ZIWO HOLDINGS LTD.

EXPLORING NEW GROWTH POTENTIAL

Annual Report 2016



CONTENTS

01 Corporate Profile

02 Chairman's Message

06 Group Structure

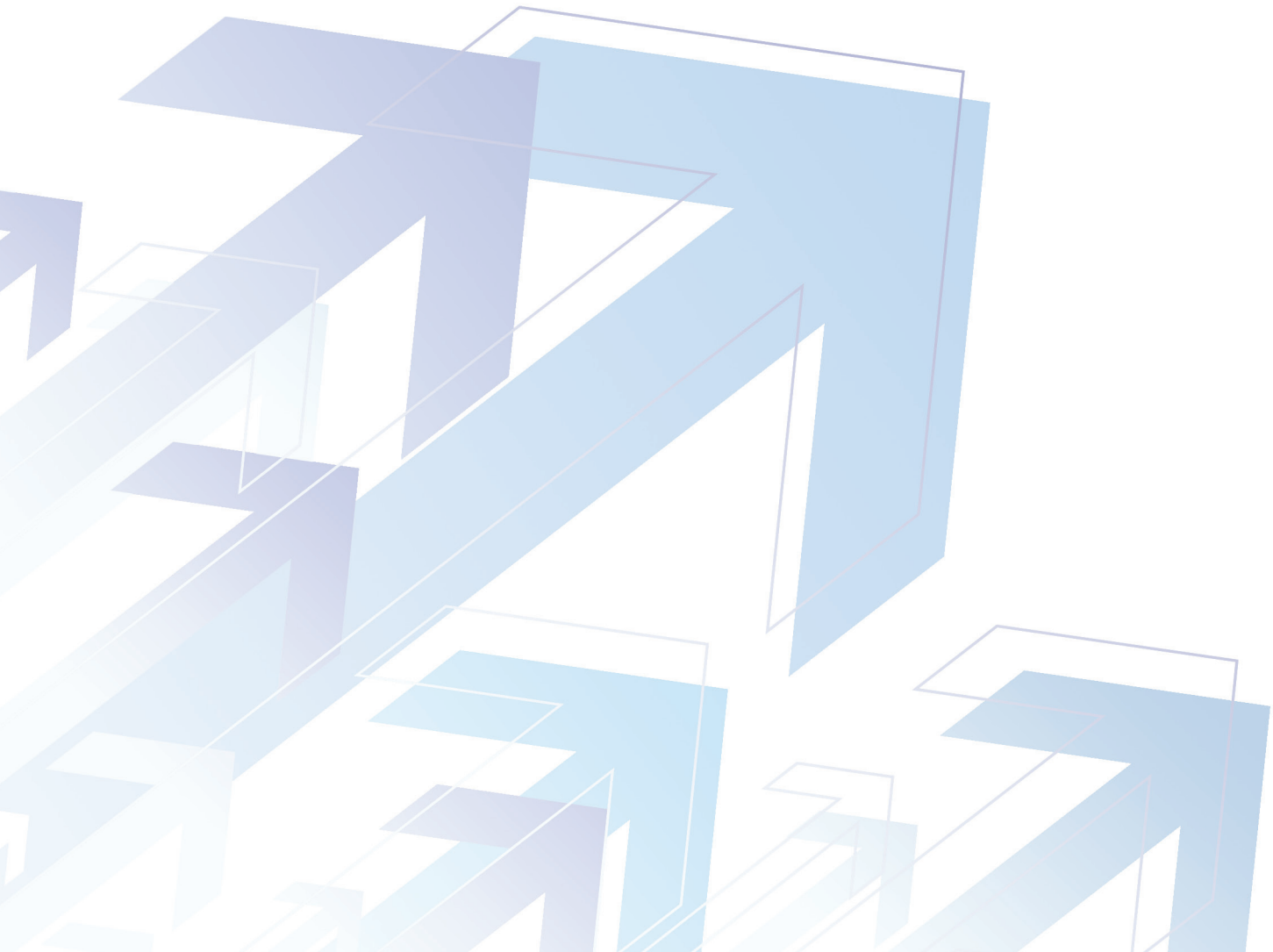
07 Corporate Information

08 Operations and Financial Review

12 Board of Directors

14 Senior Management

15 Corporate Governance Report and Financial Contents



CORPORATE **PROFILE**



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

Our products are sold to customers in Fujian, Guangdong, Shandong and Zhejiang Provinces, as well as Shanghai and Tianjin municipalities, via an established sales and marketing network.

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

CHAIRMAN'S **MESSAGE**



Ting Chun Yuen
Executive Chairman and CEO

Dear Valued Shareholders,

On behalf of the Board of Directors, I am pleased to present our Annual Report for the financial year ended 31 December 2016 ("**FY2016**").

FY2016 continued to be a difficult year for Ziwo, with sluggish market sentiments posing challenges for economies worldwide, including China's. While China's economy grew 6.7% in 2016, within the government's forecast range of 6.5-6.7%, this was the slowest pace of growth in 26 years[i].

YEAR IN REVIEW

The softer economic climate and persistent slowdown in the manufacturing industry in China have dampened demand for our products and hurt our selling prices. The Group's revenue from continuing operations for the year was 29.4% lower at RMB 43.2 million compared to RMB 61.2 million in the previous corresponding financial year.

Cost of sales fell 21.6% from RMB 54.2 million in FY2015 to RMB 42.5 million in FY2016, reflecting lower manufacturing overheads and labour costs as production was scaled down. The Group managed to achieve a gross profit of RMB 0.7 million in FY2016, compared to a gross profit of RMB 7.0 million in the preceding year despite challenging conditions. Overall, the Group recorded a net loss of RMB 155.2 million for FY2016.

Loss per share for FY2016 amounted to 41.54 RMB cents, compared to a loss per share of 76.10 RMB cents for FY2015. Net asset value per share as at 31 December 2016 was 23.0 RMB cents compared to 64.5 RMB cents the previous year.

DIVERSIFICATION STRATEGY AND OUTLOOK

According to the International Monetary Fund, the world's second-largest economy is expected to grow 6.5% in 2017. Key risks for the Chinese economy include capital outflows, rising debt levels and geopolitical uncertainties[ii]. Against this backdrop, we remain cautious on the effects that these will have on our business.

It is therefore imperative that we pursue new business opportunities. Our acquisition of a 45% stake in Estar Investments Pte. Ltd. ("**Estar Investments**") is a step in this direction. Some 63.8 million Ziwo shares were issued to pay for the S$1.2 million acquisition, which was completed on 16 February 2017.

CHAIRMAN'S **MESSAGE**

Estar Investments supplies charging equipment for electric vehicles (EV) and provides back-end solutions for direct-current and alternate-current EV electric chargers. We see huge growth potential in China's EV market, the largest in the world, as the country endeavours to rein in air pollution and reduce its dependence on fossil fuels. We believe the acquisition will enhance value for Ziwo's shareholders over time.

As announced on 28 March 2017, Estar Investments – through its subsidiary Beijing E-Star Electric Technology Co Ltd ("**Beijing E-Star**") – will build 160 EV charging stations in China's Huizhou city in Guangdong through a strategic collaboration with 泰宇实业发展有限公司 ("**Tai Yu Realty**"), a property developer.

The charging stations will be installed in a 1,200-unit residential development. All cabling and power requirements for the stations will be handled by Tai Yu Realty, which will share all profits generated by the charging stations with Beijing E-Star. Revenue will be in the form of electric tariffs, service fees and parking fees, all of which will be paid by users of the charging stations.

Both parties have also agreed to work together to put in place charging stations for Tai Yu Realty's other residential developments and future projects in China. Beijing E-Star currently operates in China's capital city, where its 22 charging stations are available to the public and several EV rental companies. The collaboration in Huizhou marks its maiden foray outside Beijing and its first time working with a property developer.

We will continue to keep a lookout for other promising business opportunities to develop additional revenue streams even as we seek to improve our materials business, where there is still room for further streamlining of operations. Overall, we want to be nimble in order to seize the right opportunities and to navigate the challenges ahead.

IN APPRECIATION

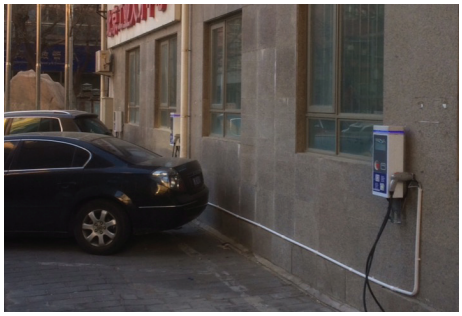
On a final note, I would like to extend my appreciation to my fellow directors, the management and our staff for their dedication and commitment to the Group, as well as to our shareholders, customers, suppliers and business partners.

We look forward to your continued support as we endeavour to take Ziwo to the next level.

Thank you.

Ting Chun Yuen
Executive Chairman and CEO





i. http://www.stats.gov.cn/tjsj/zxfb/201701/t20170120_1455942.html

ii. https://www.imf.org/external/pubs/ft/weo/2017/update/01/

董事长致辞

尊敬的各位股东：

我很荣幸代表董事会介绍我们截止至2016年12月31日的财政年度（**“2016财年”**）年报。

对于至和控股而言，2016财年仍然将是较为艰难的一年，低迷的市场氛围给包括中国在内的全球经济带来挑战。尽管中国经济在2016年增长了6.7%，符合政府6.5–6.7%的增长预期，但这却是26年以来的最慢增速[i]。

年度回顾

温和的经济氛围和中国制造业的持续放缓均抑制了对我们产品的需求并挫伤了我们的销售价格。相比上一财年人民币6,120万元的营业收入，今年集团的持续经营收入下降了29.4%，为人民币4,320万元。

销售费用从2015财年的人民币5,420万元降至2016财年的人民币4,250万元，下降了21.6%，反映出随着生产规模的缩减，管理费用和劳动力成本也随之降低。尽管面对挑战性的局面，相比上一年度的总利润人民币700万元，集团仍然设法在2016财年实现了总利润人民币70万元。总体而言，2016财年集团应计净亏损额为人民币1.5亿元。

2016财年每股亏损为人民币41.54分，对比2015财年每股亏损为人民币76.10分。截至2016年12月31日每股资产净值为人民币23.0元分，对比前一年为人民币64.5分。

