

**CHINA TAISAN TECHNOLOGY GROUP HOLDINGS LIMITED**  
(Company Registration Number: 200711863D)

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**RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON THE RESULTS ANNOUNCEMENT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017**

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**SGX Query 1**

In relation to “Revenue”:

- a. Please explain when was the order made to the Company by Fujian government to reduce production in 3Q17 and what was the amount to be reduced?
- b. Please explain when did the Company begin to reduce order quantity and when will the Company be able to resume full production?
- c. Please discuss what are the steps taken by the Company to ensure compliance with Central Environmental Inspection Group.
- d. Please explain when did the Company commence manufacturing and sale of performance fabrics which amounted to RMB5.8 million for 3Q17.
- e. Please explain if the manufacturing and sale of performance fabrics have met Central Environmental Inspection Group’s requirements. If no, why is the Company able to proceed with it when fabric processing services have to be reduced.
- f. Please explain what is the Company’s operating capacity and what is the capacity utilized by the Group’s plants and machineries.

**Company’s Response to SGX Query 1**

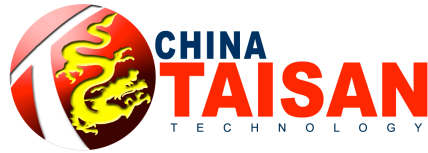
Based on the information from [http://cn.chinadaily.com.cn/2017-07/31/content\\_30302788.htm](http://cn.chinadaily.com.cn/2017-07/31/content_30302788.htm).

“中央第五环境保护督察组向福建省反馈督察情况

来源：中国日报网

2017-07-31 10:25:56

中国日报 7 月 31 日电 为贯彻落实党中央、国务院关于环境保护督察的重要决策部署，2017 年 4 月 24 日至 5 月 24 日，中央第五环境保护督察组对福建省开展环境保护督察，并形成督察意见。经党中央、国务院批准，督察组于 2017 年 7 月 31 日向福建省委、省政府进行反



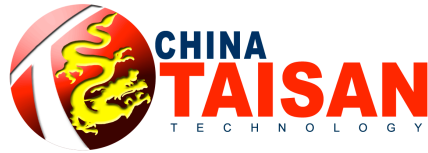
馈。反馈会由伟国省长主持，贾治邦组长通报督察意见，尤权书记作表态发言，翟青副组长，督察组有关人员，福建省委、省政府领导班子成员及各有关部门主要负责同志等参加会议。

督察认为，近年来，福建省坚决贯彻落实习近平总书记视察福建时重要指示精神，认真推进落实党中央、国务院决策部署，保持并巩固了绿水青山的生态优势。全省成立由党政主要领导牵头的生态文明建设领导小组，以建设国家生态文明试验区为契机，加快体制机制创新。建立“一季一督查”机制，每季度在省政府经济形势运行分析会上通报环境问题，进一步夯实环保责任。

大力开展生态保护，森林覆盖率达到 **65.95%**，连续多年位居全国首位。开展重点生态区域商品林赎买等改革试点，林权制度改革取得显著成效。深入推进水土流失治理，**2013** 年以来累计治理水土流失面积 **1058** 万亩。长汀县把治理水土流失作为民心工程，通过多年努力，使过去的“火焰山”变成“花果山”，改善生态环境的同时实现了百姓富裕，创造了“长汀经验”。

加强环境整治和监管，出台小流域及农村水环境整治计划，**2014** 年以来累计关闭拆除禁养区养殖场，以及可养区不达标养猪场 **14** 万家。提前完成火电、水泥、钢铁和平板玻璃等重点行业提标改造，工业排放得到有效控制。率先出台土壤污染防治行动计划实施方案。加强环保督察和执法，对龙岩、泉州、宁德等地开展省级环境保护督察；**2015** 年以来累计向公安机关移送涉嫌环境污染犯罪案件 **360** 起，初步形成打击环境违法行为的高压态势。经过努力，福建省环境质量在全国保持领先地位，**2016** 年全省 **12** 条主要河流 I～III 类水质占比 **96.5%**；**9** 个设区市空气优良天数比例达到 **98.4%**，细颗粒物年均浓度 **27** 微克/立方米。

福建省高度重视中央环境保护督察工作，严肃查处群众举报环境问题并向社会公开。截至 **6** 月底，督察组交办的 **4903** 件环境问题举报已基本办结，责令整改 **5368** 起，立案处罚 **1763** 家，罚款 **5284.6** 万元；立案侦查 **54** 件，拘留 **31** 人；约谈 **991** 人，问责 **444** 人。



