

CHANGTIAN PLASTIC
& CHEMICAL LIMITED

ANNUAL REPORT 2015

PUSHING AHEAD



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CORPORATE PROFILE

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

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

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

In 2012, the Group announced plans to set up a plant to manufacture Nylon-6 chips in the PRC. Nylon-6 chips are raw materials that are widely used in applications in the transportation, electronics and electrical, consumer goods, building and construction, and packaging industries.

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

CHAIRMAN'S MESSAGE

Dear Shareholders,

On behalf of the Board of Directors, I present Changtian Plastic & Chemical Limited's ("Changtian" or the "Group") annual report for the financial year ended 31 December 2015 ("FY2015").

2015: BUILDING RESILIENCE AMIDST ADVERSITIES

2015 was a challenging year characterised by a soft global economic environment and the slowing Chinese economy. Backed by our experience and technical expertise in the production of adhesive tapes, release papers and UV cured release films, the Group focused its efforts to grow existing businesses and ramp up plans for the Nylon-6 chips plant in 2015 in accordance with our strategy for sustainable long-term growth.

The Group reported a loss of RMB7.1 million for FY2015, compared to a profit of RMB23.6 million for the year ended 31 December 2014 ("FY2014") while revenue decreased 58.0% to RMB50.8 million from RMB121.0 million in FY2014.

Besides lower demand and average selling prices, the Group's financials were also impacted by an impairment loss of RMB15.1 million in FY2015, compared to a reversal of impairment loss of RMB6.3 million in FY2014, made to property, plant and equipment.

As at 31 December 2015, the Group recorded cash and bank balances of RMB776.4 million, reflective of stringent cost measures implemented in FY2015.

GOING FORWARD: DEVELOPMENT OF NYLON-6 CHIPS BUSINESS

The global economic outlook has turned more cautious at the start of 2016. With the economic slowdown in China, lower prices for energy and commodities and tightening monetary policy in the United States, the International Monetary Fund revised growth estimates for the global economy downwards by 0.2 percentage points to 3.4% in January 2016. Against this backdrop, the Group will continue to build on its strong fundamentals and develop its Nylon-6 chips business in order to enhance shareholder value.

Following the Group's decision to suspend production of 2-A2MPS in the fourth quarter of 2013, the Group announced the disposal of its 2-A2MPS production line and all intellectual property rights in relation to the production line in February 2015. Net proceeds from the disposal were reinvested in the Group's business relating to the manufacture and sale of Nylon-6 chips in the People's Republic of China.

As at 31 December 2015, the Group has committed approximately RMB207 million of capital for the acquisition of machinery and equipment and construction of its Nylon-6 chips plant. As at the end of 2015, approximately 78.0% of the construction works for the plant has been completed. Fittings of the buildings and warehouses as well as the installation of production lines and equipment are ongoing and are expected to be completed by end-June 2016. The total capacity of the new plant is 110,000 metric tonnes per annum.

The Group was also notified by local authorities that the Department of Land and Resources of Fujian Province has approved the land swap. It is expected that the procedures of the land swap will be completed in the near future.

The Group estimates additional capital expenditures of approximately RMB418 million for the Nylon-6 Chips business which had not been contracted with the suppliers previously. In view of the shortfall in cash and cash equivalents, the development may be financed by external funds in the form of bank borrowings or financial support from substantial shareholders within the next 12 months.

Having been impacted by the weakening Chinese economy, the Nylon-6 industry is expected to make a slow recovery over the course of the year with increased demand from end-users and nylon filament yarn plants. Nylon-6 is one of the raw materials used for various consumer goods and industrial applications, such as carpets, rugs and home textiles, engineering plastics, tire cord, film and sheets for food packaging, industrial packaging and medical applications. We remain confident that our track record as one of the leading chemical-based products manufacturer serving a wide variety of sectors and long-term relationships with our customers will enable us to capture opportunities as they arise.

The Group will continue to monitor industry developments closely and maintain a disciplined cost-management approach to maintain profitability of existing businesses and stay nimble.



The Group will continue to build on its strong fundamentals and develop its Nylon-6 chips business in order to enhance shareholder value.

NOTE OF APPRECIATION

On behalf of the Board of Directors and management team, we wish to thank our shareholders, business partners and associates and staff for their efforts and continued support for the Group.

Yours sincerely,

Yang Qingjin (杨清金)
Chairman
30 March 2016



OPERATIONS REVIEW

FINANCIAL OVERVIEW

2015 was a challenging period for the Group as China's economy weakened and competition within the industry remained keen, resulting in a significant decrease in demand and selling prices for our products. The Group recorded a loss of RMB7.1 million for the year ended 31 December 2015 ("FY2015") on the back of a 58.0% decrease in revenue to RMB50.8 million. The Group's financial results were also impacted by impairment losses and a decrease in gross profit. To improve its financial performance and maintain profitability, Changtian has effected stringent cost control measures.

Revenue for FY2015 decreased 58.0% to RMB50.8 million, from RMB121.0 million for the year ended 31 December 2014 ("FY2014"). This was mainly attributable to the slowdown in the domestic economy in the People's Republic of China (the "PRC") and a significant decrease in demand and average selling price of our products. The slight increase in the average selling price of UV cured release films was partially offset by the decrease in the average selling price of adhesive tapes and release papers during the period under review.

Cost of sales decreased 56.0% from RMB95.1 million in FY2014, to RMB41.8 million in FY2015. This was in line with across-the-board decreases in major raw material prices for all product segments. Raw material prices declined 13.3% - 22.8% for adhesive tapes and UV cured release films and 5.0% for release papers. The decrease was partially offset by an increase in depreciation costs of plant and machinery in FY2015 arising from the reversal of impairment losses made in FY2014.

As a result, gross profit decreased 65.4% to RMB9.0 million in FY2015, from RMB25.9 million in the preceding period. Overall gross profit margin decreased by 3.7 percentage points from 21.4% in FY2014, to 17.7% in FY2015.

Other income, which comprises interest income from bank deposits, decreased 24.8% from RMB16.9 million in FY2014, to RMB12.7 million in FY2015, mainly due to a decrease in interest rates and bank balances for the period under review.

In line with a decrease in revenue, selling and distribution costs, which mainly comprises transportation costs and staff costs, decreased 35.9% from RMB4.2 million in FY2014, to RMB2.7 million for FY2015. The decline in selling and distribution costs was lower than the decline in revenue recorded as a result of fixed costs such as employee salaries and rental payment.

Administrative expenses increased 11.5% to RMB19.4 million in FY2015, from RMB17.4 million a year ago, mainly due to pre-operating expenses incurred for the development of the Nylon-6 chips business.

The Group recorded impairment loss of RMB15.1 million in FY2015, compared to a reversal of impairment loss of RMB6.3 million in FY2014, largely attributable to impairment losses on certain property, plant and equipment for the UV cured release films segment as their carrying amounts exceeded recoverable amounts as at 31 December 2015.



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

As a result of the above, the Group recorded a loss of RMB7.1 million in FY2015, compared to a profit of RMB23.6 million in FY2014.

As at 31 December 2015, Changtian recorded RMB1,291.9 million in total assets and RMB235.7 million in total liabilities.

Property, plant and equipment increased 476.8% from RMB79.6 million as at 31 December 2014, to RMB459.2 million as at 31 December 2015. The increase was mainly due to an increase in construction in progress, acquisition of machinery and equipment for the Nylon-6 chips business and a RMB38.0 million transfer from deposits to the suppliers of machinery and equipment for the Group's Nylon-6 chips business. Further, the Group had also written down a deferred tax asset of RMB3.5 million on the impairment losses made on property, plant and equipment due to the uncertainty of the realisation of related tax benefits through future taxable profits.

Current assets declined to RMB810.0 million as at 31 December 2015, compared to RMB1,001.5 million a year ago. The decline was on the back of a decrease in inventories due to a revision of minimum levels and a decrease in trade receivables due to lower sales, partially offset by an increase in prepayments, deposits and other receivables arising from value-added tax ("VAT") credit on acquisition of production lines. As at 31 December 2015, the Group has a net cash position with cash and bank balances of RMB776.4 million.

The Group recorded current liabilities of RMB231.0 million as at 31 December 2015, from RMB75.4 million a year ago. The rise was mainly due to an increase in accruals and other payables to the main contractor for progress payments for the construction of the Nylon-6 chips factory and payables to the suppliers of machines and equipment for the Nylon-6 chips business, partially offset by a decrease in trade payables due to a reduction in raw materials purchases.

Non-current liabilities decreased to RMB4.7 million as at 31 December 2015, from RMB7.0 million a year ago, due to the re-classification of tax liabilities to tax payables under current liabilities during the year under review. Non-current liabilities comprise deferred tax liabilities in relation to withholding tax on undistributed profits of Changtian Enterprise.

The Group recorded loss per share of 10.7 RMB cents and net asset value per share of 1,600.4 RMB cents as at 31 December 2015.





PRODUCT SEGMENTS

ADHESIVE TAPES

The adhesive tapes segment recorded a 63.7% decline in revenue to RMB24.9 million in FY2015, from RMB68.5 million in FY2014 and accounted for 48.9% of the Group's total revenue for the period under review, as compared to 56.6% in FY2014.

Gross profit margin decreased by 6.6 percentage points to 12.2% in FY2015, from 18.8% in the preceding period. Decreases in prices of major raw materials for adhesive tapes were partly offset by a decrease of more than 10.0% in average selling prices and lower sales volume.

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

RELEASE PAPERS

For FY2015, revenue from the release papers segment decreased 66.4% to RMB7.6 million from RMB22.5 million in FY2014 and accounted for 14.9% of total revenue compared to 18.6% a year ago.

Gross profit margin for the release papers segment were down 6.5 percentage points, from 17.8% in FY2014 to 11.3% in FY2015. The decrease in prices of raw materials was partly offset by a decrease of more than 10.0% in average selling prices and lower sales.