多元化策略及展望

根据国际货币基金组织的消息，在2017年世界第二大经济体预计将增长6.5%。中国经济存在的关键性风险包括资本外流、不断增长的债务水平以及地缘政治的不确定性[ii]。在这种背景下，对于上述因素将对我们的业务造成何种影响我们仍持谨慎态度。

因此，我们迫在眉睫地需要寻求新的业务机会。我们收购Estar Investments Pte. Ltd.（**“Estar Investments”**） 45%的股权就是朝这个方向所迈出的一步。在本次收购中，大约发行了6,380万股至和控股股份用以支付120万新元的收购，本次收购已于2017年2月16日完成。

Estar Investments供应电动汽车使用的充电设备并为直流和交流电动车充电器提供后端解决方案。随着中国遏制空气污染并减少对化石燃料的依赖所做出的努力，我们看到中国电动汽车市场（世界上最大的市场）的巨大增长潜力。我们相信假以时日，本次收购将提升至和控股股东的价值。

2017年3月28日，Estar Investments宣布将通过其子公司Beijing E–Star Electric Technology Co Ltd（**“Beijing E–Star”**）与房地产开发商泰宇实业发展有限公司（**“泰宇实业”**）开展战略合作，在中国广东惠州市建造160个电动汽车充电站。

董事长致辞

充电站将被安置于一处1200单元的住宅小区中。充电站的所有电缆和电力需求将由泰宇实业负责，其将与Beijing E-Star共享充电站产生的所有利润。收入的形式包括电费、服务费和停车费，所有的费用均将由充电站的用户支付。

双方还约定共同在泰宇实业的其他住宅小区和未来中国的其他项目中建造充电站。Beijing E-Star目前在中国的首都城市开展经营，其22个充电站可供公众和一些电动汽车租赁公司使用。惠州的合作标志着其在北京以外区域的首次尝试，同时也是其首次与一家房地产开发商合作。

在我们寻求改善还有进一步优化经营空间的主要业务的同时，我们将继续寻找其他有前途的商业机会以便拓展新的收入来源。总体而言，我们要敏锐地抓住适当的机会并且能够驾驭未来的挑战。

衷心感谢

最后，我想对我们的董事、管理层以及员工为集团作出的贡献和努力表示感谢，对股东、客户、供应商和业务伙伴同样表示感谢。

我们正在努力引领至和控股进入新的境界，我们也期待您的继续支持。

感谢！

丁振远
执行主席兼首席执行官

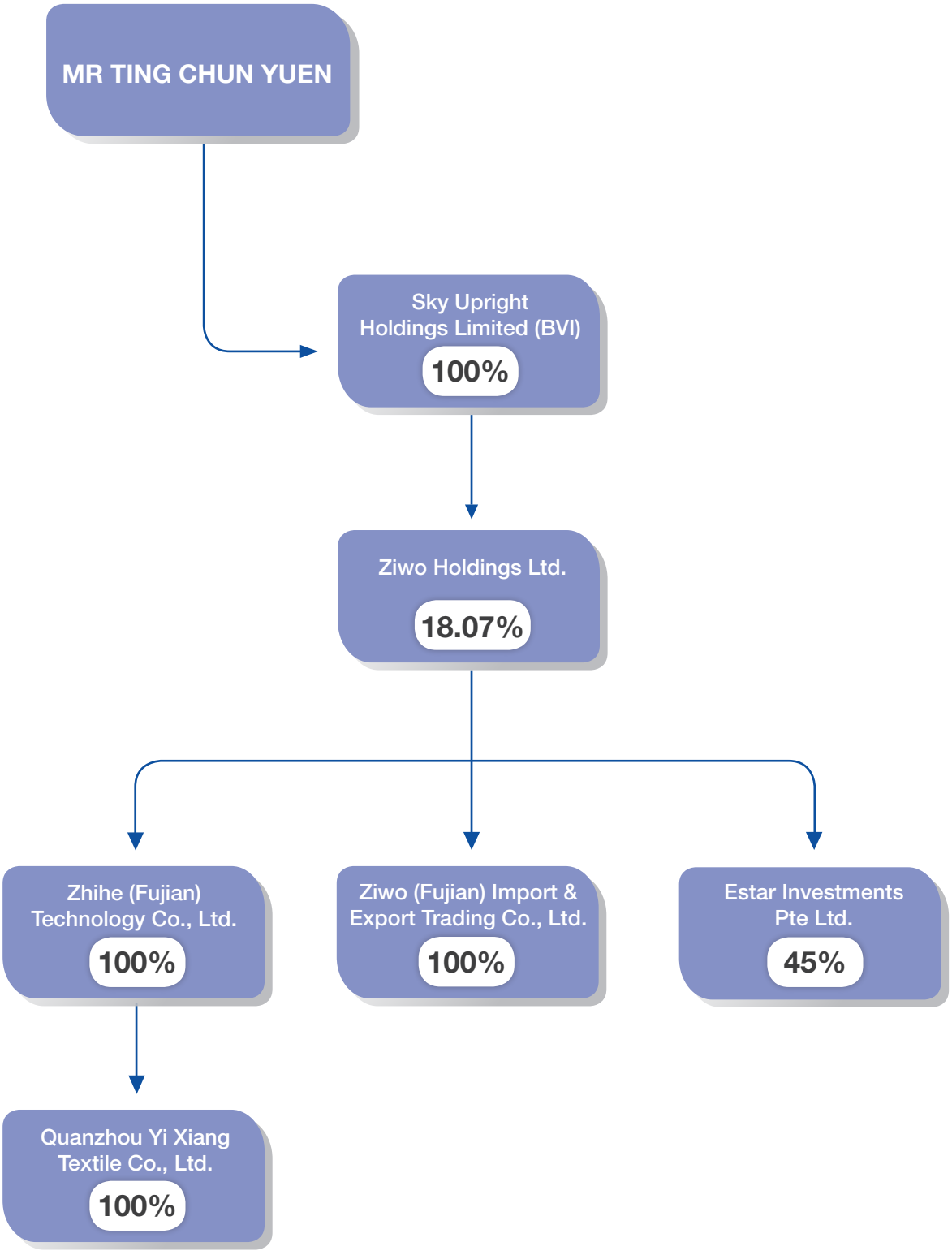




i. http://www.stats.gov.cn/tjsj/zxfb/201701/t20170120_1455942.html

ii. https://www.imf.org/external/pubs/ft/weo/2017/update/01/

GROUP STRUCTURE



CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Ting Chun Yuen
(Executive Chairman and Chief Executive Officer)

Mr Zhuang Qingquan
(Executive Director)
Resigned on 30 June 2016

Mr Tay Wee Kwang
(Non-Executive Director)
Appointed on 3 April 2017

Mr Soh Beng Keng
(Lead Independent Director)

Mr Lim Heng Chong Benny
(Independent Director)

Mr Ngan See Juan
(Independent Director)

AUDIT COMMITTEE

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

NOMINATING COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Mr Yap Lian Seng

REGISTERED OFFICE

8 Robinson Road, #13-00 ASO Building
Singapore 048544

SHARE REGISTRAR

B.A.C.S. Private Limited
8 Robinson Road
#03-00 ASO Building
Singapore 048544

PRINCIPAL PLACE OF BUSINESS

Western Section, Qingmeng Zone
Economy and Technology Development Zone
Quanzhou City
Fujian Province
The PRC

AUDITORS

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

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

PRINCIPAL BANKERS

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

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

OPERATIONS AND **FINANCIAL REVIEW**

INCOME STATEMENT

RMB'000	**2016 RMB'000**	2015 RMB'000	**Change %**
Continuing operation			
Revenue	**43,191**	61,172	**(29.4)**
Cost of sales	**(42,482)**	(54,210)	**(21.6)**
Gross profit	**709**	6,962	**(89.8)**
Other income	**2,603**	647	**302.3**
Selling and distribution expenses	**(6,774)**	(11,020)	**(38.5)**
Administrative expenses	**(9,908)**	(9,650)	**2.7**
Other operating expenses	**(126,536)**	(48,180)	**162.0**
Loss before taxation	**(139,906)**	(61,241)	**128.5**
Income tax credit	**-**	1,347	**(100.0)**
Loss from continuing operation, net of tax	**(139,906)**	(59,894)	**133.6**
Discontinued operations			
Loss from discontinued operations, net of tax	**(15,320)**	(221,859)	**(93.1)**
Loss for the year, representing total comprehensive loss for the year	**(155,226)**	(281,753)	**(44.9)**
Basic and diluted loss per share (RMB cents)	**(41.54)**	(76.10)	
- From continuing operations (RMB cents per share)	**(37.44)**	(16.18)	
- From discontinued operation (RMB cents per share)	**(4.10)**	(59.92)	

REVENUE

For the year ended 31 December 2016 ("**FY2016**"), our revenue from continuing operations decreased by approximately RMB 18.0 million or 29.4% from RMB 61.2 million in the previous corresponding year ended 31 December 2015 ("**FY2015**") to RMB 43.2 million for FY2016. The decrease in revenue was largely attributed to a general decline in demand for our products.

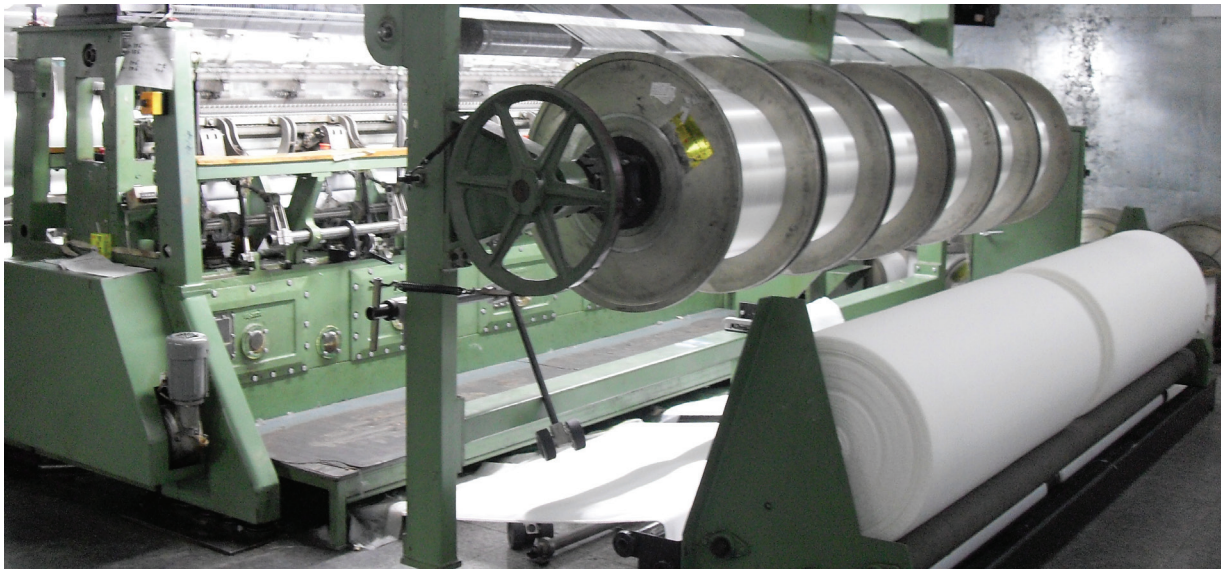
COST OF SALES

Our cost of sales comprise mainly raw material costs, electricity and water costs, direct labour costs and other manufacturing overheads. In FY2016, cost of sales from continuing operations decreased by approximately RMB 11.7 million or 21.6% from RMB 54.2 million in FY2015 to RMB 42.5 million in FY2016. Manufacturing overheads and labour costs declined due to scale back of production.