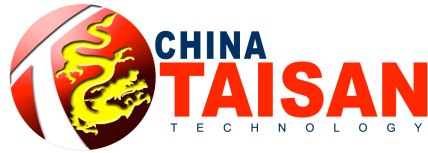
督察指出，福建省生态文明建设和环境保护工作取得积极进展，但发展与保护的矛盾仍然突出，环保工作力度和成效与中央要求和群众期盼相比仍有差距。存在的主要问题有：

一是对环境保护工作推进落实不够。福建省一些领导干部对当地环境质量盲目乐观，对当地明显存在的生态破坏、环境基础设施落后、城市脏乱差等问题缺乏基本认识。还有一些同志把环境基础设施问题归于历史欠账，把长期存在的突出环境问题归于客观原因，既没有从主观上找原因、找差距，也没有积极采取措施去研究、去解决。对群众反映的突出环境问题重视不够，往往等到上级督办或媒体曝光才下力气解决。

对保护优先的理念落实不够，省政府在批准厦门、宁德、莆田 3 市海洋功能区划时，增加开发性用海面积累计达到 3068 公顷，与福建省海洋功能区划（2011—2020）的有关要求相违背。国家要求 2015 年 6 月底前全面清理阻碍环境监管执法的“土政策”，但 2016 年莆田市政府仍然出台“无检查周”和“下限执行处罚”等“土政策”；南平市建阳区不仅没有清理旧的“土政策”，2016 年还连续出台 3 个阻碍环境执法的“新文件”；泉州石狮市政府于 2015 年 12 月召开专题会议，责令市环境保护局撤销依法作出的行政处罚决定，助长了企业违法行为。

一些部门工作推进不实。省经信委对铸造企业落后生产设备淘汰工作推进落实不到位，三明市大田县 26 家铸造企业建有 28 座炼铁土炉、13 座炼铁高炉、2 座矿热炉，均属应淘汰的落后设备，但未采取措施推动当地政府淘汰关停到位。现场督察时，仍有 19 家铸造企业正在生产，污染物未经处理直排。根据《水污染防治行动计划》，福建省近岸海域汇水区域应包括福州、厦门、漳州、泉州、莆田、宁德、平潭等 6 市 1 区，并实施一级 A 排放标准，但省环保厅、住建厅降低标准、放松要求，仅对厦门、平潭和晋江、石狮、东山等 1 市 1 区 3 县作为近岸海域汇水区，提出一级 A 排放标准要求。福建省水利厅对水电开发造成的减水断流问题推动解决不力，全省 5026 座引水式水电站，大部分没有生态流量下泄设施。

二是部分海洋和生态敏感区保护不力。2010 年以来，福建省累计审批填海项目 382 宗，使用近岸海域 9062 公顷，侵占部分沿海湿地。2016 年 11 月，国务院明确，经批准征收、占



用湿地并转为其他用途的，用地单位需“先补后占、占补平衡”，但 2016 年 12 月以来，省海洋渔业厅陆续审批 16 宗用海项目，共计占用湿地 284.45 公顷，只占未补。

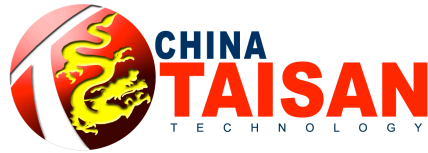
福建省超规划养殖问题普遍，造成局部海域富营养化。宁德市三沙湾规划养殖面积 1.32 万公顷，实际养殖面积 1.65 万公顷，禁养区仍有 348 公顷网箱养殖和 5010 公顷藻类养殖没有清退。福州连江县近海规划养殖面积 6651 公顷，到 2016 年底实际养殖面积 2.24 万公顷，造成养殖区水质恶化，三类水质比例由 2014 年 39.4% 下降到 2016 年的 35%，四类 and 劣四类水质比例由 2014 年 49.1% 上升到 60.4%。

特别是一些海洋保护区违规养殖问题突出。泉州市政府违规批准在泉州湾河口湿地自然保护区核心区开展海水养殖，养殖面积 88 公顷。漳州市漳江口红树林国家级自然保护区核心区和缓冲区也存在海水养殖，且 2013 年以来养殖面积仍在扩大。宁德环三都澳湿地水禽红树林自然保护区列入国家重要湿地名录，2011 年以来，围海养殖造成保护区湿地面积减少近 170 公顷，局部生态系统遭受破坏。