The Group manufactures two types of release papers, namely Clay Coated Kraft ("CCK") release papers and glassine silicone coated release papers. The former is used in the manufacturing of carbon fibre products such as golf shafts, fishing rods and grips for sports goods, and the latter is used for labels, tapes, electronic products and packaging.

UV CURED RELEASE FILMS

The UV cured release films segment registered revenue of RMB18.4 million in FY2015, a 38.7% decrease as compared to RMB30.0 million in FY2014 and accounted for 36.2% of the Group's total revenue in FY2015, compared to 24.8% from the same period a year ago.

The 3.0% increase in average selling prices of UV cured release films during the year and a decrease in major raw materials used were partially offset by an increase in depreciation of plant and machinery arising from the reversal of impairment losses in FY2014. As a result, gross profit margin for the segment declined 2.3 percentage points to 27.7% in FY2015 from 30.0% in FY2014.

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



OUTLOOK

Approximately 78.0% of the construction works for the Group's Nylon-6 chips plant have been completed as at end-December 2015. As at 31 December 2015, the Group has committed approximately RMB207 million of capital expenditure for the acquisition of machinery and equipment and construction of the plant. The fitting and installation of production lines and equipment in buildings and warehouses are ongoing and are expected to be completed by end-June 2016.

In addition to the Group's existing capital commitments for the Nylon-6 Chips business, the Group expects additional capital expenditures of approximately RMB418 million which had not been contracted with the suppliers as at 31 December 2015. In view of the shortfall in cash and cash equivalents, the Group may seek external funds in the form of bank borrowings or financial support from substantial shareholders within the next 12 months.

Issues pertaining to the land use right certificate for the initial plot of land to build the Group's Nylon-6 chips plant have also been resolved over the course of the year. The Department of Land and Resources of Fujian Province has approved the land swap and the Group expects that the procedures of the land swap will be completed in the near future.

In light of the volatility in global markets and uncertain market competition, the Group will continue to closely monitor market conditions and look out for signs of recovery in the industry while imposing stringent cost controls to maintain profitability.

BOARD OF DIRECTORS

MR YANG QINGJIN

Chairman and Executive Director

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

MR CHEN YONGFU

Deputy Chairman and Executive Director

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

MR QIU WEI CAI

Finance Director and Executive Director

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

MR CHAN YIN DAVID

Lead Independent Director

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



MR YANG JUNQING

Executive Director

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

MR TAN SIOK SING

Independent Director

Mr Tan was appointed as our Independent Director on 29 April 2008. He has more than 20 years of experience in the financial industry and is currently the Managing Director of Ironman Minerals & Ores Pte Ltd, an energy resources and minerals trading company. He also holds directorships in Shong Shing Pte Ltd, PT Pacific Metalurgi Indo Smelter and Sunny Max Investment Limited. Mr Tan is an Independent Director of SGX Mainboard-listed Dukang Distillers Holdings Limited, Li Heng Chemical Fibre Technologies Limited and Qingmei Group Holdings Limited as well as SGX Catalist-listed Eurosports Global Limited. He graduated from The University of Tennessee with a Masters in Business Administration in 1984.

MS LIAO QUANWEN

Independent Director

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

SENIOR MANAGEMENT



MR ZHANG ANMIN

Deputy General Manager and Sales and Marketing Manager

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

MR CHAN PAK KIN KEN

Financial Controller and Company Secretary

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Yang Qingjin	Chairman and Executive Director
Mr Chen Yongfu	Deputy Chairman and Executive Director
Mr Yang Junqing	Executive Director
Mr Qiu Wei Cai	Finance Director and Executive Director
Mr Chan Yin David	Lead Independent Director
Mr Tan Siok Sing	Independent Director
Ms Liao Quanwen	Independent Director

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

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

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

COMPANY SECRETARY
Mr Chan Pak Kin Ken

BERMUDA RESIDENT REPRESENTATIVE
Appleby Services (Bermuda) Limited

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

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

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

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

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

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

BDO LLP
Public Accountants and
Chartered Accountants
21 Merchant Road
#05-01 Singapore 058267
Partner-in-charge: Khoo Gaik Suan
(Appointed since the financial year ended 31 December 2012)

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

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

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

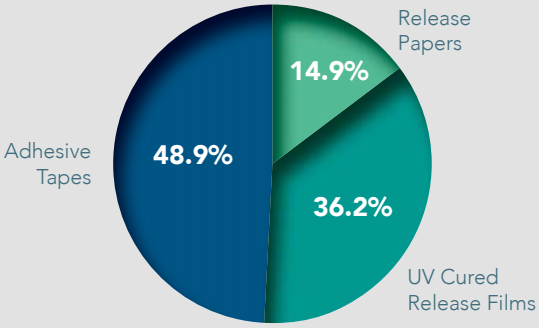
FINANCIAL HIGHLIGHTS

RMB' MILLION	FY2013	FY2014	FY2015
Revenue[1]	114.1	121.0	50.8
Gross Profit	15.0	25.9	9.0
Net (Loss)/Profit	(41.6)	23.6	(7.1)
Net Assets	1,040	1,063	1,056
(Loss)/Earnings Per Share[2] (RMB' Cents)	(63.1)	35.8	(10.7)

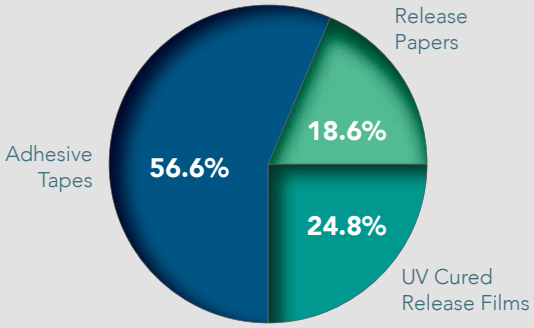
1 In November 2013, the Group suspended production of 2-A2MPS, as part of its strategy to realign the Group's resources.

2 Based on the ordinary shares of the Company in issue of 65,999,998 as at 31 December 2013, 2014 and 2015. For the purposes of (loss)/earnings per ordinary share as at 31 December 2013 and 2014, the number of ordinary shares of the Company in issue at that date has been adjusted to reflect the effect of share consolidation, as if the share consolidation had occurred on 1 January 2013.

REVENUE BY BUSINESS SEGMENTS



FY2015



FY2014

NET ASSET VALUE PER SHARE[3] (RMB' CENTS)



FY: Financial Year ended 31 December

3 Based on the ordinary shares of the Company in issue of 65,999,998 as at 31 December 2013, 2014 and 2015. For the purposes of net asset value per ordinary share as at 31 December 2013 and 2014, the number of ordinary shares of the Company in issue at that date has been adjusted to reflect the effect of share consolidation, as if the share consolidation had occurred on 1 January 2013.

INVESTOR RELATIONS

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

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

- All important and relevant information are published immediately via the Singapore Exchange Securities Trading Limited ("SGX-ST") website, SGXNET;
- All types of investors and stakeholders have the opportunity to gain insight into the matters communicated by the Group in a clear and explicit manner;
- Meetings to be arranged between Management and shareholders or analysts upon request, but such meetings will not release information not otherwise published or publicly available; and
- Quarterly reports are published in a timely manner.

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

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

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

SHAREHOLDERS AND ANALYSTS ENQUIRIES

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

FY2015 FINANCIAL CALENDER

2015	**Event**
28 February	FY2014 Results Release
28 April	Annual General Meeting
12 May	1Q2015 Results Release
13 August	2Q2015 Results Release
12 November	3Q2015 Results Release
2016	**Event**
25 February	FY2015 Results Release

Corporate Governance Report

CHANGTIAN PLASTIC & CHEMICAL LIMITED

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

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

This Report should be read as a whole, instead of being read separately under the different principles of the Code.

(A) BOARD MATTERS

Board's Conduct of its Affairs

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

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

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

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

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

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

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

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

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

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

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

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

(A) BOARD MATTERS - continued

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

Board Meetings and Meetings of Board Committees

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

The number of meetings held by the Board and Board committees and attendance thereat during the financial year ended 31 December 2015 are as follows:-

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

Note: *attendance by invitation

Training

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

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

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

(A) BOARD MATTERS - continued

Board Composition and Guidance

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

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

Executive Directors

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

Independent Directors

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

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

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

Independence of directors

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

The Board recognises that independent directors may over time develop significant insights in the Group's business and operations, and can continue to provide significant and valuable contribution objectively to the Board as a whole. When there are such directors, the Board will also do a rigorous review of their continuing contributions and independence and may exercise its discretion to extend the tenure of these directors. Presently none of directors in the Company has served on the Board for more than nine (9) years from the date of first appointment.

(A) BOARD MATTERS - continued

Chairman and Deputy Chairman

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

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

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

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

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

Lead Independent Director

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

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

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

Board Membership

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

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

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

(A) BOARD MATTERS - continued

Board Membership - continued

The primary functions of the NC are as follows:-

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

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

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

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

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

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

(A) BOARD MATTERS - continued

Board Membership - continued

Key information regarding the directors is set out below:-

Name of Directors	Position	Date of Appointment	Date of Last Re-Appointment as a Director	Directorship in Other Listed Companies		Due Date for Re-Appointment at the AGM
				Present	For the Past 3 Years	
Yang Qingjin	Executive Chairman	24 April 2007	28 April 2015	Nil	Nil	
Chen Yongfu	Deputy Chairman	24 April 2007	25 April 2013	Nil	Nil	29 April 2016
Yang Junqing	Executive Director	14 May 2009	25 April 2014	Nil	Nil	29 April 2016
Qiu Wei Cai	Executive Director	2 December 2010	28 April 2015	Nil	Nil	
Tan Siok Sing	Independent Director	29 April 2008	28 April 2015	Dukang Distillers Holdings Ltd Li Heng Chemical Fibre Technologies Limited Qingmei Group Holdings Limited Eurosports Global Ltd	Nil	
Chan Yin David	Independent Director	24 September 2007	25 April 2014	Nil	Nil	29 April 2016
Liao Quanwen	Independent Director	24 September 2007	25 April 2014	Nil	Nil	

Board Performance

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

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

The performance criteria for the Board evaluation includes an evaluation of the size and composition of the Board, the Board's access to information, accountability, Board processes, Board performance in relation to discharging its principal responsibilities, communication with Management and standards of conduct of the directors.