GROSS PROFIT MARGIN

Overall gross profit margin ("**GPM**") of the Group from continuing operations declined by approximately 9.8 percentage points from 11.4% in FY2015 to 1.6% in FY2016. The decrease in margin is mainly attributed to declining demand for our products as a result of weak market sentiments which in turn had a downward pressure on our average market price. The Group had reduced average selling price of SBR and other foamed materials during the financial year.

OPERATIONS AND **FINANCIAL REVIEW**



OTHER INCOME

Other income from continuing operations increased by RMB 2.0 million or 302.3% from RMB 0.6 million in FY2015 to RMB 2.6 million in FY2016, largely due to reversal of impairment loss on trade receivables which was offset by decrease in sale of scrap material and interest income from bank deposits.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses comprise mainly transportation costs, salaries, entertainment expenses, advertisement expenses, sales related tax, R&D expenses, travelling expenses and depreciation expenses. Selling and distribution expenses from continuing operations decreased by approximately RMB 4.2 million or 38.5% from RMB 11.0 million in FY2015 to RMB 6.8 million in FY2016. The decrease was largely due to decrease in R&D expenses, travelling and entertainment expenses, and partially offset by increase in transportation expenses.

ADMINISTRATIVE EXPENSES

Administrative expenses comprise mainly salaries, staff welfare, share award expenses, general office expenses, insurance, professional fees, travelling expenses and depreciation expenses. Administrative expenses from continuing operations increased marginally by RMB 0.2 million or 2.7% from RMB 9.7 million in FY2015 to RMB 9.9 million in FY2016.

OTHER OPERATING EXPENSES

Other operating expenses comprise mainly allowance for impairment of trade receivables, impairment of PPE and land use rights, write-down of inventories, bad debts expenses, and in prior year, prepaid know-how written off, product defect claims and tax penalty. Operating expenses from continuing operations increased by RMB 78.3 million or 162.0% from RMB 48.2 million in FY2015 to RMB 126.5 million in FY2016, mainly due to allowance for impairment loss of property, plant and equipment and land use rights.

OPERATIONS AND **FINANCIAL REVIEW**

STATEMENT OF FINANCIAL POSITION – THE GROUP

RMB ('000)	31/12/2016	31/12/2015
Assets		
Non-current	**35,714**	143,706
Current	**70,850**	112,237
Total assets	**106,564**	255,943
Equity and Liabilities		
Capital and Reserves		
Share capital	**185,637**	185,637
Statutory reserve	**42,794**	42,794
(Accumulated loss)/retained earnings	**(142,433)**	12,793
Total equity	**85,998**	241,224
Current liability	**20,566**	14,719
Total equity and liabilities	**106,564**	255,943

PER SHARE DATA

Based on the number of 373,717,184 ordinary shares in issue during FY2016, the Group recorded loss per share of 41.54 RMB cents, an improvement from loss per share of 76.10 RMB cents in FY2015.

TOTAL ASSETS

Our non-current assets comprise mainly property, plant and equipment ("**PPE**") and land use rights. Net book value of PPE decreased by approximately RMB 73.1 million from RMB 94.7 million as at 31 December 2015 to RMB 21.6 million as at 31 December 2016 after deducting for allowance for impairment loss of property, plant and equipment and depreciation. Land use rights decreased by approximately RMB 34.9 million from RMB 49.0 million as at 31 December 2015 to RMB 14.1 million as at 31 December 2016 after deducting for allowance for impairment loss of land use rights.



OPERATIONS AND **FINANCIAL REVIEW**







Our current assets comprise mainly inventories, trade and other receivables, other current assets and cash and cash equivalent. Current assets reduced by RMB 41.3 million from RMB 112.2 million as at 31 December 2015 to RMB 70.9 million as at 31 December 2015 mainly due to decrease in cash and cash equivalent and trade receivables.

TOTAL LIABILITIES

Current liabilities amounted to RMB 20.6 million as at 31 December 2016, an increase of approximately RMB 5.9 million from RMB 14.7 million as at 31 December 2015 mainly due to the increase from amount due to a Director.

RMB ('000)	**Financial Year Ended 31 December 2016**	Financial Year Ended 31 December 2015
Net cash used in operating activities	**(26,021)**	(195,580)
Net cash (used in)/generated from investing activities	**(7,061)**	98,099
Net cash flows generated from financing activities	**-**	-
Net decrease in cash and cash equivalents	**(33,082)**	(97,481)
Cash and cash equivalents at beginning of year	**35,880**	133,361
Cash and cash equivalents at end of year	**2,798**	35,880

In FY2016, cash used in operating activities amounted to RMB 26.0 million compared to cash used in operating activities of RMB 195.6 million in FY2015. This was mainly due to one-off product defect claims and tax penalty incurred in prior year. As at 31 December 2016, the Group's cash and cash equivalents decreased from RMB 35.9 million as at 31 December 2015 to RMB 2.8 million.

BOARD OF **DIRECTORS**



Mr Ting Chun Yuen

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



Mr Tay Wee Kwang

Mr Tay Wee Kwang ("**Mr Tay**") was appointed to the board as Non Executive director on 3 April 2017.

Mr Tay has more than 25 years of experience in manufacturing, construction, engineering, renewable energy power and large infra-structure projects. Apart from his engineering experience, he skilful in naturing Start-up, evaluating investment and business development. Mr Tay has served on various boards of companies listed on the main board of SGX-ST and on Catalist Board.

Mr Tay graduated with a BSc in Electronics and Electrical Engineering and an MBA in general Management from the UK. He has also completed various post graduate studies at NUS for Building Science and Knowledge Engineering. His professional affiliations are, Senior Member of Institute of Engineers Singapore and Member of the Singapore Institute of Directors.



Mr Soh Beng Keng

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

BOARD OF **DIRECTORS**





Mr Lim Heng Chong Benny

Mr Lim Heng Chong Benny ("**Mr Lim**") is our Independent Director and was appointed to our Board on 25 August 2009. Mr Lim has been in legal practice for more than 20 years, and is presently a partner at ChrisChong & CT Ho Partnership, where he focuses his practice on fund management and investment advisory matters, financial services regulatory compliance, and the structuring and establishment of Singapore and offshore funds. His other main areas of practice include corporate finance, mergers and acquisitions, cross-border joint ventures and investments, and regulatory compliance for listed companies and registered charities. Mr Lim holds a Bachelor of Laws and a Master of Laws, both from the National University of Singapore.

Mr Ngan See Juan

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

SENIOR MANAGEMENT

Vincent Lim
Chief Financial Officer

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

Sheng Chunping
Production Manager

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

Lei Mingbo
Administration Manager

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

CORPORATE GOVERNANCE REPORT AND **FINANCIAL CONTENTS**

16 Corporate Governance Report

34 Directors' Statement

37 Independent Auditor's Report

42 Consolidated Statement of Comprehensive Income

43 Statement of Financial Position

44 Consolidated Statement of Changes in Equity

45 Consolidated Statement of Cash Flows

46 Notes to the Financial Statements

77 Statistics of Shareholdings

79 Notice of Annual General Meeting

Proxy Form

CORPORATE **GOVERNANCE REPORT**

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

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

This report describes the Company's corporate governance processes and structures that were in place for the financial year ended 31 December 2016 ("**FY2016**"), with specific reference made to the principles and guidelines of the Code which forms part of the Continuing Obligations of the Singapore Exchange Securities Trading Limited's (the "**SGX-ST**") Listing Manual.

The Board of Directors (the "**Board**") is pleased to report on the Company's efforts to adhere to the principles and guidelines as set out in the Code for FY2016.

(A) BOARD MATTERS

Board's Conduct of Its Affairs

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

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

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

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

Over the course of FY2016, the Board has met five times to review and evaluate the Company's operations and performance, and address key policy matters. Ad-hoc meetings will be convened when circumstances so require. The schedule of all the Board and Board Committees meetings for the calendar year is usually given to all the Directors well in advance. Ad-hoc meetings are convened at such other times as may be necessary to address any specific significant matters that may arise. Important matters concerning the Group are also put to the Board for its decision by way of written resolutions. The frequency of meetings and attendance of each Director at every Board and Board Committees meeting are disclosed in this Report. The Regulation of the Company allow for participation in Board meetings via audio or video conferencing.

CORPORATE GOVERNANCE REPORT

The attendance of the Directors at Board meetings and Board Committees meetings held during FY2016 are as follows:

	Board		Audit Committee		Nominating Committee		Remuneration Committee	
Name of Director	No. of meetings Held	No. of meetings Attended	No. of meetings Held	No. of meetings Attended	No. of meetings Held	No. of meetings Attended	No. of meetings Held	No. of meetings Attended
Ting Chun Yuen	6	6	5	5[1]	2	2	1	1[1]
Zhuang Qingquan[2]	6	–	5	–	2	–	1	–
Soh Beng Keng	6	6	5	5	2	2	1	1
Lim Heng Chong Benny	6	5	5	5	2	2	1	1
Ngan See Juan	6	6	5	5	2	2	1	1

(1) By invitation

(2) Mr Zhuang Qingquan has resigned as Executive Director of the Company with effect from 30 June 2016.