另外，福建省林业厅在东山国家森林公园设立后陆续批复占用 5 块、共计 19.8 公顷林地用于采矿。截至督察时东山国家森林公园内旗滨玻璃有限公司和爱烁硅砂有限公司 3 处矿区仍在开采，生态破坏面积 11.7 公顷，福建省国土资源厅等单位多次为其违规核发采矿证。

三是**环境基础设施建设滞后**。福州市污水收集管网严重不足，支管接管不到位区域达 78 平方公里，占到城区总面积的 34.4%，大量生活污水直排环境。据测算，福州市主城区生活污水收集处理率仅为 66%，每天约 22.7 万吨生活污水直排城市内河，金港河、龙津河、洋洽河和茶园河等城市内河垃圾、淤泥和油污漂浮水面，河水呈现墨色，黑臭严重。

平潭综合实验区环境基础设施建设滞后，全区生活污水处理率仅为 50% 左右，大量未经处理的生活污水通过溪流直排大海，监测数据显示，全岛 36 条入海溪流中，34 条为劣 V 类水体。还有一些地区由于污水管网不配套，导致污水处理厂长期“晒太阳”，漳州台商投资区角美生活污水处理厂于 2014 年建成投运，但由于配套管网没有贯通，投资区生活污水长期直排洪岱港，污水处理厂只得抽取河水处理，清水进、清水出。莆田市涵江区江口污水处理厂、莆



田仙游县第一和第二污水处理厂等，由于配套管网不到位等原因，均没有发挥治污作用，周边水环境污染突出。

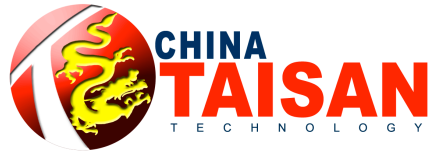
国家要求加快存量生活垃圾处置，对此省住建厅虽然作了部署，但抓落实不够。截至督察时全省县级及以上地区仍有 49 个非正规垃圾堆场，存量垃圾 1651 万吨，环境污染和风险较大。乡镇在用简易垃圾填埋场和焖烧炉等设施共 483 个，无渗滤液处理设施，无废气治理设施，污染问题突出。

全省县级及以上地区 53 个垃圾填埋场中，8 个未建设渗滤液处置设施，16 个渗滤液超标排放。福州市红庙岭垃圾填埋场长期违规堆存污泥，堆存量达 51.8 万吨，对土壤和地下水造成污染；该填埋场渗滤液收集池未作防渗，实为渗坑，环境隐患突出。三明市尤溪垃圾填埋场渗滤液超标排放，现场监测，排放的渗滤液化学需氧量浓度高达 684 毫克/升。

四是一些突出环境问题长期得不到解决。跨界河流梧垵溪长期污染严重，泉州市政府虽组织晋江、石狮两市开展整治，但工作不力，梧垵溪晋江段每天仍有约 5600 吨生活污水直排河道。福州长乐市金峰镇莲柄港河沿岸污水直排，垃圾顺坡倾倒，河水发黑发臭，采样监测化学需氧量 192 毫克/升、氨氮 38.6 毫克/升、总磷 1.12 毫克/升，分别超过地表水 V 类标准 3.8 倍、18.3 倍和 1.8 倍。福州闽侯县福丰生态农业公司和华阳农牧公司均为生猪养殖企业，由于粪污处理设施简陋，大量污水积于渗坑，污水长期直排环境，群众反映强烈。

宁德古田县 166 家石材加工企业应于 2016 年底全部关停转产，但至督察时仅停产 12 家。泉州市仍有 191 家石材企业未办理环评审批手续，135 家未建污染治理设施。宁德福鼎白琳石材工业园入海排污口悬浮物浓度常年超标；莆田市秀屿区平海镇村村都有石材厂，设施简陋，污染严重，群众反映强烈。

督察要求，福建省要牢固树立“四个意识”，更加坚定地扛起生态文明建设的政治责任，以生态文明试验区建设为契机，加大环境基础设施建设力度，推进污水管网建设、生活垃圾无害化处理。加强海洋和生态敏感区保护，坚决遏制违法占用滨海湿地行为，及时清理违法

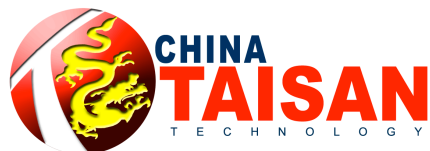


海水养殖，加大违法采矿打击力度。要强化党政同责和一岗双责，依法依规严肃责任追究，对督察中发现的问题，要责成有关部门进一步深入调查，厘清责任，并按有关规定严肃问责。