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

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

Access to Information

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

(A) BOARD MATTERS - continued

Access to Information - continued

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

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

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

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

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

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

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

The responsibilities of the RC include the following:-

- to review directors' fees to ensure that they are at sufficiently competitive levels;
- to review and approve any proposal relating to and administer the Changtian Employee Share Option Scheme ("**ESOS**") for directors, senior management and executives;
- to review and advise the Board on the terms of appointment and remuneration of its members, Chairman, key executive officers, senior management of the Group and all managerial staff who are related to any of the directors or the Chairman;

(B) REMUNERATION MATTERS - continued

Procedures for Developing Remuneration Policies - continued

- to review the terms of the employment arrangements with Management so as to develop consistent group wide employment practices subject to regional differences;
- to recommend to the Board in consultation with senior management and the Chairman of the Board, any long term incentive scheme; and
- to review and approve any proposals or recommendations relating to senior management's remuneration.

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

No director is involved in determining his own remuneration.

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

Level and Mix of Remuneration

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

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

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

Long term incentive schemes

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

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

(B) REMUNERATION MATTERS - continued

Level and Mix of Remuneration - continued

Long term incentive schemes - continued

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

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

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

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

Disclosure on Remuneration

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

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

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

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

A breakdown of the remuneration of the directors and the top two (2) key executives (who are not also directors) for the financial year ended 31 December 2015 are set out below:-

Remuneration of the directors

Name	Based/fixed salary [1]	Variable or performance related income/bonus [1]	Director's fee [2]	Other benefits	Total
	%	%	%	%	%
Executive Directors					
Below S$250,000					
Yang Qingjin	99	-	-	1	100
Chen Yongfu	98	-	-	2	100
Yang Junqing	98	-	-	2	100
Qiu Wei Cai	96	-	-	4	100

(B) REMUNERATION MATTERS - continued

Disclosure on Remuneration - continued

Remuneration of the directors - continued

Name	Based/fixed salary [1]	Variable or performance related income/bonus [1]	Director's fee [2]	Other benefits	Total
	%	%	%	%	%
Independent Directors					
Below S$250,000					
Chan Yin David	-	-	100	-	100
Tan Siok Sing	-	-	100	-	100
Liao Quanwen	-	-	100	-	100

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

Name	Based/fixed salary [1]	Variable or performance related income/bonus [1]	Director's fee [2]	Other benefits	Total
	%	%	%	%	%
Key Executives					
Below S$250,000					
Zhang Anmin	92	-	-	8	100
Chan Pak Kin Ken	100	-	-	-	100

[1] These are under the service agreements.

[2] The directors' fees had been approved at the Company's AGM held in year 2015.

The aggregate of total remuneration paid to or accrued to the top two (2) key executives (who are also not directors) was RMB885,290 for the financial year ended 31 December 2015.

The Company has disclosed the remuneration of its top two (2) key executives as the Group only has two (2) key executives (who are also not directors) during the financial year ended 31 December 2015.

There are no employees of the Group who are immediate family members of a director and whose remuneration exceeds S$50,000 during the financial year ended 31 December 2015.

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

(C) ACCOUNTABILITY AND AUDIT

Accountability

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

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

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

Risk Management and Internal Controls

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

Risk Management

Management reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks within the Group's policies and strategies. In addition, the external auditors carry out in the course of their statutory audit, a review of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls. Material non-compliance and internal control weaknesses noted during their audit are reported to the AC together with their recommendations. Management will follow up on the auditors' recommendations so as to strengthen the Group's internal control system.

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

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

Internal Controls

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

(C) ACCOUNTABILITY AND AUDIT - continued

Risk Management and Internal Controls - continued

Internal Controls - continued

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

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

For the financial year under review, the Chairman and the Financial Controller have provided assurance to the Board that the financial records have been properly maintained, the integrity of the financial statements of the Group and the effectiveness of the Group's risk management and internal control system.

Audit Committee

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

The AC comprises of entirely independent directors:-

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

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

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

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

- the scope and the results of internal audit procedures with the internal auditors;
- the audit plan of the Company's independent joint auditors and any recommendation on internal accounting controls arising from the statutory audit;

(C) ACCOUNTABILITY AND AUDIT - continued

Audit Committee - continued

- the assistance given by the Company's Management to the independent auditors;
- the periodic results announcements prior to their submission to the Board for approval;
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2015 prior to their submission to the Board for approval, as well as the independent auditors' report on the balance sheet of the Company and the consolidated financial statements of the Group;
- interested person transactions (as defined in Chapter 9 of the Listing Manual);
- the audit plans of the external and internal auditors of the Company, and their reports arising from the audit and its cost-effectiveness;
- the adequacy of the assistance and cooperation given by the Company's Management to the external and internal auditors;
- the adequacy of the Group's internal controls in respect of the management, business and service systems and practices;
- legal and regulatory matters that may have a material impact on the financial statements, compliance policies and programmes and any reports received from regulators;
- the independence and objectivity of the external auditors;
- the approval of remunerations to the external auditors;
- the nature and extent of non-audit services provided by the external auditors;
- the recommendation to the Board for the appointment or re-appointment of the internal and external auditors of the Company;
- to report actions and minutes of the AC to the Board with such recommendations as the AC considers appropriate; and
- interested person transactions to ensure that the current procedures for monitoring of interested party transactions have been complied with.

In performing its functions, the AC:-

- met once with the external auditors and internal auditors, without the presence of the Company's Management and reviewed the overall scope of the external audit, internal audit and the assistance given by the Management to the auditors;
- has explicit authority to investigate any matter relating to the Group's accounting, auditing, internal controls and financial practices brought to its attention with full access to records, resources and personnel to enable it to discharge its function properly;
- has full access to and cooperation of the Management and full discretion to invite any director or executive officer to attend its meetings; and
- is kept abreast by the Management and the external auditors of changes to accounting standards, Listing Rules of the SGX-ST (the "**Listing Rules**") and other regulations which could have an impact on the Group's business and financial statements.

(C) ACCOUNTABILITY AND AUDIT - continued

Audit Committee - continued

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

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

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

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

Internal Audit

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

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

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

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

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

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

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

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES - continued

Shareholder Rights - continued

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

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

(E) COMMUNICATION WITH SHAREHOLDERS

Communication with Shareholders

Principle 15 : Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Conduct of Shareholder Meetings

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

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

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

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

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

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

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the directors may deem appropriate.

Interaction with shareholders

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

(F) DEALINGS IN SECURITIES

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

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

The Board confirms that for the financial year ended 31 December 2015, the Company has complied with Rule 1207(19) of the Listing Manual.

(G) INTERESTED PERSON TRANSACTION

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

- The Board meets to review if the Company will be entering into any interested person transaction. If the Company intends to enter into an interested person transaction, the Board will ensure that the Company complies with the requisite rules under Chapter 9.
- The AC has met and will meet regularly to review if the Company will be entering into an interested person transaction, and if so, the AC ensures that the relevant rules under Chapter 9 are complied with.

The aggregate value of the interested person transaction carried out during the financial year ended 31 December 2015 is as follows:-

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

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

(H) MATERIAL CONTRACTS

Apart from the service agreements made with the Executive Directors, there are no material contracts entered by the Company or its subsidiaries with or for the benefit of the directors or controlling shareholders during the financial year ended 31 December 2015.

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Directors' Report

CHANGTIAN PLASTIC & CHEMICAL LIMITED

The directors present their report to the members together with the audited financial statements of Changtian Plastic & Chemical Limited (the "**Company**") and its subsidiaries (the "**Group**") for the financial year ended 31 December 2015 and the statement of financial position of the Company as at 31 December 2015.

Directors

The directors of the Company in office during the financial year ended 31 December 2015 and up to the date of this report are:-

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

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

In accordance with the Company's Bye-Law 104, Messrs Chen Yongfu, Yang Junqing and Chan Yin David shall retire and being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

Arrangements to Enable Directors to Acquire Shares or Debentures

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

Directors' Interests in Shares or Debentures

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

	Number of ordinary share of S$0.05 each of the Company as at 01.01.2015		***Number of ordinary share of S$0.50 each of the Company as at 31.12.2015*** [(2)]	
Name of Director	Direct Interest	Deemed Interest	Direct Interest	Deemed Interest
Mr Yang Qingjin [(3)]	-	169,800,000	-	16,980,000
Mr Chen Yongfu [(4)]	-	198,550,000	-	19,855,000
Mr Yang Junqing	-	-	-	-
Mr Qiu Wei Cai	-	-	-	-
Mr Chan Yin David	-	-	-	-
Mr Tan Siok Sing	-	-	-	-
Ms Liao Quanwen	-	-	-	-

Directors' Interests in Shares or Debentures - continued

Notes:-

(1) The directors' interests as at 21 January 2016 were the same as those at the end of the financial year.

(2) During the financial year, the Company has completed the consolidation of every ten existing issued ordinary shares into one ordinary share.

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

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

Directors' Service Contracts

The Company entered into service agreements with the Executive Directors.

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

Changtian Employee Share Option Scheme

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

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

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

Directors' Contractual Interests

Except for the transactions disclosed in Note 25 to the financial statements, related party transactions, and the interested party transaction disclosed in page 65 of this Annual Report, during the year under review, no director received or became entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

Audit Committee

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

Tan Siok Sing (Chairman)
Chan Yin David
Liao Quanwen

Audit Committee - continued

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

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent joint auditors and any recommendation on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's Management to the independent auditors;
- the periodic results announcements prior to their submission to the Board for approval;
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2015 prior to their submission to the Board for approval, as well as the independent auditors' report on the balance sheet of the Company and the consolidated financial statements of the Group; and
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited).

