period under review.

The changes in effective tax rate of the Group are mainly due to the changes in the mix of profits/losses of the Company and its subsidiaries and the differences in treatment for certain expenses and incomes by different jurisdictions, including non-deductible expenses, non-taxable incomes and tax effect of intra-group income and expenses that are eliminated in the Group's consolidated financial statements.

As Liheng (PRC) incurred a loss in 3Q2015, no PRC income tax was levied during the said period. The high effective tax rate in 9M2015 (RMB1.8 million income tax expense on a loss before income tax of RMB40.3 million) was mainly a result of Liheng (PRC)'s incurrence of unrealized exchange gains from its loans from the Company that are denominated in the Singapore Dollar that had been relatively weak against the RMB. These intra-group exchange gains (or losses to the corresponding subsidiary within the Group) were effectively eliminated in the Group's consolidated statement of comprehensive income. They were, however, taxable in calculation of the PRC income tax for Liheng (PRC) and were included in the Group's consolidated statement of comprehensive income as an income tax expense item. In contrast, the corresponding unrealized exchange losses and gains, as well as unrealized exchange gains and losses from revaluation of foreign currency deposits, bore no tax effect on the Company and its subsidiaries outside of the PRC in their respective tax jurisdictions.

8.2 CASH FLOW AND FINANCIAL POSITION REVIEW

Property, plant and equipment decreased by approximately RMB242.1 million or approximately 10.4% to RMB2,082.3 million as at 30 September 2015 ("End 9M2015") from RMB2,324.4 million as at 31 December 2014 ("End FY2014"). The decrease represents mainly the net effect of depreciation charges in 9M2015.

As cost of CPL started to stabilize in FY2015 after a fluctuating FY2014 when we intentionally reduce the inventory level of CPL in mitigating the risk of raw material price fluctuations and managing the pressure on our cash flows, we increased the purchases of CPL in 9M2015 to ensure sufficient raw materials we available for production. As a result:-

(i) Inventories increased by RMB132.4 million or approximately 49.3% to RMB401.2 million at End 9M2015 from RMB268.8 million at End FY2014. The quantity of CPL and finished goods at End 9M2015 represent approximately 30 days of our production need and sales volume by reference to 9M2015. As our raw materials and finished goods generally have expiration dates over one year from their dates of production, we are of the view that inventories at End 9M2015 did not show any indication of obsolescence; and

(ii) Trade and bill payables increased by RMB26.2 million or approximately 61.4% to RMB68.9 million at End 9M2015 from RMB42.7 million as at End FY2014.

Despite a 21.5% drop in revenue, trade and bill receivables increased by RMB64.5 million or approximately 17.1% to RMB441.3 million at End 9M2015 from RMB376.8 million at End FY2014. As of End 9M2015, approximately 57.6% (End FY2014: 65.8%) of our trade and bill receivable balances are within our allowable credit periods. Trade receivables that were past due amounted to approximately RMB40.8 million as at End 9M2015 and were related to a number of long-term customers of the Group that had no history of default. However, due to the continued slowdown of the Chinese garment export sector, we have experienced more difficulties in chasing overdue trade balances from our customers in recent months. Management is keeping a very close eye on the situation and will take appropriate actions, legal or otherwise, to protect the Group's interests.

Prepayments, deposits and other receivables decreased by RMB16.7 million or approximately 41.0% to RMB24.0 million at End 9M2015 from RMB40.7 million at End FY2014. The decrease represents mainly the net decrease of prepayments to our major material suppliers for CPL upon receipt of goods in transit as at End FY2014.

Accrued expenses and other payables decreased by RMB6.5 million or 15.2% to RMB36.4 million at End 9M2015 from RMB42.9 million at End FY2014 mainly due to net payments value added tax and utility charges.

Amounts due to directors, representing accrued remuneration for the executive directors, increased by RMB3.1 million or 70.6% to RMB7.5 million at End 9M2015 from RMB4.4 million at End FY2014. The increase represents accrued salary of the directors.

Bank loans decreased by RMB104.3 million or approximately 41.1% to RMB149.3 million at End 9M2015 from RMB253.6 million at End FY2014. The Group intends to manage external borrowings below RMB200 million to utilize its operating cash on hand more efficiently while reducing the costs of financing.

The Group recorded a net cash outflows from its operating activities of RMB45.5 million in 3Q2015 due mainly to net operating loss, slower payments from customers and increase in payment to suppliers during the period. Despite a decrease in revenue and gross profit margin while incurring a net loss and net operating cash outflows, the Group was able to maintain a stable and efficient financial position and liquidity in 9M2015, thanks largely to the efficient use of our operating cash. Net current assets of the Group at End 9M2015 amounted to approximately RMB1,702.3 million, representing an improvement of RMB200.6 million from the RMB1,501.7 million at End FY2014.

8.3 INTERESTED PERSON TRANSACTIONS

The Group had the following transactions with interested persons at agreed terms.