督察强调，福建省应根据《环境保护督察方案（试行）》要求和督察反馈意见，抓紧研究制定整改方案，在 30 个工作日内报送国务院。整改方案和整改落实情况要按照有关规定，及时向社会公开。

督察组还对发现的生态环境损害责任追究问题进行了梳理，已按有关规定移交福建省委、省政府处理。”

- a. Based on the statement above, Fujian government issued is on 31 July 2017. And there is no specific quantity or amount stated.
- b. The reduction since beginning of Jul 2017. And the company will remain the current production until further instruction from the relative department from the Fujian Government.
- c. There are two main systems that may affect the environmental, One is water recycle system and other is air purification system. Company is upgrading the two systems. And local government will check the system.
- d. For sale and manufactory of performance fabric is started beginning of January 2017. Most of sale in 3Q17 was manufactured in 1Q17 and 2Q17. No much performance fabric was done during 3Q17.
- e. If the two antipollution systems working well, company can provide manufactory of performance fabric and processing services.
- f. The machinery capacity as below:



Machinery	Capacity
Knitting machinery	7,815 Tones
Processing services	21,150 Tones
Total	27,650 Tones

The utilization of the capacity in FY2017 as below:

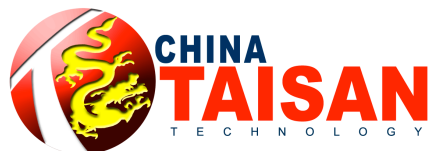
Machinery	Production	Utilization rate
Knitting machinery	704 Tones	9%
Processing services	8,046 Tones	38%
Total	8,750 Tones	31.6%

### **SGX Query 2**

In relation to “Cost of sales”:

- a. Please explain why did the Company’s cost of sales increased by 10.1% while its Revenue decreased by 15.7%?
- b. Please provide a breakdown and quantify the cost of sales in comparison with corresponding period 3Q16 and explain the major items included in Cost of sales.
- c. Please quantify the average cost of direct material cost.

### **Company’s Response to SGX Query 2**



- a. The cost of sale increased is mainly due to the portion of cost for dyes and auxiliaries increased and the cost for dyes and auxiliaries about RMB 14.3 million. the cost for such dyes and auxiliaries increased is mainly due to the requirement by customer for processing services.
- b. The breakdown of the cost of sale

items	3Q17	3Q16	Variance
direct material cost	20,384	6,401	218.5%
direct labor cost	3,986	5,368	-25.7%
production cost	10,154	19,578	-48.1%
Total	34,524	31,347	

The Cost of direct material cost increased is mainly due to the cost for dyes and auxiliaries increased, which is approximately RMB 14.3 million. the cost for such dyes and auxiliaries increased is mainly due to the requirement by customer for processing services.

- c. Quantify the average cost of direct material cost in 3Q17.

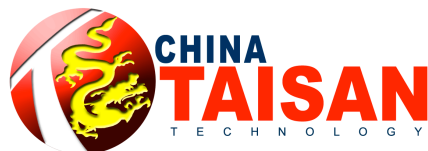
Products	Tones	Cost RMB	Cost/tones
Manufacturing and sale of performance fabrics	73	4,847	66,401
Fabric processing services	2,548	29,676	11,647
Total	2,621	34,524	13,172

### **SGX Query 3**

In relation to “Administrative expenses and operating expenses”:

- a. Please provide details of the size and land use rights of these properties.
- b. . Please explain why PPE has to be written down by a significant amount of RMB 140 million. Please provide more details and breakdown of each of the Property , Plant and Equipment written down and provide justification for the impairment and the age of each of these. In addition, please disclose the remaining value of each of the Property, Plant and Equipment after the write down of the impairment. Please disclose when and how the original cost of each of these Property, Plant and Equipment were first determined and how would the acquisition cost have been reasonable noting the actual value of the assets based on its current value.
- c. Please disclose the methodology used in arriving at the valuation of the Property, Plant and Equipment which resulted in the significant impairment. To disclose and quantify the assumptions used in arriving at valuation amount, including tenure and amount of cash flow, utilization rates, the selling prices , discount rates, residual values and value of land and property, where applicable.





d. In relation to the methodology used in calculating the impairment of each of the Properties, Plant and Equipment amounting to RMB 140 million, please disclose whether and what is the residual value used in the calculation methodology, how the residual value was arrived at and disclose the reasonableness of the estimates used.

e. Please discuss the accreditation and experience of the valuers who performed the valuation for the machinery.