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

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

Auditors

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

ON BEHALF OF THE BOARD

Yang Qingjin
Chairman

Qiu Wei Cai
Director

30 March 2016

Statement by Directors

CHANGTIAN PLASTIC & CHEMICAL LIMITED

In the opinion of the directors,

(i) the accompanying consolidated and Company statement of financial position, the consolidated statement of comprehensive income, the consolidated and Company statements of changes in equity and the consolidated statement of cash flows together with the notes thereto as set out on pages 36 to 70, are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2015 and of the financial performance and changes in equity of the Group and of the Company and cash flows of the Group for the financial year then ended; and

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

ON BEHALF OF THE BOARD

Yang Qingjin	Qiu Wei Cai
Chairman	Director

30 March 2016

Independent Joint Auditors' Report to the Shareholders of Changtian Plastic & Chemical Limited

(incorporated in Bermuda with limited liability)

We have audited the financial statements of Changtian Plastic & Chemical Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 36 to 70, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2015, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements of the Group and the statement of financial position and statement of changes in equity of the Company give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015, and of the financial performance and cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards.

BDO LLP
Public Accountants and
Chartered Accountants
21 Merchant Road
#05-01, Singapore 058267
30 March 2016

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong
30 March 2016

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Continuing operations			
Revenue	7	50,790	120,973
Cost of sales		(41,821)	(95,082)
Gross profit		8,969	25,891
Other income	7	12,696	16,890
Other gains and losses, net		(15,055)	4,810
Selling and distribution costs		(2,672)	(4,166)
Administrative expenses		(19,388)	(17,387)
(Loss)/ Profit before income tax	8	(15,450)	26,038
Income tax expense	9	(3,862)	(2,420)
(Loss)/ Profit for the year and attributable to owners of the Company		(19,312)	23,618
Discontinued operations			
Profit for the year and attributable to owners of the Company	10	12,225	-
(Loss)/ Profit for the year and attributable to owners of the Company		(7,087)	23,618
Other comprehensive income for the year		-	-
Total comprehensive income for the year and attributable to owners of the Company		(7,087)	23,618

		RMB cents	(restated) RMB cents
(Loss)/ Earnings per share	11		
From continuing operations			
- Basic and diluted		(29.3)	3.58
From discontinued operations			
- Basic and diluted		18.5	-
From continuing and discontinued operations			
- Basic and diluted		(10.8)	3.58

Statements of Financial Position

as at 31 December 2015

	Notes	Group 2015 RMB'000	Group 2014 RMB'000	Company 2015 RMB'000	Company 2014 RMB'000
ASSETS AND LIABILITIES					
Non-current assets					
Investments in subsidiaries	12	-	-	125,175	125,175
Prepaid premium for leasehold land under operating leases	13	19,803	20,216	-	-
Property, plant and equipment	14	459,193	79,613	-	-
Deposits	17	2,924	40,906	-	-
Deferred tax assets	20	-	3,530	-	-
		481,920	144,265	125,175	125,175
Current assets					
Inventories	15	2,608	4,227	-	-
Trade receivables	16	12,206	33,957	-	-
Prepayments, deposits and other receivables	17	17,446	2,197	175	27
Current tax assets		1,337	-	-	-
Amount due from a subsidiary	12	-	-	369,998	375,996
Cash and bank balances	18	776,431	961,128	-	-
		810,028	1,001,509	370,173	376,023
Current liabilities					
Trade payables		3,018	11,548	-	-
Accruals and other payables	19	225,638	61,104	2,567	1,938
Current tax liabilities		2,350	2,743	-	-
		231,006	75,395	2,567	1,938
Net current assets		579,022	926,114	367,606	374,085
Non-current liabilities					
Deferred tax liabilities	20	4,650	7,000	-	-
Net assets		1,056,292	1,063,379	492,781	499,260
EQUITY					
Equity attributable to owners of the Company					
Share capital	21	166,295	166,295	166,295	166,295
Reserves		889,997	897,084	326,486	332,965
Total equity		1,056,292	1,063,379	492,781	499,260

ON BEHALF OF THE BOARD

Yang Qingjin
Chairman

Qiu Wei Cai
Director

Statements of Changes in Equity

for the year ended 31 December 2015

Group

	Attributable to owners of the Company					
	Share capital RMB'000 (note 21)	**Share premium* RMB'000** (note 22(a))	**Merger reserve* RMB'000** (note 22(b))	**Statutory and other reserves* RMB'000** (note 22(c))	**Retained profits* RMB'000**	**Total equity RMB'000**
At 1 January 2014	166,295	329,523	32,298	100,765	410,880	1,039,761
Profit for the year	-	-	-	-	23,618	23,618
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	23,618	23,618
Appropriation to statutory and other reserves	-	-	-	1,780	(1,780)	-
At 31 December 2014 and 1 January 2015	166,295	329,523	32,298	102,545	432,718	1,063,379
Loss for the year	-	-	-	-	(7,087)	(7,087)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	(7,087)	(7,087)
At 31 December 2015	166,295	329,523	32,298	102,545	425,631	1,056,292

* Total of these reserve accounts at 31 December 2015 comprise the consolidated reserves of approximately RMB889,997,000 (2014: RMB897,084,000) in the consolidated statement of financial position.

Company

	Share capital RMB'000 (note 21)	**Share premium** RMB'000** (note 22(a))	**Retained profits/ (Accumulated losses)** RMB'000**	**Total equity RMB'000**
At 1 January 2014	166,295	329,523	2,514	498,332
Profit for the year	-	-	928	928
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	928	928
At 31 December 2014 and 1 January 2015	166,295	329,523	3,442	499,260
Loss for the year	-	-	(6,479)	(6,479)
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	(6,479)	(6,479)
At 31 December 2015	166,295	329,523	(3,037)	492,781

** Total of these reserve accounts at 31 December 2015 comprise the Company's reserves of approximately RMB326,486,000 (2014: RMB332,965,000) in the Company's statement of financial position.

Consolidated Statement of Cash Flows

for the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Cash flows from operating activities			
(Loss)/ Profit before income tax			
- from continuing operations		(15,450)	26,038
- from discontinued operations		12,225	-
- from continuing and discontinued operations		(3,225)	26,038
Adjustments for:			
Amortisation of prepaid premium for leasehold land under operating leases	8	413	309
Depreciation of property, plant and equipment	8	2,215	1,265
Impairment losses/ (Reversal of impairment losses) on property, plant and equipment	8	15,055	(6,291)
Interest income	7	(12,696)	(16,890)
Net gains on disposals of property, plant and equipment from discontinued operations	10	(12,225)	-
Net losses on disposals of property, plant and equipment from continuing operations	8	7	-
Write-off of property, plant and equipment	8	-	1,481
Operating (loss)/ profit before working capital changes		(10,456)	5,912
Decrease in inventories		1,619	2,073
Decrease/ (Increase) in trade receivables		21,751	(1,884)
(Increase)/ Decrease in prepayments, deposits and other receivables		(16,449)	218
Decrease in trade payables		(8,530)	(931)
Increase in accruals and other payables	23	2,657	1,201
Cash (used in)/ generated from operations		(9,408)	6,589
Income tax paid		(4,412)	(5,932)
Interest received		13,896	16,890
Net cash from operating activities		76	17,547
Cash flows from investing activities			
(Decrease)/ Increase in deposits		37,982	(16,354)
Decrease in time deposit with initial maturity of not less than three months		500,000	-
Net proceeds on disposals of property, plant and equipment	10	12,225	-
Payments for purchases of property, plant and equipment	23	(234,980)	(3,393)
Net cash from/ (used in) investing activities		315,227	(19,747)
Net increase/ (decrease) in cash and cash equivalents		315,303	(2,200)
Cash and cash equivalents at 1 January		461,128	463,328
Cash and cash equivalents at 31 December	18	776,431	461,128

Notes to the Financial Statements

for the year ended 31 December 2015

1. GENERAL INFORMATION

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

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group" hereinafter) continue to be the manufacture and sale of adhesive tapes, release papers, ultraviolet cured release film ("UV cured release film") and Nylon-6 chips (which was under development). The operations of the Group are principally conducted in the People's Republic of China, excluding Hong Kong and Macau (the "PRC"). On 27 November 2013, the Company announced its suspension of production of 2-Acrylamido-2-methyl propane sulfonic acid ("2-A2MPS Business") within the Group. On 15 February 2015, Xiamen Changtian Enterprise Co., Ltd ("Changtian Enterprise"), a wholly-owned subsidiary of the Group, entered into a conditional sale and purchase agreement (the "Agreement") with a third party (the "Purchaser"), pursuant to which Changtian Enterprise has agreed to sell to the Purchaser the 2-A2MPS production facilities and any related intellectual property rights (collectively, the "2-A2MPS Assets") for a consideration of RMB12,500,000. The completion of the Agreement is conditional upon, the approval of the board of directors of the Company (the "Board") which has been obtained at the Board meeting held on 27 February 2015. The 2-A2MPS Business was thus classified as a discontinued operation during the year.

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

The consolidated financial statements of the Group and the statement of financial position of the Company for the financial year ended 31 December 2015 were approved and authorised for issue with a resolution of the directors on 30 March 2016.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements on pages 36 to 70 have been prepared in accordance with International Financial Reporting Standards ("IFRSs") which collective terms includes all applicable individual International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board ("IASB"), and all applicable individual International Accounting Standards ("IASs") and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by the IASB.

(b) Basis of measurement

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

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

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

2. BASIS OF PREPARATION - continued

(b) Basis of measurement - continued

The Group is diversifying its core business to include business relating to the manufacture and sale of Nylon-6 chips in the PRC ("Nylon-6 chips business"). As at 31 December 2015, the Group has payables to suppliers of construction in progress and production facilities, contracted capital commitments and planned expenditures (but not yet contracted for) amounted to approximately RMB824.1 million in aggregate.