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

Board Composition and Guidance

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

Presently, the Board comprises one (1) Executive Director, one (1) Non-Executive Director and three (3) Independent Directors:-

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

[1] Mr Tay Wee Kwang was appointed as Non-Executive Director of the Company with effect from 3 April 2017.

As Mr Ting Chun Yuen being the Executive Chairman and CEO of the Company, is also part of the Management team and is not an independent director, the Company is required to have at least half the Board comprising independent directors. There is presently a strong and independent element on the Board as over half of the Board comprises Independent Directors and the independence of each Director is reviewed by the NC. The criteria for independence are determined based on the definition as provided in the Code and the independence of each Director is reviewed annually by the NC. The Board considers an Independent Director as one who has no relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent judgement of the Group's affairs. With majority of the Board being Independent Directors, the Board is able to exercise independent judgment on corporate affairs and provide Management with diverse and objective perspective on issues. The NC has reviewed the independence of each Independent Director for FY2016 and is of the view that these Directors are independent.

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

Board Size

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

Board Experience

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

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

CORPORATE GOVERNANCE REPORT

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

Profiles of the Board are set out on pages 12 to 13 in the "**Board of Directors**" section of this Annual Report.

Chairman and CEO

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

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

The responsibilities of the Executive Chairman include:

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

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

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

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

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

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

Lead Independent Director

The Company is in compliance with the Guideline 3.3 of the Code where Mr Soh Beng Keng, Chairman of the AC, is the Lead Independent Director. Where a situation arises that may involve conflicts of interest between the roles of Chairman and CEO, it is the Lead Independent Director's responsibility, together with the other Independent Directors, to ensure that shareholders' rights are protected. Our Lead Independent Director is available to our shareholders who have concerns when contact through the normal channels of our Executive Chairman and CEO or Chief Financial Officer ("**CFO**") has failed to resolve such concerns or when circumstances are such that it would be more appropriate to contact him directly.

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

CORPORATE GOVERNANCE REPORT

Board Membership

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

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

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

Nominating Committee

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

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

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

Process for Selection, Appointment and Re-appointment of Directors

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

The NC, in considering the re-appointment of any Director, had considered, *inter alia*, the attendance records at meetings of the Board and Board committees, intensity of participation at meetings, the quality of contributions to the development of strategy, the degree of preparedness, industry and business knowledge and experience each Director possess which are crucial to the Group's business.

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

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

CORPORATE GOVERNANCE REPORT

For the avoidance of doubt, Mr Lim Heng Chong Benny and Mr Tay Wee Kwang, who are retiring at the forthcoming AGM, have abstained from voting on NC and Board resolutions in respect of their respective re-election.

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

Mr Ngan See Juan, who is retiring by rotation in accordance with the Regulation of the Company, will not be seeking for re-election at the forthcoming AGM.

There is no alternate director being appointed to the Board.

Directors' Independence Review

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

Directors' Time Commitment and Multiple Directorships

Despite some of the Directors having other Board representations, the NC is satisfied that these Directors are able to and have adequately carried out their duties as Directors of the Company. Currently, the Board has not determined the maximum number of listed Board representations which any Director may hold because the Board believes that each director has to personally determine the demands of his or her competing directorships and obligations and assess how much time is available to serve on the Board effectively. The Board and the NC are of the opinion that in determining whether a Director is able to devote sufficient time to discharge his duties, the assessment should not be restricted to the number of board representations of each Director and their other principal commitments. Instead, the suitability of a Director should be assessed holistically, taking into account the level of Directors' participation in the Company, including his contributions and during meetings of the Board and relevant Board Committee and his attendance at such meetings. That being said, the NC and the Board will review the requirement to determine the maximum number of listed Board representations as and when it deems fit.

The key information regarding Directors such as academic and professional qualifications, Board Committees served, directorships or chairmanships both present and past held over the preceding three years in other listed companies and other major appointments, whether the appointment is executive or non-executive are set out in page 33 of the Annual Report.

Directors' Interests in the Company as at 30 March 2017

Ziwo Holdings Ltd.	Direct Interest		Deemed Interest	
	No. of Shares	% of Issued Shares	No. of Shares	% of Issued Shares
Directors				
Mr Ting Chun Yuen	–	–	79,079,920	18.07
Mr Soh Beng Keng	200,000	0.0457	–	–
Mr Lim Heng Chong Benny	200,000	0.0457	–	–
Mr Ngan See Juan	–	–	–	–
Mr Tay Wee Kwang[1]	32,509,000	7.43	–	–

[1] Mr Tay Wee Kwang was appointed as Non-Executive Director of the Company with effect from 3 April 2017.

CORPORATE **GOVERNANCE REPORT**

Board Performance

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

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

The Board and Board Committees have implemented a process for assessing the effectiveness of the Board as a whole and each Board Committee respectively. Each Director was required to complete the board evaluation forms adopted by the NC and the Board Committees' evaluation forms adopted by the AC, NC and RC, which will be collated by the Chairman for review or discussion. The NC focuses on a set of performance criteria which includes the evaluation of the size and composition of the Board and its Board Committees, the access to information, processes and accountability, performance in relation to discharging its principal responsibilities and the Directors' standards of conduct in assessing the Board's performance as a whole. Following the review, the Board is of the view that the Board and its Board Committees operate effectively and each Director is contributing to the overall effectiveness of the Board. No external facilitator was used during the evaluation process in FY2016.

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

Although the Directors are not evaluated individually, the factors taken into consideration with regards to the re-nomination of Directors for FY2016 are based on their attendance and contributions made at the Board and Board Committees meetings.

Access to Information

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

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

Company Secretary

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

Independent Professional Advice

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

CORPORATE GOVERNANCE REPORT

(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 comprises three Independent Directors as follows:

Remuneration Committee

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

Level and Mix of Remuneration

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

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

The Executive Directors' and key Senior Management's remuneration packages are based on service agreements and their remuneration is determined by having regard to the performance of the individuals, the Group and industry benchmarks. The remuneration package for the Executive Directors and key Senior Management staff are made up of both fixed and variable components. The variable component is determined based on the performance of the individual employee as well as the Group's performance. The service agreements of the Executive Directors have been renewed for a further period of three years with effect from 26 September 2015 and can be terminated by either party giving not less than six months' notice in writing. The Executive Directors do not receive Directors' fees.

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

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

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

Disclosure on Remuneration

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

Breakdown of each individual Director's remuneration, in percentage terms showing the level and mix for FY2016, are as follows:

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

[1] Mr Zhuang Qingquan has resigned as Executive Director of the Company with effect from 30 June 2016.

CORPORATE GOVERNANCE REPORT

Details of remuneration paid to the top five key management personnel of the Group (who are not Directors or CEO) for FY2016 are set out below:

Name of Key Management Personnel	Salary	Bonus	Total
	%	%	%
Below S$250,000			
Mr Vincent Lim	100	–	100
Mr Sheng Chunping	95	5	100
Madam Wong Kim Chu	92	8	100
Mr Wang Jianhong	93	7	100
Mr Lei Mingbo	93	7	100

For FY2016, the aggregate total remuneration paid to the key management personnel (who are not Directors or the CEO) amounted to RMB 858,416.

There were no termination, retirement or post-employment benefits granted to Directors and key management personnel other than the standard contractual notice period termination payment in lieu of service for FY2016.

Immediate Family Members of Directors

The employees who are immediate family members of the Directors are as follows, and whose remuneration does not exceeds S$50,000 for FY2016:

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

Save for the above disclosure, the Company does not have any employee who is an immediate family member of a Director or the CEO whose remuneration during FY2016 exceeded S$50,000.

In view of confidentiality of remuneration matters, the Board is of the opinion that it is in the best interests of the Group not to disclose the exact remuneration of the Directors and key management personnel in the annual report as the Company does not believe it to be in its interest to disclose the breakdown of each individual's remuneration as such, having regard to the highly competitive human resource environment, the confidential nature of staff remuneration matters and so as not to hamper the Company's efforts to retain and nurture its talent pool. For the same reasons, the Company does not believe it to be in its best interest to disclose the key performance indicators that are linked to the remuneration package, including any termination, retirement and post-employment benefits.

(C) ACCOUNTABILITY AND AUDIT

Accountability

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

The Board is accountable to shareholders for the Management of the Group. The Board updates shareholders on the operations and financial position of Company on a quarterly basis when it releases its results announcements as well as timely announcements of other matters as prescribed by the relevant rules and regulations. The Management is accountable to the Board by providing the Board with the necessary financial information of the Group's performance, position and prospects on a regular basis and when deemed appropriate by particular circumstances for the discharge of its duties.

CORPORATE GOVERNANCE REPORT

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

Risk management

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

- ERM policies and procedures

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

- Risk Appetite of the Company

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

- Risk assessment and monitoring

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

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

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

CORPORATE GOVERNANCE REPORT

Internal controls

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

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

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

Statement on adequacy of internal controls

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors (to the extent as required by them to form an audit opinion on the statutory financial statements), and relevant reviews performed by the Management, the Board, with the concurrence of the AC, is of the opinion that the Group's risk management and internal controls systems, addressing financial, operational, compliance and information technology risks, were adequate as at 31 December 2016.

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

(a) The financial records have been properly maintained and the financial statements for FY2016 give a true and fair view in all material respects, of the Company's operations and finances; and

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

Board Risk Committee

The Board has set up the Board Risk Committee ("**BRC**") of which its members comprise the Management of the Company. The BRC would assist the Board in carrying out its responsibility of overseeing the Company's risk management framework and policies. The CFO carries the role of Chief Risk Officer and oversees the preparation of risk reports which are provided to the AC once a year.