**Company’s Response to SGX Query 3**

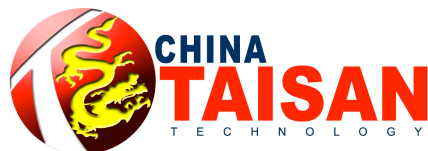
a. Breakdown of size and land use right

类别	Area M2	Cost RMB
土地	5,329	31,068
土地	11,361	93,892

b. The management of the company assess the impairment based on the lower utilization the machineries and five year cash generate unit of the subsidiary. The five year future cash flow was based on last quarter financial information. The sum of present value of the subsidiary were RMB 139 million. However, the machinery value were RMB 279 million. Therefore, management make RMB 140 million as at end of the 3Q16 to make true and fair presentation on financial information. Company also engaged a valuation firm for both impairment in FY2015 and FY2016. For detail breakdown of PPE impairment, please refer annual report of 2016, note 11. For age and remaining value of PPE, please refer announcement of reply of SGX query on 2 December 2016. For the cost and value of the PPE: The machinery mainly purchased from France, Germany, Japan and Taiwan. Those machinery need to be customaries in order to made the customer specific requirements.

c. During the financial year due to continued loss incurred, the subsidiary of the Group engaged an independent valuer to determine the fair value of its plant and machinery. An impairment loss of RMB 140,000,000, representing the write down of some machinery to its recoverable amount, being the fair value less costs of disposal, was recognised as other operating expenses in the statement of profit or loss and other comprehensive income. The fair value of the plant and machinery was determined based on the market replacement method and taking into account the residual ratio. The significant assumptions included the market replacement cost of similar machinery taking into account factors like transport and installation costs, and the residual ratio used to discount the market replacement cost. An increase in residual ratio would result in an increase in the fair value of the plant and machinery, and vice versa. For other valuation information, please refer the announcement on 20 September 2017.

d. Refer reply on c.



- e. The residual value is 5-10% of cost of PPE. however, the value in use was calculated based on “cash generated unit”. A cash-generating unit is the smallest group of assets that independently generates cash flow and whose cash flow is largely independent of the cash flows generated by other assets. The concept is used by the international financial reporting standards in the determination of asset impairment. Without the cash-generating unit concept, it would be excessively difficult to determine the cash flows associated with individual assets for an impairment analysis.
- f. Please refer the announcement on 20 September 2017.

**SGX Query 4**

In relation to “Current assets”:

- a. Please explain why is there an increase in raw materials since the Fujian government has ordered the Company to reduce production.
- b. Please provide breakdown and aging analysis of Trade and other receivables in bands showing upper limit of the overdue period.
- c. Please disclose the identity of the trade debtors with significant outstanding amount and provide details of what the Board has undertaken to ensure recovery of these debts.

**Company’s Response to SGX Query 4**

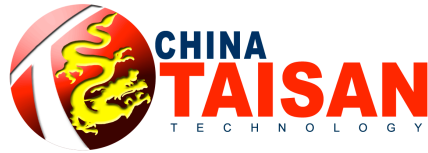
- a. The raw material was purchased during 1Q17, for the explain please refer reply of SGX query on 21 July 2017.
- b. Breakdown and aging analysis of Trade and other receivable

Breakdown of trade and other receivable	RMB
Prepayment and deposit	34,611
Trade receivables	151,241
	185,852

Trade receivable - Upper limit of the overdue period:

within 180	86,219
More than 180	65,023
Total	151,242

- c. Please refer the announcement for reply of SGX query on 20 September 2017.



### **SGX Query 5**

The Company has stated a similar statement in the last quarterly reporting that it would “*continue to develop our products in future so as to further differentiate ourselves from our peers*”. Please elaborate if there has been any efforts made so far in the development of new products as the Group did not record any Research and Development expenses for the quarter.

### **Company’s Response to SGX Query 5**

Please note that there is RMB 2.4 million under other assets which is the Prepayment for research and development collaboration fee. The subsidiary has entered into an agreement with a PRC university to embark on a research and development collaboration from 2010 onwards whereby the university would deliver 25 product research and development results over a period of at least 5 years for a total fee of RMB 20,000,000.

### **BY ORDER OF THE BOARD**

Tan Chee How  
Company Secretary  
27 November 2017