The financial statements were prepared based on the assumption that the Group can be operated as a going concern and the directors of the Company are of the view that the Group will have sufficient working capital to finance its operations for at least the next twelve months from 31 December 2015.

As at 31 December 2015, the Group has cash and cash equivalents of approximately RMB776.4 million and the Group has been actively negotiating with its principal banker in the PRC for a banking facility. Subsequent to the year end, the Group obtained a written confirmation from the bank, which confirmed the availability of a credit line up to RMB300 million, the terms and conditions of which have not been finalised but include a pledge of the Group's plant and equipment. Accordingly, the directors of the Company believe that the Group is well funded for its next phase of growth, liquidity risk is low and the Group will continue as a going concern for the foreseeable future.

3. ADOPTION OF NEW OR AMENDED IFRSs

3.1 New or amended IFRSs effective for annual period beginning on or after 1 January 2015

In the current year, the Group has applied for the first time the new standards, amendments and interpretations issued by the IASB, which are effective for the Group's financial statements for the annual period beginning on 1 January 2015.

Amendments to IAS 19 (2011), Defined Benefit Plans: Employee Contributions

The amendments permit contributions that are independent of the number of years of service to be recognised as a reduction in the service cost in the period in which the service is rendered instead of allocating the contributions to periods of service. The adoption of the amendments has no impact on these financial statements as the Group has no defined benefit plans.

Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle

The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear. They include amendments to IAS 16, Property, Plant and Equipment to clarify how the gross carrying amount and accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to revalued amount. The accumulated depreciation may be eliminated against the gross carrying amount of the asset. Alternatively, the gross carrying amount may be adjusted in a manner consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The adoption of the amendments to IAS 16 has no impact on these financial statements as none of the Group's property, plant and equipment are carried at revalued amount.

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

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

3. ADOPTION OF NEW OR AMENDED IFRSs - continued

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

IFRS 9, Financial Instruments

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

Under IFRS 9, all recognised financial assets that are within the scope of IAS 39, Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of the subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of the subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

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

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

IFRS 9 will be effective for accounting period beginning on or after 1 January 2018. The directors of the Company anticipate that the application of IFRS 9 in the future may have impact on amounts reported in respect of the Group's financial instruments. However, it is not practicable to provide reasonable estimate of the effect of IFRS 9 until the Group undertakes a detailed review.

3. ADOPTION OF NEW OR AMENDED IFRSs - continued

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

IFRS 15, Revenue from Contracts with Customers

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

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

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

IFRS 15 will be effective for accounting period beginning on or after 1 January 2018. The directors of the Company anticipate that the application of IFRS 15 in the future may have impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

IFRS 16, Leases

The IASB has published the new lease standard in January 2016. The new standard will have a significant impact on many entities across various industries.

From the perspective as a lessee, under the existing standard, leases are classified as either finance lease or operating lease, resulting in different accounting treatment. Finance leases are required to be accounted for "On Balance Sheet" (i.e. lease asset and corresponding liabilities are recognised in the statement of financial position); while operating lease is accounted for "Off Balance Sheet" where no asset or liabilities are recognised and the lease expenses are recognised on a straight-line basis along the lease period. Under the new standard, "On Balance Sheet" accounting treatment is required for all leases, except for certain short-term leases and leases of low-value assets. The statement of financial position will be "inflated" by their rights and obligations relating to their existing operating leases. In addition, the recognition of operating lease expenses will change from the existing straight-line model to a "front-loaded" model as finance lease, i.e. during the initial period of the lease term, the lease expenses (asset depreciation plus interest) under the new standard are higher compared to the operating lease expenses recognised under the existing standard.

From the perspective as a lessor, the accounting stays almost the same. However, the IASB has updated the guidance on the definition of a lease, sub-lease, as well as the guidance on the combination and separation of contracts, lessors will also be affected by the new standard.

3. ADOPTION OF NEW OR AMENDED IFRSs - continued

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

IFRS 16, Leases - continued

IFRS 16 will be effective for accounting period beginning on 1 January 2019. The directors of the Company anticipate that the application of IFRS 16 in the future will have impact on the amounts reported in respect of the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 16 until the Group performs a detailed review.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of consolidation

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

4.2 Subsidiaries

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

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

4.3 Foreign currency translation

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

4.4 Property, plant and equipment

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

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

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

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

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

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

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

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

4.5 Financial assets

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

4.5 Financial assets - continued

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

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

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

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

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

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

4.6 Inventories

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

4.7 Cash and cash equivalents

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

4.8 Financial liabilities

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

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

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

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

4.9 Leases

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

Classification of assets leased to the Group

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

Operating lease charges as lessee

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

Prepaid premium for leasehold land under operating leases

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

4.10 Provisions and contingent liabilities

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

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

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

4.11 Share capital and share premium

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

4.12 Revenue recognition

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

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

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

4.13 Impairment of non-financial assets

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

4.13 Impairment of non-financial assets - continued

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

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

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

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

4.14 Employee benefits

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

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

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

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

4.15 Accounting for income taxes

Income tax comprises current tax and deferred tax.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

4.15 Accounting for income taxes - continued

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

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

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

4.16 Segment reporting

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

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

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

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

4.17 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:
- (i) has control or joint control of the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group.
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parents.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

4.18 Discontinued operations

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

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

5. CRITICAL ACCOUNTING ESTIMATES

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. The carrying amount of inventories at 31 December 2015 was RMB2,608,000 (2014: RMB4,227,000).

(b) Impairment of trade receivables

Management determines the provision for impairment of trade receivables. This estimate is based on the credit history of its customers and the current market condition. The carrying amount of trade receivables at 31 December 2015 was RMB12,206,000 (2014: RMB33,957,000).

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

In assessing the estimated useful lives of property, plant and equipment, the Group takes into account factors like the expected usage of the assets by the Group based on past experience, the expected physical wear and tear and technical obsolescence arising from changes or improvements in production or from a change in the market demand for the products. The estimation of useful lives is a matter of judgement based on the experience of the Group. The net carrying amount of property, plant and equipment at 31 December 2015 was RMB459,193,000 (2014: RMB79,613,000).

5. CRITICAL ACCOUNTING ESTIMATES - continued

(d) Income taxes

The Group is subject to income taxes in the PRC. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provision in the period in which such determination is made. The amount of the income tax expense for the year was RMB3,862,000 (2014: RMB2,420,000). The carrying amount of current tax assets and liabilities and deferred tax assets and liabilities at 31 December 2015 was RMB1,337,000 (2014: Nil), RMB2,350,000 (2014: RMB2,743,000), Nil (2014: RMB3,530,000) and RMB4,650,000 (2014: RMB7,000,000) respectively.

(e) Impairment of property, plant and equipment

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

(f) Impairment of receivables from group companies

The Company's Management determines impairment of balances with group companies on a regular basis. This estimate is based on the financial position of the group companies. The net carrying amount of the amount due from a subsidiary at 31 December 2015 was RMB369,998,000 (2014: RMB375,996,000).

(g) Impairment of investments in subsidiaries

At each reporting date, both internal and external sources of information are considered to assess where there is any indication that investments in subsidiaries may be impaired. If such indication exists, impairment losses of the investments in subsidiaries are recognised in the Company's profit or loss. The net carrying amount of the investments in subsidiaries at 31 December 2015 was RMB125,175,000 (2014: RMB125,175,000).

6. SEGMENT INFORMATION

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

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

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

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

6. SEGMENT INFORMATION - continued

Nylon-6 chip (under development during the year) – manufacture and sales of Nylon 6 chip, a type of polyamide fibre or resin used as a raw material in the manufacture of automotive, electrical and domestic appliances, and construction. Construction of its production facilities is expected to be completed in the first half of 2016.

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

2-A2MPS - manufacture and sales of 2-A2MPS for oil industry and water treatment industry, was classified as a discontinued operation (note 1) in the current year. The segment information does not include any amounts for this business component and the comparatives have been re-presented.

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

	Adhesive tapes RMB'000	Release papers RMB'000	UV cured release film RMB'000	Nylon-6 chips RMB'000	Total RMB'000
2015					
Reportable segment revenue	24,850	7,580	18,360	-	50,790
Reportable segment results	(946)	(356)	(10,867)	(6,279)	(18,448)
Reportable segment depreciation and amortisation	-	-	1,856	529	2,385
Reportable segment assets	6,540	1,364	8,810	496,005	512,719
Reportable segment liabilities	2,042	531	1,600	221,629	225,802
Additions to non-current assets	-	-	-	396,857	396,857
2014 (re-presented)					
Reportable segment revenue	68,464	22,546	29,963	-	120,973
Reportable segment results	7,365	2,184	11,259	(5,155)	15,653
Reportable segment depreciation and amortisation	8	-	1,105	379	1,492
Write-off of property, plant and equipment	-	-	-	1,481	1,481
Reportable segment assets	22,525	6,532	25,909	121,362	176,328
Reportable segment liabilities	4,203	3,413	4,967	57,549	70,132
Additions to non-current assets	189	-	-	76,447	76,636

Segment revenue above represents revenue from external customers. There are no inter-segment sales between the respective segments (2014: Nil).