Audit Committee

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

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

Audit Committee

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

CORPORATE **GOVERNANCE REPORT**

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

- monitor the integrity of the financial information provided by the Company;
- assess, and challenge, where necessary, the correctness, completeness, and consistency of financial information (including interim reports) before submittal to the Board for approval or made public;
- review any formal announcements relating to the Company's financial performance;
- discuss problems and concerns, if any, arising from the interim and final audits, in consultation with the external auditors and the internal auditors where necessary;
- assess the adequacy and effectiveness of the internal controls (including financial, operational, compliance, information technology controls and risk management) systems established by Management to identify, assess, manage, and disclose financial and non-financial risks (including those relating to compliances with existing legislation and regulation) at least once a year in compliance with Guideline 12.4 of the Code;
- review and ensure that the assurance has been received from the CEO (or equivalent) and the CFO (or equivalent) in relation to the interim/financial unaudited financial statement;
- review Management's and the internal auditors' reports on the effectiveness of the systems for internal control, financial reporting, and risk management;
- monitor and assess the role and effectiveness of the internal audit function in the overall context of the company's risk management system;
- in connection with the terms of engagement to the external auditors, to make recommendations to the Board on the selection, appointment, reappointment, and resignation of the external auditors based on a thorough assessment of the external auditors' functioning, and approve the remuneration and Terms of Engagement of the external auditors;
- monitor and assess the external auditors' independence and keep the nature and extent of non- audit services provided by the external auditors under review to ensure the external auditors' independence or objectivity is not impaired;
- assess, at the end of the audit cycle, the effectiveness of the audit process;
- review interested person transactions to consider whether they are on normal commercial terms and are not prejudicial to the interests of the company or its minority shareholders; and
- review the Company's procedures for detecting fraud and whistle-blowing, and ensure that arrangements are in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control, or any other matters.

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

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

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

CORPORATE GOVERNANCE REPORT

The AC has recommended to the Board that RT LLP be nominated for reappointment as external auditors at the forthcoming AGM of the Company. The Company confirmed that Rule 712, Rule 715 and Rule 716 of the Listing Manual of the SGX-ST had been complied in relation to its auditing firms. No former partner or Director of RT LLP has acted as a member of the AC, and none of the members of the AC hold any financial interest in RT LLP.

The AC meets with the external auditors and internal auditors without the presence of the Management at least once a year. The AC conducted a review of all non-audit services provided by the external auditors and is satisfied that the nature and extent of such services does not prejudice the independence and objectivity of the external auditors. For FY2016, the fees that are charged to the Group by the external auditors for audit services were approximately S$90,000. There were no non-audit fees paid to the external auditors.

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

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

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

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

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

The AC is kept updated annually or from time to time on any changes to the accounting and financial reporting standards by the external auditors.

Internal Audit

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

The Group has outsourced its internal audit functions and has appointed a professional firm, Pan-China Singapore PAC, as an Internal Auditor ("**IA**").

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

The IA has submitted a report which includes observations from their work highlighted below:

- review the effectiveness of the internal controls of the Company and its subsidiaries;
- determine that key operational weaknesses are identified and managed;
- perform sample tests of internal controls in place and are functioning as intended; and
- ascertain if operations are conducted in an effective and efficient manner.

CORPORATE GOVERNANCE REPORT

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

The audit work carried out is guided by the International Standards for the Professional Practice of Internal Auditing (IIA Standards) laid down in the International Professional Practices Framework issued by the IIA.

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

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITES

SHAREHOLDER RIGHTS

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

The Company does not practice selective disclosure. In line with the continuous obligations of the Company under the Listing Manual of the SGX-ST and the Companies Act, Chapter 50, the Board's policy is that all shareholders should equally and on a timely basis be informed of all major developments that impact the Group. Material information and changes in the Company or its business which would be likely to materially affect the price or value of the Company's shares are disclosed in a timely manner via SGXNet announcements.

All shareholders are entitled to attend the general meetings and are provided with the opportunity to participate in the general meetings. If any shareholder is unable to attend, he/she is allowed to appoint up to two proxies to vote on his/ her behalf at the general meeting through proxy forms sent in advance. Currently, pursuant to the Constitution of the Company, shareholder can appoint up to a maximum of two proxies, who need not be shareholders of the Company, to attend and vote at general meetings.

As at 3 January 2016, the Companies Act has been amended to, amongst other things, allow certain members who are "relevant intermediaries" to attend and participate in general meetings without being constrained by the two-proxy requirement. A "relevant intermediary" as defined under the Companies Act includes (a) corporations holding licenses in providing nominee and custodial services and who hold shares in that capacity and (b) the CPF Board which purchases shares on behalf of the CPF investors.

Shareholders are given notice of general meetings with the sufficient notice period as required in the Companies Act, Chapter 50, and are informed of the relevant rules and procedures governing general meetings, including voting procedures. Shareholders are also provided with the opportunity to raise questions and participate effectively at such general meetings on any concerns that they may have in relation to the resolutions to be passed.

COMMUNICATION WITH SHAREHOLDERS

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

The Company does not practice selective disclosure. Price sensitive information is first publicly released through SGXNet, either before the Company meets with any investors or analysts. All shareholders of the Company will receive the annual report with notice of AGM by post and published in the newspapers within the mandatory period, which is held within four months after the close of the financial year. Before and after every general meeting, the Board engages in dialogue with shareholders to gather views or inputs, and addresses the queries that shareholders may have.

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

CONDUCT OF SHAREHOLDER MEETING

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

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

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

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

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

Resolutions are put to vote by poll and the detailed results of each resolution, showing the number of votes cast for and against each resolution and the respective percentages, are announced via SGXNet after the general meetings.

(E) DEALINGS IN COMPANY'S SECURITIES

In compliance with the relevant rules of the Listing Manual and the Code of Corporate Governance, the Company has devised its own internal compliance code to provide guidance to its officers with regards to dealings in listed securities of the Company by the officer. Directors and employees of the Company are advised not to deal in the Company's shares on short-term considerations or when they are in the possession of unpublished price-sensitive information.

The Company prohibits dealings in its shares by its officers and employees during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year, or one month before the announcement of the Company's full financial year results, as the case may be, and ending on the day of the announcement of the relevant results.

CORPORATE **GOVERNANCE REPORT**

(F) MATERIAL CONTRACTS

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

(G) INTERESTED PERSON TRANSACTIONS

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

PARTICULARS OF DIRECTORS PURSUANT TO THE CODE OF CORPORATE GOVERNANCE AS AT 31 DECEMBER 2016

Name of Director	Academic/ Professional Qualifications	Board Appointment Executive/ Non-executive	Board Committees as Chairman or Member	Directorship Date First Appointed	Date of Last Re-election	Directorships in other listed companies and other major appointments	Past directorships in other listed companies and other major appointments over the preceding 3 years
Mr Ting Chun Yuen	High School Diploma from Jinjiang City Chendai Mingzu School	Executive Chairman and CEO	Board Chairman and Member of NC	10 January 2008	30 May 2016	NIL	NIL
Mr Soh Beng Keng	Bachelor of Commerce (Accountancy) and he is a member of the Singapore Institute of Directors and a fellow member of the Institute of Singapore Chartered Accountants	Independent Director	Board Member, Chairman of AC and Member of NC and RC	25 August 2009	30 May 2016	• ISDN Holdings Limited • China Haida Ltd • Sino Grandness Food Industry Group Limited	• Yamada Green Resources Limited
Mr Lim Heng Chong Benny	Bachelor of Laws and Master of Laws	Independent Director	Board Member, Chairman of NC and Member of AC and RC	25 August 2009	30 April 2015	• China Sunsine Chemical Holdings Limited	• Sysma Holdings Limited
Mr Ngan See Juan	Diploma in Best Administration and he is a member of Institute of Singapore Chartered Accountants, and fellow member of Association of Chartered Certified Accountants (ACCA)	Independent Director	Board Member, Chairman of RC and Member of AC and NC	31 March 2015	30 April 2015	• China Taisan Technology Group Holdings Limited • USP Group Limited	• Unionmeat (Singapore) Limited

DIRECTORS' **STATEMENT**

For the Financial Year ended 31 December 2016

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Ziwo Holdings Ltd. (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2016 and the statement of financial position of the Company as at 31 December 2016.

1 Opinion of the Directors

(a) the statement of financial position of the Company and the consolidated financial statements of the Group as set out on pages 42 to 76 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2016 and of the financial performance, changes in equity and cash flows of the Group for the financial year then ended; and

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

2 Directors

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

Ting Chun Yuen	(Executive Chairman and Chief Executive Officer)
Soh Beng Keng	(Lead Independent Director)
Lim Heng Chong Benny	(Independent Director)
Ngan See Juan	(Independent Director)
Tay Wee Kwang	(Non-Executive Director) (appointed on 3 April 2017)

3 Arrangements to Enable Directors to Acquire Shares and Debentures

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

4 Directors' Interests in Shares and Debentures

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

	Holdings registered in the name of director			Holdings in which director is deemed to have an interest		
Name of director	**As at 1.1.2016**	**As at 31.12.2016**	**As at 21.01.2017**	**As at 1.1.2016**	**As at 31.12.2016**	**As at 21.01.2017**
The Company						
Number of ordinary shares						
Ting Chun Yuen	850,000	850,000	850,000	153,079,920	153,079,920	132,171,520
Soh Beng Keng	200,000	200,000	200,000	–	–	–
Lim Heng Chong Benny	200,000	200,000	200,000	–	–	–
Ultimate and Immediate Holding Company - Sky Upright Holdings Limited						
Number of ordinary shares						
Ting Chun Yuen	1	1	1	–	–	–

DIRECTORS' **STATEMENT**

For the Financial Year ended 31 December 2016

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

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

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

5 Directors' Contractual Benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in the notes to the financial statements. Certain directors also received remuneration from related corporations in their capacities as directors and/or executives of those related corporations.

6 Options Granted

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

7 Options Exercised

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

8 Options Outstanding

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

9 Audit Committee

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

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

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

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

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

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

DIRECTORS' **STATEMENT**

For the Financial Year ended 31 December 2016

9 Audit Committee (cont'd)

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

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

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

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

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

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

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

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

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

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

10 Independent Auditors

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

On behalf of the Board of Directors,

TING CHUN YUEN
Director

SOH BENG KENG
Director

7 April 2017

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Ziwo Holdings Ltd.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ziwo Holdings Ltd. (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 42 to 76.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matters	How the matter was addressed in the audit
Impairment of trade receivables Trade receivables constituted 28.29% of the total assets of the Group. Management performed an impairment assessment on the outstanding trade receivables. The impairment assessment requires the exercise of significant judgement about the debtors' financial position and payment history. The key assumptions to the impairment assessment and the aging of those trade and other receivables are disclosed in Note 3(a) and Note 14 respectively.	Our audit procedures focused on evaluating management's impairment assessment of those receivables. These procedures include: ● Assess the design and implementation of the Group's internal control in relation to the revenue and collection cycle, particularly the controls over receivables collection; ● Test the accuracy and completeness of debtors aging as at 31 December 2016 used by management to identify long outstanding receivables; ● Evaluate supporting information on debtors' financial position and payment history and challenge management on the identification of impaired trade receivables; and ● Evaluate management's correspondences and legal letters issued to overdue debtors.