		Group Three months ended		Group Nine months ended	
		30/09/2015 RMB'000	30/09/2014 RMB'000	30/09/2015 RMB'000	30/09/2014 RMB'000
Rental expense paid to Changle Liyuan Polyamide Enterprise Co. Ltd. (长乐力源锦纶实业有限公司) ("Liyuan")	(Note)	1,503	1,503	4,509	4,509

Note: Rental expenses paid to Liyuan, of which our Executive Directors, Mr Chen Jianlong, Mr Chen Siren, Mr Liu Qiguan and Mr Chen Zengfu have beneficial interests therein, was made with reference to the terms negotiated between the relevant parties.

8.4 KEY FINANCIAL RATIOS

	Three months ended		Nine months ended	
	30/09/2015	30/09/2014	30/09/2015	30/09/2014
Inventory turnover days	**85**	68	**62**	68
Trade receivable turnover days	**87**	58	**74**	59
Trade payable turnover days	**19**	10	**12**	28
Return on equity, annualized	**-2.7%**	0.3%	**-1.5%**	0.4%
Return on assets, annualized	**-2.5%**	0.3%	**-1.4%**	0.3%
Net gearing ratio	**Net cash**	Net cash	**Net cash**	Net cash

Notes: Inventory turnover days decreased by 6 days in 9M2015 as compared to 9M2014 as we maintained a relatively lower average inventory level owing to price fluctuations on CPL during the period. We have however slightly increased the inventory level of CPL in 3Q2015 as price of CPL started to stabilize, resulting in an increase in overall inventory level and increase in inventory turnover days of 17 days as compared to 3Q2014.

Trade receivable turnover days deteriorated by 29 days and 15 days in 3Q2015 and 9M2015 as compared to 3Q2014 and 9M2014 respectively as we experienced certain delays in payments by some of our customers. Although there is yet to be any defaults from our customers, we have experienced more difficulties in chasing overdue trade balances from certain customers in recent months. Management is keeping a very close eye on the situation and will take

appropriate actions, legal or otherwise, to protect the Group's interests.

Trade payable turnover days increased by 9 days in 3Q2015 compared to 3Q2014 as we increased purchases of CPL in 3Q2015. Trade payable turnover days decreased by 16 days as compared to 9M2014 as we utilized certain short-term banking facilities and operating cash to settle our suppliers in a timelier manner amid a decrease in overall purchases in 9M2015 as a result of decreases in raw material costs.

Return on equity and return on assets were both negative in 3Q201 and 9M2015 as we incurred losses during the said periods.

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

Not applicable.

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

Outlook

Anti-dumping tariffs on Polyamide chips and Caprolactam:

CPL imported from the United States and the European Union nations is subject to anti-dumping tariffs at rates ranging from 2.2% to 25.5% for a period of five years from October 2011 to October 2016.

Currently, all of our CPL purchases are procured from suppliers not subject to the anti-dumping tariffs. Accordingly, the impact of the CPL tariffs on the Group's overall cost and cash flows is expected to be immaterial.

PA chips self-sufficiency:

We currently operate two PA chip production plants. With an annual capacity of approximately 170,000 mt, we are self-sufficient in PA chips for production of our nylon yarn products, thus reducing our reliance on outside supplies and enabling us to control cost and quality of our raw materials more effectively. The self-sufficiency also excludes us from the anti-dumping tariffs imposed by the Chinese government on PA Chips imported from certain overseas markets.

Looming global economic uncertainties:

We expect the remainder of 2015 and early 2016 continue to be a period of uncertainty in terms of downstream demand and the overall global economic climates as signs of further slowdown in growth from the emerging markets, including China having started to show in the first few months of the year. Our downstream customers have been experiencing setbacks in orders, both from overseas and domestic markets, and selling price cuts which will undoubtedly trigger a chain reaction and affect operators like Li Heng as upstream suppliers of nylon yarns. As discussed in item 8.2 above, we are particularly mindful about the situation of our trade receivables due to the continued worsening of the overall economy in China. Our goal for the year ahead is to manage our operating cash effectively and efficiently to maintain a healthy liquidity position. Albeit the uncertain and difficult operating environment, we believe Li Heng is in good position to weather the storm of challenges ahead with our strong and efficient financial position and liquidity, as well as our well-established long-term relationship with our customers and suppliers.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No dividend has been declared or recommended for the nine months ended 30 September 2015.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) Date Payable

Not applicable.

(d) Books Closure Date

Not applicable.

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

No dividend has been declared or recommended for the nine months ended 30 September 2015.

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

The Group is not required to obtain a general mandate from shareholders for its current IPTs (see item 8.3 above).

14. Negative confirmation pursuant to Rule 705(5)

We, Chen Jianlong and Liu Qiguan, being two of the directors of LI HENG CHEMICAL FIBRE TECHNOLOGIES LIMITED (the "Company"), do hereby confirm on behalf of the directors of the Company, that, to the best of our knowledge, nothing has come to the attention of the board of directors of the Company which may render the third quarter financial results of the Company and of the Group for the financial period ended 30 September 2015 to be materially false or misleading.

15. Confirmation pursuant to Rule 720(1)

The Company confirms that it has procured undertakings to comply with the Listing Rules from all its directors and executive officers pursuant to Listing Rule 720(1).

BY ORDER OF THE BOARD

Chen Jianlong
Executive Chairman
10 November 2015