6. SEGMENT INFORMATION - continued

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

	2015 RMB'000	2014 RMB'000
Reportable segment results	(18,448)	15,653
Interest income	12,696	16,890
Auditors' remuneration	(963)	(880)
Directors' emoluments (note 8)	(3,764)	(3,811)
Impairment losses/ (Reversal of impairment losses) on property, plant and equipment (note 14)	(2,029)	1,606
Other professional fees	(1,038)	(1,047)
Unallocated corporate expenses	(1,904)	(2,373)
Consolidated (loss)/ profit before income tax	(15,450)	26,038
Reportable segment assets	512,719	176,328
Cash and bank balances	776,431	961,128
Deferred tax assets	-	3,530
Current tax assets	1,337	-
Unallocated corporate assets	1,461	4,788
Consolidated total assets	1,291,948	1,145,774
Reportable segment liabilities	225,802	70,132
Current tax liabilities	2,350	2,743
Deferred tax liabilities	4,650	7,000
Unallocated corporate liabilities	2,854	2,520
Consolidated total liabilities	235,656	82,395
Reportable segment depreciation and amortisation	2,385	1,492
Unallocated	243	82
Consolidated total depreciation and amortisation	2,628	1,574

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

7. REVENUE AND OTHER INCOME

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

	2015 RMB'000	2014 RMB'000
Revenue		
Sales of goods	50,790	120,973
Other income		
Interest income on financial assets not at fair value through profit or loss	12,696	16,890

8. (LOSS)/ PROFIT BEFORE INCOME TAX

	2015 RMB'000	2014 RMB'000
(Loss)/ Profit before income tax from continuing operations is arrived at after charging/(crediting):		
Amortisation of prepaid premium for leasehold land under operating leases	413	309
Auditors' remuneration		
- Audit services	963	880
- Non-audit services	-	-
	963	880
Cost of inventories recognised as expense	41,821	95,082
Depreciation of property, plant and equipment	2,215	1,265
Directors' emoluments		
- Fees	817	875
- Other emoluments	2,947	2,936
	3,764	3,811
Employee benefits expense (including directors' emoluments):		
- Salaries and allowances	17,012	15,924
- Contribution to defined contribution plans	1,730	1,530
	18,742	17,454
Exchange losses, net	6	2
Impairment loss/ (Reversal of impairment loss) on property, plant and equipment (note 14)	15,055	(6,291)
Net losses on disposals of property, plant and equipment	7	-
Operating lease charges on rented premises	2,300	2,300
Write-off of property, plant and equipment	-	1,481
Cost of inventories recognised as expense includes the following expenses which are also included in the respective total amounts separately disclosed above for each of these types of expenses		
- Depreciation of property, plant and equipment	1,856	1,114
- Employee benefits expense	4,055	4,306
- Operating lease charges on rented premises	1,099	1,099

9. INCOME TAX EXPENSE

	2015 RMB'000	2014 RMB'000
Current tax attributable to continuing operations - PRC corporate income tax	2,682	5,950
Deferred tax attributable to continuing operations (note 20)		
- Write-down/ (Reversal of previous write-down) of deferred tax assets	3,530	(3,530)
- Reversal of temporary differences	(2,350)	-
	1,180	(3,530)
Income tax expense attributable to continuing operations	3,862	2,420

PRC corporate income tax has been provided at the rate of 25% (2014: 25%) on the estimated assessable profits arising from Changtian Enterprise for the year.

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

	2015 RMB'000	2014 RMB'000
(Loss)/ Profit before income tax from continuing operations	(15,450)	26,038
Notional tax calculated at tax rate of 25% (2014: 25%)	(3,863)	6,510
Tax effect of deductible temporary differences not recognised	2,163	(3,714)
Write-down/ (Reversal of previous write-down) of deferred tax assets	3,530	(3,530)
Tax effect of non-deductible expenses	2,032	3,154
Income tax expense attributable to continuing operations	3,862	2,420

10. DISCONTINUED OPERATIONS

As described in note 1, on 15 February 2015, Changtian Enterprise agreed to sell to the Purchaser the 2-A2MPS Assets for a consideration of RMB12,500,000, which included value-added tax of RMB275,000, and is subject to the approval of the Board. All production facilities of 2-A2MPS Assets had been fully impaired prior to 1 January 2014. The 2-A2MPS Business also did not generate any revenue nor incurred expenses in both 2014 and 2015. Instead, balances with the customers and suppliers of 2-A2MPS Business brought forward from 2013 were all subsequently settled in 2014.

The disposal was completed in February 2015 pursuant to approval of the Board at the Board meeting held on 27 February 2015. The 2-A2MPS Business was thus classified as a discontinued operation during the year and for the purpose of presenting discontinued operations, certain disclosure notes have been re-presented as if the operations discontinued during the year had been discontinued at the beginning of the comparative period. The disposal resulted in a gain of RMB12,225,000 and the related proceeds have been received during the year. Cash flows generated by the 2-AMPS Business during the year are as follows:

	2015 RMB'000	2014 RMB'000
Operating activities	-	250
Investing activities	12,225	-
Total cash inflows	12,225	250

11. (LOSS)/ EARNINGS PER SHARE

The calculation of basic (loss)/ earnings per share from continuing operations, discontinued operations and continuing and discontinued operations for the year ended 31 December 2015 are based on the (loss)/ profit for the year attributable to owners of the Company from continuing operations, discontinued operations and continuing and discontinued operations of RMB19,312,000 (2014: RMB23,618,000), RMB12,225,000 (2014: Nil) and RMB7,087,000 (RMB23,618,000), respectively and approximately 66,000,000 (2014: approximately 66,000,000*) ordinary shares in issue during the year.

Diluted (loss)/ earnings per share for the years ended 31 December 2014 and 2015 is the same as the basic (loss)/ earnings per share as there is no dilutive potential ordinary share in existence during both years.

* The weighted average number of ordinary shares for the year ended 31 December 2014 for the purposes of basic and diluted earnings per share has been adjusted to reflect the effect of share-consolidation as described in note 21, as if the share-consolidation had occurred on 1 January 2014.

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

	2015 RMB'000	2014 RMB'000
Unlisted equity shares, at cost	125,175	125,175

Particulars of the subsidiaries at 31 December 2015 are as follows:

Name	Country of incorporation and principal place of business	Effective interest held by the Company 2015	2014
Directly held			
Jumbo Glories Limited	British Virgin Islands ("BVI")	100%	100%
Indirectly held			
Dragon Asset Investments Limited	BVI	100%	100%
Changtian Enterprise	PRC	100%	100%
Zhong Lun Su Ye (Fujian) Co Ltd. ("Zhong Lun")	PRC	100%	100%

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

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

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

On 13 August 2013, the Group's wholly-owned subsidiary, Zhong Lun, entered into a state-owned construction land use right transfer agreement (the "Land Transfer Agreement") with the Ministry of Land and Resources of the PRC (the "Transferor") to acquire the land use right of a plot of industrial land (the "Previous Site"), for a tenure of 50 years. The consideration for the Previous Site is approximately RMB20 million and was paid in full in 2013 by the Group to the Transferor according to the Land Transfer Agreement upon which the Group commenced construction of Nylon-6 plant (note 14).

In early 2014, the Group was requested to suspend its construction work on the Previous Site as the local government in the PRC demanded the Group to withdraw the Land Transfer Agreement. Since then, the Group held several discussions with the relevant local authority with regards to the land use right of the Previous Site and a notice was subsequently issued by the local authority to the Group pursuant to which an alternate site of similar area and location (the "Alternate Site") was granted to the Group subject to fulfilment and completion of certain procedures and conditions, including the entry into a definitive agreement for the transfer of the Alternate Site to the Group. The Group also obtained a notification from the local authority in February 2016 that the Department of Land and Resources of Fujian Province had approved the transfer and was processing the required procedures. As the Group had paid for the Previous Site in full, the directors of the Company are of their opinion that the Group will not be requested to make any further payment for the Alternate Site based on a letter issued by the local authority in January 2015. In light of the above, the directors of the Company expect that the transfer will be completed in the near future and the lease terms for the Alternate Site would also be 50 years. Should the lease terms under the final agreement be significantly different, annual amortisation in the subsequent period on the prepaid premium for leasehold land under operating leases will be adjusted from the period when the final agreement is entered into accordingly.

14. PROPERTY, PLANT AND EQUIPMENT - GROUP

	Buildings RMB'000	CIP RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2014						
Cost	11,080	1,271	140,620	2,166	2,111	157,248
Accumulated depreciation and impairment losses	(10,491)	-	(127,382)	(2,088)	(1,612)	(141,573)
Net carrying amount	589	1,271	13,238	78	499	15,675
Year ended 31 December 2014						
Opening net carrying amount	589	1,271	13,238	78	499	15,675
Additions	-	60,058	189	35	111	60,393
Write-off	-	(1,481)	-	-	-	(1,481)
Depreciation	(45)	-	(1,113)	(20)	(87)	(1,265)
Reversal of impairment losses	1,789	-	4,502	-	-	6,291
Closing net carrying amount	2,333	59,848	16,816	93	523	79,613
At 31 December 2014						
Cost	11,080	59,848	140,662	2,201	2,222	216,013
Accumulated depreciation and impairment losses	(8,747)	-	(123,846)	(2,108)	(1,699)	(136,400)
Net carrying amount	2,333	59,848	16,816	93	523	79,613
Year ended 31 December 2015						
Opening net carrying amount	2,333	59,848	16,816	93	523	79,613
Additions	-	395,948	194	406	309	396,857
Disposals	-	-	-	-	(7)	(7)
Depreciation	(188)	-	(1,868)	(48)	(111)	(2,215)
Impairment losses	(1,725)	-	(13,054)	(34)	(242)	(15,055)
Closing net carrying amount	420	455,796	2,088	417	472	459,193
At 31 December 2015						
Cost	11,080	455,796	93,282	2,408	2,216	564,782
Accumulated depreciation and impairment losses	(10,660)	-	(91,194)	(1,991)	(1,744)	(105,589)
Net carrying amount	420	455,796	2,088	417	472	459,193

14. PROPERTY, PLANT AND EQUIPMENT - GROUP - continued

Buildings
The Group's buildings at 31 December 2015 and 2014 are situated on the land owned by a related party which was leased to the Group (notes 24 and 25(a)). The Group has not obtained the legal title of the buildings as at the reporting dates.

CIP
Up to 31 December 2014, the Group incurred capital expenditure of RMB1,481,000 for construction of Nylon-6 plant on the Previous Site. Due to the circumstances as described in note 13, this amount had been written off. There was no further losses recognised on the Previous Site during the year and the directors of the Company are of the opinion that further losses on the Previous Site are not expected.