INDEPENDENT **AUDITOR'S REPORT**

To the Shareholders of Ziwo Holdings Ltd.

Key Audit Matters (cont'd)

Key Audit Matters	How the matter was addressed in the audit
Impairment assessment on property, plant and equipment ("PPE") and land use rights As at 31 December 2016, the carrying amount of the Group's PPE and land use right constituted 20.28% and 13.24% of the total assets of the Group. Management is required to assess at the end of each reporting period whether there is any indication that the PPE and land use rights may be impaired. The recoverable amount of PPE and land use rights were determined using both fair value less cost of disposal and value in use, both of which involves significant judgments and estimations by management. The key assumptions to the impairment assessment of PPE and land use rights are disclosed in Note 3(a).	Our audit procedures focused on evaluating and challenging the key assumptions used by management in the impairment assessment of the property, plant and equipment and land use rights. Where the recoverable amount was determined using fair value less cost of disposals by an external valuer, our procedures include: ● Evaluate the competency of the external professional valuer with regards to the independence and experience; and ● Assess the valuation methodology used for appropriateness and verifying the key inputs to the valuation computation. When the fair value less cost of disposal is not available, the recoverable amount was determined via value in use, our audit procedures include: ● Assess the accuracy of the computation of the discounted cash flows; ● Evaluate the assumptions underpinning the future cash flows; and ● Evaluate the discount rate used for reasonableness.
Impairment assessment on investment in subsidiaries As at 31 December 2016, the carrying amount of the Company's investment in subsidiaries constituted 53.60% of the total assets of the Company. Management is required to assess at the end of each reporting period whether there is any indication that the investment in subsidiary may be impaired. If any such indication exists, the management shall estimate the recoverable amount of the asset. The determination of the recoverable amount of the investment in subsidiaries requires management to make significant estimates on the expected fair value less cost to sell for the subsidiaries. The estimates included the assessment of the expected realisable amounts of the net assets of the subsidiaries. The key assumptions to the impairment assessment of investment in subsidiaries are disclosed in Note 3(a).	Our audit procedures include: ● Assess the accuracy of management's computation of the recoverable amount to determine the impairment loss; and ● Challenge management assumptions on the expected price for the realisability of the underlying assets of the subsidiaries.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Ziwo Holdings Ltd.

Key Audit Matters (cont'd)

Key Audit Matters	How the matter was addressed in the audit
Trade receivables settlement During the financial year, the Group received machineries from two customers to satisfy the payment of receivable. The valuation of machineries received for receivables settlement requires significant management judgement in applying the appropriate valuation methodology and determine the key assumptions used in the valuation methodology. The key assumptions for the trade receivables settlement are disclosed in Note 3(a).	Our audit procedures focused on evaluating and challenging the key assumptions used by management in the valuation of the machinery received which includes: ● Evaluate management's assessment on the remaining useful life of the machineries which includes assessment of the wear and tear of the critical parts of the machineries; ● Consider the competency of the internal valuation personnel with regards to the number of years of experience in the relevant industry and experience in handling similar machineries; and ● Assess management's computation of the fair value of the machineries using the expected remaining useful life in comparison to the selling price of the similar new machinery from an external vendor.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Directors' Statement, Corporate Governance Report and Operations and Financial Review (but does not include the financial statements and our auditor's report thereon) which we obtained prior to the date of this auditor's report, the other sections of the Annual Report are expected to be made available to us after date of this auditor's report.

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

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

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

INDEPENDENT **AUDITOR'S REPORT**

To the Shareholders of Ziwo Holdings Ltd.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Ziwo Holdings Ltd.

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Mr Su Chun Keat.

RT LLP
Public Accountants and
Chartered Accountants

Singapore, 7 April 2017

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

For the Financial Year ended 31 December 2016

	Note	**2016** **RMB'000**	2015 RMB'000 (restated)
Continuing operation			
Revenue	4	**43,191**	61,172
Cost of sales		**(42,482)**	(54,210)
Gross profit		**709**	6,962
Other income	5	**2,603**	647
Selling and distribution expenses		**(6,774)**	(11,020)
Administrative expenses		**(9,908)**	(9,650)
Other operating expenses		**(126,536)**	(48,180)
Loss before taxation	6	**(139,906)**	(61,241)
Income tax credit	7	**–**	1,347
Loss from continuing operation, net of tax		**(139,906)**	(59,894)
Discontinued operations			
Loss from discontinued operations, net of tax	8	**(15,320)**	(221,859)
Loss for the year, representing total comprehensive loss for the year		**(155,226)**	(281,753)
Basic and diluted loss per share (RMB cents)	9	**(41.54)**	(76.10)
- From continuing operation (RMB cents per share)		**(37.44)**	(16.18)
- From discontinued operations (RMB cents per share)		**(4.10)**	(59.92)

The accompanying notes form an integral part of these financial statements.

STATEMENT OF **FINANCIAL POSITION**

As at 31 December 2016

	Note	Group		Company	
		2016	2015	**2016**	2015
		RMB'000	RMB'000	**RMB'000**	RMB'000
ASSETS					
Non-Current Assets					
Land use rights	10	**14,107**	49,029	**–**	–
Property, plant and equipment	11	**21,607**	94,677	**–**	–
Subsidiaries	12	**–**	–	**41,908**	137,078
		35,714	143,706	**41,908**	137,078
Current Assets					
Inventories	13	**6,032**	9,259	**–**	–
Trade and other receivables	14	**60,946**	66,923	**36,251**	36,251
Other current assets	15	**1,074**	175	**–**	–
Cash and cash equivalents	16	**2,798**	35,880	**34**	346
		70,850	112,237	**36,285**	36,597
Total Assets		**106,564**	255,943	**78,193**	173,675
EQUITY AND LIABILITIES					
Equity					
Share capital	17	**185,637**	185,637	**185,637**	185,637
Statutory reserve	18	**42,794**	42,794	**–**	–
(Accumulated losses)/Retained earnings		**(142,433)**	12,793	**(127,453)**	(29,838)
		85,998	241,224	**58,184**	155,799
Current Liabilities					
Trade and other payables	19	**20,280**	14,433	**20,009**	17,876
Current tax payable		**286**	286	**–**	–
		20,566	14,719	**20,009**	17,876
Total Liabilities		**20,566**	14,719	**20,009**	17,876
Total Equity and Liabilities		**106,564**	255,943	**78,193**	173,675

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

For the Financial Year ended 31 December 2016

	Attributable to equity holders of the Company			
	Share capital	**Statutory reserve**	**Retained earnings**	**Total equity**
	RMB'000	**RMB'000 (Note 18)**	**RMB'000**	**RMB'000**
Balance at 1 January 2015	183,268	42,794	294,546	520,608
Loss for the year, representing total comprehensive loss for the year	–	–	(281,753)	(281,753)
Transactions with owners, recognised directly in equity				
Issue of shares under Share Award Scheme	2,369	–	–	2,369
Balance at 31 December 2015	185,637	42,794	12,793	241,224
Balance at 1 January 2016	185,637	42,794	12,793	241,224
Loss for the year, representing total comprehensive loss for the year	–	–	(155,226)	(155,226)
Balance at 31 December 2016	185,637	42,794	(142,433)	85,998

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF **CASH FLOWS**

For the Financial Year ended 31 December 2016

	2016	2015
	RMB'000	RMB'000 (restated)
Cash Flows from Operating Activities		
Loss before tax from continuing operation	**(139,906)**	(61,241)
Loss before tax from discontinued operations	**(15,320)**	(222,594)
Loss before tax, total	**(155,226)**	(283,835)
Adjustments for:		
Interest income	**(53)**	(745)
Depreciation of property, plant and equipment	**6,459**	9,443
Share award expenses	**–**	2,369
Amortisation of land use rights	**565**	577
Know-how written off	**–**	8,500
Allowance for impairment of land used rights	**34,357**	–
Allowance for impairment of property, plant and equipment	**74,724**	48,961
Allowance for impairment on inventories	**1,396**	1,283
Property, plant and equipment written off	**73**	–
Bad debts written off	**4,213**	3,719
Reversal of impairment on trade receivables	**(4,136)**	–
Loss on disposal of property, plant and equipment	**1,187**	1,316
Allowance for impairment loss of trade and other receivables	**22,273**	18,104
Operating cash outflows before working capital changes	**(14,168)**	(190,308)
Changes in working capital		
Inventories	**1,832**	2,880
Trade and other receivables (Note A)	**(18,688)**	(15,912)
Other current assets	**(899)**	8,502
Trade and other payables	**5,849**	317
Cash used in operations	**(26,074)**	(194,521)
Interest received	**53**	745
Income tax paid	**–**	(1,804)
Net cash flows used in operating activities	**(26,021)**	(195,580)
Cash Flows from Investing Activities		
Purchase of property, plant and equipment (Note A)	**(7,136)**	(2,211)
Refund of deposit for purchase of investment	**–**	100,000
Proceeds from disposal of property, plant and equipment	**75**	310
Net cash flows (used in)/generated from investing activities	**(7,061)**	98,099
Net decrease in cash and cash equivalents	**(33,082)**	(97,481)
Cash and cash equivalents at beginning of year	**35,880**	133,361
Cash and cash equivalents at end of year	**2,798**	35,880

Note A - During the financial year, the Group has received machineries from two customers to satisfy the payment of receivables amounting to approximately RMB 2,313,000.

The accompanying notes form an integral part of these financial statements.

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

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

1 General

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

The Company is domiciled in the Republic of Singapore and its registered office is located at 8 Robinson Road, #13-30 ASO Building, Singapore 048544. The principal place of business of the Company is located at Western Section, Qingmeng Zone, Economy and Technology Development Zone, Quanzhou City, Fujian Province, the People's Republic of China (the "PRC").

The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiaries are disclosed in Note 12.

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

The 30D Terylene filament yarn business segment was discontinued in FY2015, whereas sandwich mesh business segment was discontinued during the financial year.

The financial statements of the Company and of the Group for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

2 Summary Significant Accounting Policies

(a) Basis of Preparation

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

2 Summary Significant Accounting Policies (cont'd)

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

On 1 January 2016, the Group adopted the new or amended FRS and interpretation of FRS ("INT FRS") that are mandatory for application for the financial year.