The balance at 31 December 2014 and 2015 included the cost of construction works incurred on the Alternate Site since mid-2014 when the permit of construction was granted in May 2014. During the year, construction of Nylon-6 production facilities was carried as scheduled and is expected to be completed in the first half of 2016.

Impairment losses
In prior years, in light of continuous decline in the sales for its Release papers, Adhesive tapes and UV cured release film products, the Group carried out a review of the recoverable amounts of those related property, plant and equipment. As a result, the carrying amounts of the assets under Release papers and Adhesive tapes segments were fully written down and those under UV cured release film segment was written down to their recoverable amounts.

In 2014, there was a gradual recovery in the economy and more customers' orders were received for its Release papers, Adhesive tapes and UV cured release film products. The Group carried out a review of the recoverable amounts of those related property, plant and equipment at 31 December 2014. As a result, impairment losses of RMB6,291,000 was reversed in "Other gains and losses, net" to their recoverable amount of RMB19,584,000, of which RMB4,685,000 and RMB1,606,000 were attributable to UV cured release film segment and corporate assets, respectively.

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

The recoverable amounts of the above assets were determined on the basis of their value-in-use and the pre-tax discount rate used in measuring value-in-use was 21.4% and 28.3% per annum for the years ended 31 December 2014 and 2015, respectively.

15. INVENTORIES – GROUP

	2015 RMB'000	2014 RMB'000
Raw materials	2,378	3,209
Work-in-progress	165	747
Finished goods	65	271
	2,608	4,227

16. TRADE RECEIVABLES – GROUP

Trade receivables generally have a credit term of 30 to 120 days (2014: 30 to 120 days) and no interest is being charged on overdue balance. At each reporting date, the Group reviewed trade receivables for evidence of impairment on both an individual and collective basis. At 31 December 2015, none of the trade receivables were determined to be impaired (2014: Nil).

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

	2015 RMB'000	2014 RMB'000
Not yet past due	12,194	33,909
Less than 3 months past due	12	48
	12,206	33,957

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

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Prepayments	219	197	175	27
Deposits (note (a))	2,924	40,906	-	-
Other receivables	813	2,000	-	-
Import VAT (note (b))	16,414	-	-	-
Total	20,370	43,103	175	27
Less: non-current portion				
Deposits paid for property, plant and equipment	(2,924)	(40,906)	-	-
	(2,924)	(40,906)	-	-
Current portion	17,446	2,197	175	27

Notes:

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

(b) It represents the value-added tax ("VAT") payments made to the Tax Bureau of the PRC regarding the acquisition of Nylon-6 chip production lines from overseas suppliers.

18. CASH AND BANK BALANCES – GROUP

	2015 RMB'000	2014 RMB'000
Demand deposits and cash on hand	276,431	461,128
Time deposit	500,000	500,000
Cash and bank balances	776,431	961,128
Less: Time deposit with initial maturity of not less than three months	-	(500,000)
Cash and cash equivalents as per consolidated statement of cash flows	776,431	461,128

Demand deposits earn interest at floating rates based on daily bank deposit rates. Time deposit earns interest at 1.35% (2014: 3.05%) per annum with an initial maturity of 3 months (2014: 6 months).

At 31 December 2015, the Group had RMB deposits of approximately RMB774,945,000 (2014: RMB958,723,000) placed with the PRC banks, of which RMB772,396,000 (2014: RMB958,710,000) is deposited with one of the banks. RMB is not a freely convertible currency. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through the banks that are authorised to conduct foreign exchange business.

19. ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Payables to suppliers of CIP	218,877	57,000	-	-
Accruals and sundry payables	6,761	4,104	2,567	1,938
	225,638	61,104	2,567	1,938

The balance of the Group and the Company's accruals and sundry payables at 31 December 2015 includes accrued salaries and allowances payable to certain directors of the Company amounting to RMB920,000 (2014: RMB607,000).

20. DEFERRED TAX ASSETS/ (LIABILITIES) – GROUP

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

	Impairment losses on property, plant and equipment RMB'000	Undistributed profits of subsidiaries RMB'000	Total RMB'000
At 1 January 2014	-	(7,000)	(7,000)
Credited to profit or loss (note 9)	3,530	-	3,530
At 31 December 2014 and 1 January 2015	3,530	(7,000)	(3,470)
Charged to profit or loss (note 9)	(3,530)	2,350	(1,180)
At 31 December 2015	-	(4,650)	(4,650)

20. DEFERRED TAX ASSETS/ (LIABILITIES) – GROUP - continued

Deferred tax assets are recognised for deductible temporary differences in respect of impairment losses on property, plant and equipment and pre-operating expenses to the extent that realisation of the related tax benefits through future taxable profits is probable. At the reporting date, no deferred tax assets have been recognised in respect of such temporary differences (2014: RMB14,120,000). The Group had unrecognised temporary differences of RMB48,872,000 (2014: RMB38,330,000) due to the uncertainty of future taxable profits against which these deductible temporary differences can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign-invested enterprises established in the PRC. The requirement applies to profits after 31 December 2007 pursuant to the Caishui 2008 No. 1 dated 22 February 2008 issued by the State Tax Bureau of the PRC. The Group is therefore liable to withholding taxes on dividends distributed by the PRC subsidiary in respect of profits generated after 1 January 2008. At 31 December 2015, temporary differences arising from the undistributed profits of a subsidiary amounted to RMB425,159,000 (2014: RMB418,577,000) and deferred tax liabilities had been recognised to the extent of RMB46,500,000 (2014: RMB70,000,000). At 31 December 2015, the amount of temporary differences associated with the investments in subsidiaries for which deferred tax liabilities have not been recognised amounted to RMB378,659,000 (2014: RMB348,577,000) as the Company controls the dividend policies of this subsidiary and it is probable that these unrecognised temporary differences will not reverse in the foreseeable future.

The amounts recognised in the consolidated statement of financial position are as follows:

	2015 RMB'000	2014 RMB'000
Deferred tax assets	-	3,530
Deferred tax liabilities	(4,650)	(7,000)
Net deferred tax liabilities	(4,650)	(3,470)

21. SHARE CAPITAL – GROUP AND COMPANY

	Number of ordinary shares of S$0.05 each '000	Number of ordinary shares of S$0.50 each '000	RMB'000
Authorised			
At 1 January 2014, 31 December 2014 and 1 January 2015	1,500,000	-	375,525
Share-consolidation (note)	(1,500,000)	150,000	-
At 31 December 2015	-	150,000	375,525
Issued and fully paid			
At 1 January 2014, 31 December 2014 and 1 January 2015	660,000	-	166,295
Share-consolidation (note)	(660,000)	66,000	-
At 31 December 2015	-	66,000	166,295

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

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

22. RESERVES – GROUP

(a) Share premium

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

(b) Merger reserve

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

(c) Statutory and other reserves

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

23. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

During the year ended 31 December 2014, additions of property, plant and equipment to the Group amounted to RMB60,393,000, of which RMB57,000,000 was outstanding and included under "Accruals and other payables" at 31 December 2014.

During the year ended 31 December 2015, additions of property, plant and equipment to the Group amounted to RMB396,857,000, of which RMB218,877,000 was outstanding and included under "Accruals and other payables" at 31 December 2015.

24. COMMITMENTS

Capital commitments

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

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Property, plant and equipment	206,531	413,781	-	-

24. COMMITMENTS - continued

Operating lease commitments as lessee

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

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Within one year	2,300	2,300	-	-
In the second to fifth years	9,200	9,200	-	-
After the fifth year	13,800	16,100	-	-
	25,300	27,600	-	-

The Group leases its factory and office premises under an operating lease. The lease runs for an initial period of twenty years from 1 January 2007, with an option to renew the lease and renegotiated the terms at the expiry date or at dates as mutually agreed between the Group and the landlord, Xiamen Changtian Plastic & Chemical Co., Ltd. ("Xiamen Changtian") (note 25(a)). The annual rent was determined based on a valuation report dated 5 March 2007 prepared by an independent valuer, LCH (Asia-Pacific) Surveyors Limited. The annual rental payable after the first three years of lease is subject to review every three years and maybe adjusted based on independent valuers' valuation to ascertain prevailing market rent. Subsequent to the first three years, the board of directors reviews the market rent occasionally with no material difference with the annual rent. The annual rent of RM2.3 million is considered to be at arm's length. The lease does not include contingent rentals.

25. RELATED PARTY TRANSACTIONS

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

	2015 RMB'000	2014 RMB'000
Rental paid to Xiamen Changtian	2,300	2,300

Rental to Xiamen Changtian was paid according to the lease entered into prior years (note 24). Xiamen Changtian is a company in which Mr. Chen Yongfu and Ms. Chen Baohua have beneficial interests. Mr. Chen Yongfu is a director of the Company and Ms. Chen Baohua is the sister of Mr. Chen Yongfu and the wife of Mr. Yang Qingjin, the Chairman and Executive Director of the Company.

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

	2015 RMB'000	2014 RMB'000
Short-term employee benefits	4,578	4,938
Post employment benefits	71	97
	4,649	5,035

26. FINANCIAL RISK MANAGEMENT

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

(a) Interest rate risk

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

Interest rate sensitivity analysis

At 31 December 2015, if a general increase of 50 basis points (2014: 50 basis points) in interest rates is estimated, with all other variables held constant, (loss)/ profit for the year of the Group would decrease by approximately RMB2.9 million (2014: increase by approximately RMB3.6 million) and there would be a corresponding change in retained profits. The assumed changes have no significant impact on the Group's other components of equity.

A general decrease of 50 basis points (2014: 50 basis points) in interest rate would have had the equal but opposite effect on the (loss)/ profit for the year and retained profits to the amounts shown above, on the basis that all other variables remain constant.

The sensitivity analysis above has been determined assuming that the changes in interest rates had occurred at the end of the year and had been applied to the abovementioned financial instruments at that date. The 50 basis point increase or decrease represents Management's assessment of reasonably possible changes in interest rates over the year until the next annual reporting date. The sensitivity analysis included in the financial statements for the year ended 31 December 2014 has been prepared on the same basis. In the Management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

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

(b) Currency exchange rate risk

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

26. FINANCIAL RISK MANAGEMENT - continued

(b) Currency exchange rate risk - continued

Currency exchange rate sensitivity analysis

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

	2015			2014		
	Financial assets RMB'000	Financial liabilities RMB'000	Net exposure RMB'000	Financial assets RMB'000	Financial liabilities RMB'000	Net exposure RMB'000
HK$	47	(1,068)	(1,021)	9	(980)	(971)
US$	1,105	-	1,105	2,174	-	2,174
S$	322	(657)	(335)	215	(398)	(183)
NT$	-	(164)	(164)	-	(164)	(164)

At 31 December 2015, if a general appreciation of 6% (2014: 1%) in RMB against HK$ and US$ and depreciation of 1% (2014: 5%) against S$ and depreciation of 3% (2014: 5%) against NT$ is estimated, with all other variables held constant, (loss)/ profit for the year of the Group would decrease by approximately RMB4,000 (2014: increase by approximately RMB11,000) and there would be a corresponding change in retained profits. The assumed changes have no significant impact on the Group's other components of equity.

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

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

	2015			2014		
	Financial assets RMB'000	Financial liabilities RMB'000	Net exposure RMB'000	Financial assets RMB'000	Financial liabilities RMB'000	Net exposure RMB'000
HK$	-	(1,068)	(1,068)	-	(980)	(980)
S$	-	(657)	(657)	-	(398)	(398)
NT$	-	(164)	(164)	-	(164)	(164)

At 31 December 2015, if a general appreciation of 6% (2014: 1%) in RMB against HK$ and depreciation of 1% (2014: 5%) against S$ and depreciation of 3% (2014: 5%) against NT$ is estimated, with all other variables held constant, (loss)/ profit for the year of the Company would decrease by approximately RMB62,000 (2014: decrease by approximately RMB18,000) and there would be a corresponding change in (accummulated losses)/ retained profits. The assumed changes have no significant impact on the Company's other components of equity.

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

26. FINANCIAL RISK MANAGEMENT - continued

(b) Currency exchange rate risk - continued

Currency exchange rate sensitivity analysis - continued

The sensitivity analysis above has been determined assuming that the changes in currency exchange rates had occurred at the end of the year and had been applied to the abovementioned financial instruments at that date. The percentage increase or decrease represents Management's assessment of reasonably possible changes in currency exchange rates over the period until the next annual reporting date. The sensitivity analysis included in the financial statements for the year ended 31 December 2014 has been prepared on the same basis. In the Management's opinion, the sensitivity analysis is unrepresentative of the inherent currency exchange rate risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

(c) Credit risk

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

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

The Group trades mainly with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Major concentration of credit risk arises from the Group's exposure to a substantial number of trade receivables in one geographical region, i.e. the PRC. The debts due from the five largest debtors of the Group represent 30% (2014: 25%) of total trade receivables at 31 December 2015. The credit policies have been followed by the Group since prior years and are considered to be effective in limiting the Group's exposure to credit risk to a desirable level.

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

(d) Liquidity risk

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

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

26. FINANCIAL RISK MANAGEMENT - continued

(d) Liquidity risk - continued

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

	Group		Company	
	On demand or within 1 year RMB'000	Total RMB'000	On demand or within 1 year RMB'000	Total RMB'000
At 31 December 2015				
Trade payables	3,018	3,018	-	-
Accruals and other payables	225,066	225,066	2,567	2,567
	228,084	228,084	2,567	2,567
At 31 December 2014				
Trade payables	11,548	11,548	-	-
Accruals and other payables	60,579	60,579	1,938	1,938
	72,127	72,127	1,938	1,938

(e) Fair value measurements

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

(f) Categories of financial assets and liabilities

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

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Financial assets				
Loans and receivables:				
- Trade receivables	12,206	33,957	-	-
- Other receivables	813	2,000	-	-
- Amount due from a subsidiary	-	-	369,998	375,996
- Cash and bank balances	776,431	961,128	-	-
	789,450	997,085	369,998	375,996
Financial liabilities				
Financial liabilities measured at amortised cost:				
- Trade payables	3,018	11,548	-	-
- Accruals and other payables	225,066	60,579	2,567	1,938
	228,084	72,127	2,567	1,938

27. CAPITAL MANAGEMENT

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

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

The Group monitors capital using a gearing ratio, which is total debt divided by total capital. Total debt is calculated as bank loans while total capital is calculated as total equity. The Group aims to maintain the gearing ratio at a reasonable level. At 31 December 2014 and 2015, the Group does not have any debts and accordingly the gearing ratio is not disclosed. Capital of the Group at 31 December 2015 was approximately RMB1,056,292,000 (2014: RMB1,063,379,000).

The Group is not subject to any externally imposed capital requirements for the current and previous years, except as disclosed in note 22(c). The externally imposed capital requirement has been complied with by the Group for the years ended 31 December 2014 and 2015. No significant changes were made in the Group's objectives, policies and procedures for managing capital during the years ended 31 December 2014 and 2015.

Statistics of Shareholdings

as at 18 March 2016

SHAREHOLDERS' INFORMATION

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

On 28 April 2015, the proposed consolidation of every ten existing issued ordinary shares of S$0.05 each in the capital of the Company into one ordinary share of S$0.50 each has been approved by shareholders at the Special General Meeting. After the share consolidation, the Company's total number of issued and fully paid ordinary shares of S$0.50 each is 65,999,998.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	2	0.15	49	0.00
100 - 1,000	571	43.66	270,612	0.41
1,001 - 10,000	573	43.81	2,517,191	3.81
10,001 - 1,000,000	157	12.00	10,889,549	16.50
1,000,001 AND ABOVE	5	0.38	52,322,597	79.28
TOTAL	**1,308**	**100.00**	**65,999,998**	**100.00**

TWENTY LARGEST SHAREHOLDERS

	NAME	NO. OF SHARES	%
1	GOODWISE INVESTMENTS LIMITED	19,855,000	30.08
2	EASTLINE INVESTMENTS HOLDING LIMITED	16,980,000	25.73
3	UOB KAY HIAN PRIVATE LIMITED	9,268,697	14.04
4	CHEN CHUANZHONG	3,145,600	4.77
5	ZHU CHONG DONG	3,073,300	4.66
6	OCBC SECURITIES PRIVATE LIMITED	845,500	1.28
7	DBS NOMINEES (PRIVATE) LIMITED	624,850	0.95
8	CITIBANK NOMINEES SINGAPORE PTE LTD	611,360	0.93
9	MAYBANK KIM ENG SECURITIES PTE. LTD.	574,060	0.87
10	PHILLIP SECURITIES PTE LTD	412,300	0.62
11	KOH TONG HO	390,000	0.59
12	YONG HAN MING	300,000	0.45
13	PUI BOON KENG	256,100	0.39
14	LIM MUI KEOW AGNES	250,000	0.38
15	TAN KOON SAIK	240,000	0.36
16	HAN LING	215,000	0.33
17	MRS CHAU-CHAN SUI YUNG	214,500	0.33
18	ONG AH KHIN	200,000	0.30
19	RHB SECURITIES SINGAPORE PTE. LTD.	180,600	0.27
20	CHUA BOON LEONG	161,000	0.24
	TOTAL	**57,797,867**	**87.57**

Statistics of Shareholdings

as at 18 March 2016

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

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

Notes:-

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

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

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

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

Notice of Annual General Meeting

CHANGTIAN PLASTIC & CHEMICAL LIMITED
(Incorporated in Bermuda)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Changtian Plastic & Chemical Limited (the "**Company**") will be held at Minto Room, Level 4, Raffles City Convention Centre, No. 2 Stamford Road, Singapore 178882 on Friday, 29 April 2016 at 2:00 p.m. for the following purposes:-

AS ORDINARY BUSINESS

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

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

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

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

3. To approve the payment of Directors' fees of S$180,000 for the financial year ending 31 December 2016, to be paid quarterly in arrears at S$45,000 per quarter. (FY2015: S$180,000/-). **(Resolution 3)**

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

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

AS SPECIAL BUSINESS

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

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

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

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

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

AS SPECIAL BUSINESS - continued

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

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

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

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

(ii) new Shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of this resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and

(iii) any subsequent bonus issue, consolidation or subdivision of Shares;

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

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

AS SPECIAL BUSINESS - continued

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

By Order of the Board

Chan Pak Kin Ken
Secretary

Singapore, 6 April 2016

Explanatory Notes:

(i) Mr Chen Yongfu will, upon re-election continue as the Deputy Chairman and Executive Director of the Board.

(ii) Mr Yang Junqing will, upon re-election continue as an Executive Director of the Board.

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

(iv) The Ordinary Resolution 5 proposed in item 6. above, if passed, is to empower the Directors to issue shares in the capital of the Company and/or instruments (as defined above). The aggregate number of shares to be issued pursuant to Resolution 5 (including shares to be issued in pursuance of instruments made or granted) shall not exceed fifty per cent. (50%) of the total number of issued shares excluding treasury shares of the Company, with a sub-limit of twenty per cent. (20%) for shares issued other than on a pro-rata basis (including shares to be issued in pursuance of instruments made or granted pursuant to this Resolution) to shareholders with registered addresses in Singapore. For the purpose of determining the aggregate number of shares that may be issued, the percentage of the total number of issued shares excluding treasury shares of the Company will be calculated based on the total number of issued shares excluding treasury shares of the Company at the time of the passing of Resolution 5, after adjusting for (i) new shares arising from the conversion or exercise of any convertible securities; (ii) new shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of Resolution 5, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and (iii) any subsequent bonus issue, consolidation or subdivision of shares.

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

Notes:

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

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

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

PUSHING AHEAD



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