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

(c) FRS Issued But Not Yet Effective

The following are the new and amended Standard and Interpretations that are applicable to the Group for the accounting periods beginning on or after 1 January 2017 and which the Group has not early adopted:

Effective for annual periods beginning on or after 1 January 2017

- Amendments to FRS 7 Statement of Cash Flows: Disclosure Initiative
- Amendments to FRS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

Effective for annual periods beginning on or after 1 January 2018

- Amendments to FRS 115 : Clarifications to FRS 115 Revenue from Contracts with Customers
- FRS 109 - Financial Instruments
- Amendments to FRS 102 - Classification and Measurement of Share-based Payment Transactions
- Amendments to FRS 40 - Transfers of Investment Property

Effective for annual periods beginning on or after 1 January 2019

- FRS 116 - Leases

FRS 115 – *Revenue from Contracts with Customers*

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer (i.e., when performance obligations are satisfied).

Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

2 Summary Significant Accounting Policies (cont'd)

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

FRS 109 – *Financial Instruments*

FRS 109 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in FRS 39. The approach in FRS 109 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets, and enables companies to reflect their risk management activities better in their financial statements, and, in turn, help investors to understand the effect of those activities on future cash flows. FRS 109 is principle-based, and will more closely align hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

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

(d) Consolidations

The financial statements of the Group include the financial statements of the Company and its subsidiaries made up to the end of the financial year. Information on its subsidiaries is given in Note 12.

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

(e) Business combination

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

2 Summary Significant Accounting Policies (cont'd)

(e) Business combination (cont'd)

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

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

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

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

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

(f) Property, Plant and Equipment and Depreciation

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

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

2 Summary Significant Accounting Policies (cont'd)

(f) Property, Plant and Equipment and Depreciation (cont'd)

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

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

(g) Financial Assets

Initial measurement

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

Classification

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

Recognition and derecognition

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

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

Subsequent measurement

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

Impairment

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

2 Summary Significant Accounting Policies (cont'd)

(g) Financial Assets (cont'd)

Effective interest method

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

(h) Financial Liabilities

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

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

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

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

(i) Subsidiaries

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

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

2 Summary Significant Accounting Policies (cont'd)

(j) Inventories

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

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

(k) Share Capital

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

(l) Cash and Cash Equivalents

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

(m) Dividends

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

(n) Provisions

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

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

(o) Income Taxes

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

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

2 Summary Significant Accounting Policies (cont'd)

(o) Income Taxes (cont'd)

Deferred income tax is measured:

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

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

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

(p) Employee Benefits

Retirement benefits scheme

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

(q) Impairment of Non-Financial Assets

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

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

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

2 Summary Significant Accounting Policies (cont'd)

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

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

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

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

(r) Segments Reporting

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

(s) Revenue Recognition

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

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

(t) Foreign Currencies

Functional and presentation currency

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

Transactions and balances

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

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

2 Summary Significant Accounting Policies (cont'd)

(t) Foreign Currencies (cont'd)

Transactions and balances (cont'd)

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

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

(u) Land Use Rights

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

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

(v) Research and Development

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

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

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

(w) Non-current assets (or disposal groups) held-for-sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held-for-sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

2 Summary Significant Accounting Policies (cont'd)

(w) Non-current assets (or disposal groups) held-for-sale and discontinued operations (cont'd)

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held-for-sale and:

i) represents a separate major line of business or geographical area of operations;

ii) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

iii) is a subsidiary acquired exclusively with a view to resale.

3 Critical accounting judgements and key sources of estimation uncertainty

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

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

(a) Key sources of estimation uncertainty

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

Property, plant and equipment and land use rights are depreciated/amortised on a straight-line basis over their estimated useful lives. Management estimates the useful lives of property, plant and equipment and land use rights to be within 5 to 30 years and 43 to 50 years respectively. The carrying amount of the Group's property, plant and equipment and the land use rights as at 31 December 2016 are approximately RMB 21,607,000 (2015: RMB 94,677,000) and RMB 14,107,000 (2015: RMB 49,029,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation/amortisation charges could be revised.

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

As at 31 December 2016, the carrying amount of the Group's property, plant and equipment and land use rights amounted to RMB 21,607,000 (2015: RMB 94,677,000) and RMB 14,107,000 (2015: RMB 49,029,000) respectively.

The recoverable amounts of the property, plant and equipment and land use rights can be affected by factors which are largely beyond the control of the Group, for example; stability of the industry and market demand; technical, technological, commercial and other types of obsolescence; actions by competitors or potential competitors; and changes in the legal and other regulatory framework. The estimated recoverable amounts are determined based on fair value less costs to sell, which are either based on (i) recognised valuation techniques based on cost approach using unobservable inputs applied by an independent valuer or (ii) market approach considering recently transacted prices paid for similar assets. When the fair value less cost to sell is not available, management estimates the recoverable amount based on value in use. The recoverable amounts of the property, plant and equipment could change significantly as a result of changes in the assumptions used in determining the market value.

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

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

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

Impairment of non-financial assets – property, plant & equipment and land use rights (cont'd)

During the financial year ended 31 December 2016, the Group recognised impairment loss on property, plant and equipment and land use rights of RMB 74,724,000 (2015: RMB 48,961,000) and RMB 34,357,000 (2015:RMB Nil) as disclosed in Note 11 and Note 10 respectively.

Write-down of inventories

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

During the financial year ended 31 December 2016, the Group recognised write-down of inventories of approximately RMB 1,396,000 (2015: RMB 1,283,000). The carrying amount of inventories of the Group as at 31 December 2016 was RMB 6,032,000 (2015: RMB 9,259,000) (Note 13).

Impairment of investment in subsidiaries

As at 31 December 2016, carrying amount of the Company's investments in subsidiaries amounted to RMB 41,908,000 (2015: RMB 137,078,000).

An impairment allowance of RMB 98,270,000 (2015: RMB 3,100,000) was recognised as at 31 December 2016 for an investment in subsidiaries. The estimates of the recoverable amount of the investment have been determined by management based on the net realisable value of the net assets of the subsidiaries as at 31 December 2016, which approximates the recoverable amount of the investment in subsidiaries. The impairment loss had no impact on the Group's consolidated financial statements.

Impairment of trade and other receivables

Allowance for impairment of trade and other receivables are based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgment and estimates. Where the expected outcome is different from the original estimate, such difference will impact the carrying value of trade and other receivables and allowance for impairment loss in the period in which such estimate has been changed. During the financial year ended 31 December 2016, the Group recognised allowances for impairment of trade and other receivables of approximately RMB 22,273,000 (2015: RMB 18,104,000). The carrying amount of trade and other receivables of the Group as at 31 December 2016 is approximately RMB 60,946,000 (2015: RMB 66,923,000) (Note 14).

Trade receivable settlement in kind

During the financial year, the Group received machineries from two customers to satisfy the payment of receivable, the amount outstanding from the customers were RMB 2,313,000.

The estimates of the recoverable amount of the machineries have been determined by the management based on the net realisable value of the machineries which apparently equivalent to the fair value less cost to sell of the machineries.

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

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

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

Income tax

The Group has exposure to income taxes arising from their operations in the PRC. Significant judgment is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group has recognised income tax credit of approximately RMB Nil (2015: RMB 2,082,000) for the financial years ended 31 December 2016. The carrying amounts of the Group's current income tax liabilities as at 31 December 2016 are approximately RMB 286,000 (2015: RMB 286,000).

4 Revenue

	Group	
	2016	2015
	RMB'000	RMB'000
		(restated)
Sale of goods	**43,191**	61,172

5 Other Income

	Group	
	2016	2015
	RMB'000	RMB'000
		(restated)
Sale of scrap materials	**102**	165
Interest income	**47**	482
Reversal of impairment loss on trade receivables	**2,442**	–
Government grant	**12**	–
	2,603	647

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

6 Loss before Taxation from continuing operation

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

	Group	
	2016	2015
	RMB'000	RMB'000 (restated)
Included in cost of sales:		
- Cost of inventories sold	**37,102**	43,590
- Depreciation of property, plant and equipment	**3,860**	4,543
Included in selling and distribution expenses:		
- Depreciation of property, plant and equipment	**154**	159
- Other research and development expenses	**1,853**	6,859
- Operating lease expense	**73**	54
- Transportation fees	**1,945**	1,362
Included in administrative expenses:		
- Depreciation of property, plant and equipment	**279**	1,247
- Amortisation of land use rights	**505**	373
- Audit fees - Company's auditors	**450**	500
- Audit fees - Other auditors	**62**	90
Included in other operating expenses:		
- Allowance for impairment loss of property, plant and equipment	**70,327**	–
- Allowance for impairment loss of trade and other receivables	**12,602**	11,988
- Write-down of inventories	**917**	32
- Tax penalty	**–**	25,248
- Penalty on non-development of land	**2,930**	–
- Late delivery compensation	**–**	4,687
- Prepaid know-how written off	**–**	4,000
- Bad debts written off	**4,213**	180
- Loss on disposal of property, plant and equipment	**1,187**	1,312
Included in other income		
- Reversal of doubtful debt	**2,442**	–
Staff costs (including directors' remuneration):		
- Directors' fees	**526**	363
- Salaries, defined contribution plan and other related costs		
- Directors	**1,180**	1,084
- Key management personnel (other than directors)	**743**	446
- Other than directors and key management personnel	**5,623**	6,704

There were no non-audit fees paid to the Company's external auditors for the financial years ended 31 December 2016 and 31 December 2015.

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

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

7 Income Tax Credit

	Group	
	2016	2015
	RMB'000	RMB'000 (restated)
Current income tax on profit arising from operations in the PRC		
- From continuing operation	**–**	–
- From discontinued operations	**–**	–
	–	–
Deferred tax liability		
- From continuing operation	**–**	(1,482)
- From discontinued operations	**–**	(809)
	–	(2,291)
Underprovision of income tax in prior financial year		
- From continuing operation	**–**	135
- From discontinued operations	**–**	74
	–	209
Total income tax credit	**–**	(2,082)

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

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

	Group	
	2016	2015
	RMB'000	RMB'000 (restated)
Loss before income tax from:		
Continuing operation	**(139,906)**	(61,241)
Discontinued operations	**(15,320)**	(222,594)
	(155,226)	(283,835)
Tax at applicable income tax rate	**(38,807)**	(70,959)
Non-deductible expenses	**27,507**	9,931
Effect of unutilised tax losses not recognised as deferred tax assets	**3,491**	60,788
Effect of different tax rate	**7,809**	240
Reversal of deferred tax liability	**–**	(2,291)
Underprovision of income tax in prior financial year	**–**	209
	–	(2,082)

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

7 Income Tax Expense (cont'd)

The PRC subsidiaries are taxed on 25% (2015: 25%) for the financial year ended 31 December 2016. The corporate income tax rate applicable to the Company is 17% (2015: 17%) for the financial year ended 31 December 2016.

Subject to agreement with the relevant tax authorities, subsidiaries of the Group, Zhihe (Fujian) Technology Co., Ltd, Ziwo (Fujian) Import and Export Trading Co., Ltd and Quanzhou Yi Xiang Textile Co., Ltd have unutilised tax losses of approximately RMB 253,078,000 (2015: RMB 239,114,000) which are available for offset against future taxable profits provided that the provisions of the PRC tax legislation are complied with. The related deferred tax benefits of approximately RMB 63,270,000 (2015: RMB 59,779,000) arising from the unutilised tax losses have not been recognised in the financial statements in accordance with Note 2(o) to the financial statements.

8 Discontinued operations

The sandwich mesh business segment was discontinued during the financial year ended 31 December 2016 (2015: 30D Terylene Filament Yarn).

In accordance with FRS 105, the non-current asset (or disposal group) to be abandoned not classified as held-for-sale but its entire results are presented separately on the statement of comprehensive income as "Discontinued operations".

The results of the discontinued operations and the re-measurement of the Group are as follows:

	Group	
	2016	2015
	RMB'000	RMB'000
		(restated)
Revenue	**6,679**	33,375
Cost of sales	**(8,055)**	(33,232)
Segment results	**(1,376)**	143
Income and expenses allocated between segment	**(13,944)**	(222,737)
Loss before tax from discontinued operations	**(15,320)**	(222,594)
Tax allocated between segment	**–**	735
Loss after tax from discontinued operations	**(15,320)**	(221,859)

Loss after tax from discontinued operations represents the loss from 30D terylene filament yarn and sandwich mesh business segment after adjusted for unallocated expenses and income tax expenses. Unallocated expenses represent corporate expenses including central administrative expenses, transportation, entertainment and research and development expenses. Income tax expenses cannot be allocated between segments.

Information on 30D terylene filament yarn and sandwich mesh business segment are given in Note 22 and certain common expenses have been allocated to 30D terylene filament yarn and sandwich mesh business segment to reflect the actual results.

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

8 Discontinued operations (cont'd)

The impact of the discontinued operations on the cash flows of the Group is as follows:

	Group	
	2016	2015
	RMB'000	RMB'000 (restated)
Operating activity	**(3,888)**	(157,820)
Investing activity	**–**	35,300
Financing activity	**–**	–
Net cash outflows	**(3,888)**	(122,520)

9 Loss per Share

	Group	
	2016	2015
	RMB'000	RMB'000 (restated)
Continuing operation		
Net loss for the financial year attributable to equity holders of the Company (RMB'000)	**(139,906)**	(59,894)
Weighted average number of ordinary shares in issue during the financial year for the computation of basic earnings per share and diluted earnings per share (in'000)	**373,717**	370,247
Basic and diluted loss per share (RMB cents)	**(37.44)**	(16.18)
Discontinued operations		
Net loss for the financial year attributable to equity holders of the Company (RMB'000)	**(15,320)**	(221,859)
Weighted average number of ordinary shares in issue during the financial year for the computation of basic earnings per share and diluted earnings per share (in'000)	**373,717**	370,247
Basic and diluted loss per share (RMB cents)	**(4.10)**	(59.92)
Total basic and diluted loss per share	**(41.54)**	(76.10)

(a) Basic loss per share

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

(b) Diluted loss per share

The Group did not have any dilutive potential shares for the financial year ended 31 December 2016 and 2015.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

9 Loss per Share (cont'd)

On 16 February 2017, the acquisition of 45% of the paid-up share capital of Estar Investments Pte Ltd was completed and 63,800,000 ordinary shares were issued for the acquisition. The number of ordinary shares outstanding at the end of the reporting period will be changed significantly from 373,717,184 shares to 437,517,184 shares if the acquisition had occurred before end of the reporting period.

10 Land Use Rights

	Land use rights RMB'000
Group	
Cost	
At 1 January 2015, 31 December 2015 and 31 December 2016	51,390
Accumulated amortisation	
At 1 January 2015	1,784
Amortisation charge	577
At 31 December 2015	2,361
Amortisation charge	565
Impairment loss	34,357
At 31 December 2016	37,283
Net book value	
At 31 December 2016	14,107
At 31 December 2015	49,029

The Group has land use rights over certain plots of land in the PRC. The land use rights have a remaining tenure of 38 to 44 years (2015: 39 to 45 years) as at 31 December 2016.

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

During the financial year, the Group carried out a review on the recoverable amount of the land use rights due to the indicators for impairment on land use rights have been deployed in the Company's PRC subsidiaries that continuously experiencing declined in revenue and losses. The review of the recoverable amounts of the land use rights was based on their fair value less costs to sell as at 31 December 2016. An impairment loss on land use rights of approximately RMB 34,357,000 (2015: RMB Nil) was recognised in the profit or loss based on the valuation report produced by Quanzhou Zhongtian Zichan Pinggu Co., Ltd., an independent firm of professional valuers, who have appropriate recognised professional qualification and recent experience in the location and category of property, plant and equipment being valued. The fair value was primarily determined based on fair value measurement category within level 3.

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

11 Property, Plant and Equipment

	Leasehold Building RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Group					
Cost					
At 1 January 2015	80,303	130,044	729	2,391	213,467
Additions	–	1,845	13	353	2,211
Disposals	–	(2,231)	–	(179)	(2,410)
At 31 December 2015	80,303	129,658	742	2,565	213,268
Additions	–	9,449	–	–	9,449
Disposals	–	(2,737)	(30)	(1,243)	(4,010)
Write-off	–	–	–	(451)	(451)
At 31 December 2016	80,303	136,370	712	871	218,256
Accumulated depreciation and impairment losses					
At 1 January 2015	11,509	47,044	604	1,814	60,971
Depreciation charge	2,890	6,103	44	406	9,443
Disposals	–	(619)	–	(165)	(784)
Impairment	–	48,961	–	–	48,961
At 31 December 2015	14,399	101,489	648	2,055	118,591
Depreciation charge	2,702	3,606	25	126	6,459
Disposals	–	(1,540)	(27)	(1,180)	(2,747)
Impairment	47,406	27,004	66	248	74,724
Write-off	–	–	–	(378)	(378)
At 31 December 2016	64,507	130,559	712	871	196,649
Net book value					
As at 31 December 2016	15,796	5,811	–	–	21,607
As at 31 December 2015	65,904	28,169	94	510	94,677

All property, plant and equipment held by the Group are located at Western Section, Qingmeng Zone, Economy and Technology Development Zone, Quanzhou City, Fujian Province, the PRC.

During the financial year, the Group carried out a review of the recoverable amount of its property, plant and equipment due to indicators for impairment on the property, plant and equipment had been deployed in the Company's PRC subsidiaries that continuously experiencing declined in revenue and losses. The recoverable amount of the leasehold building has been determined on the basis of their fair value less cost to sell. For other assets, the recoverable amount was determined via value in use. The review led to the recognition of impairment loss of RMB 74,724,000 (2015: RMB 48,961,000) that has been recognised in the profit or loss of the year. The fair value was primarily determined based on fair value measurement category within Level 3.

The Company does not have any property, plant and equipment as at 31 December 2016 and 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

12 Subsidiaries

	Company	
	2016	2015
	RMB'000	RMB'000
Unquoted equity investments, at cost	**140,178**	140,178
Impairment allowance	**(98,270)**	(3,100)
	41,908	137,078

In view that the Company's PRC subsidiaries continued to experience declined in revenue and losses, which are indicators for impairment, the Group has carried out a review of the recoverable amount of investment in subsidiaries during the financial year. Arising from the review, the management has made an allowance of impairment loss amounting to RMB 95,170,000 (2015: RMB 1,380,000) for these loss making subsidiaries as a result of their respective recoverable amount being assessed to be less than their respective carrying amount. The recoverable amount of the investment in subsidiaries was determined on the basis of their fair value less cost of disposal. The fair value was primarily determined based on fair value measurement category within Level 3.

Movements in impairment allowance are as follow:

	Company	
	2016	2015
	RMB'000	RMB'000
As at 1 January 2016	**3,100**	1,720
Allowance of impairment loss during the year	**95,170**	1,380
As at 31 December 2016	**98,270**	3,100

Details of the Company's subsidiaries as at 31 December 2016 are as follows:

Name of subsidiary	**Place of incorporation and operation**	**Principal activities**	**Percentage of equity held**	
			2016	2015
			%	%
Directly held:				
Zhihe (Fujian) Technology Co., Ltd.	PRC	Research and development, manufacture and sale of 30D terylene filament yarn, sandwich mesh fabric, SBR and other foamed materials	**100**	100
Ziwo (Fujian) Import & Export Trading Co., Ltd.	PRC	Trading in foamed materials, textile, sports and sports accessories, garments and footwears	**100**	100
Indirectly held by Zhihe (Fujian) Technology Co., Ltd.:				
Quanzhou Yixiang Textile Co., Ltd.	PRC	Dormant company	**100**	100

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

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

13 Inventories

	Group	
	2016	2015
	RMB'000	RMB'000
At cost:		
Raw materials	**2,094**	3,342
Work-in-progress	**368**	810
Finished goods	**1,957**	1,978
	4,419	6,130
At net realisable value:		
Finished goods	**1,613**	3,129
	6,032	9,259

During the financial year ended 31 December 2016, the Group recognised write-down of inventories of approximately RMB 1,396,000 (2015: RMB 1,283,000).

14 Trade and Other Receivables

	Group		Company	
	2016	**2015**	**2016**	2015
	RMB'000	**RMB'000**	**RMB'000**	RMB'000
Trade receivables	**30,152**	33,744	**–**	–
Other receivables	**2,542**	1,739	**–**	–
Advances to suppliers	**28,252**	31,440	**–**	–
Amount due from subsidiary	**–**	–	**36,251**	36,251
	60,946	66,923	**36,251**	36,251

Trade receivables have credit terms of between 30 to 90 (2015: 30 to 90) days.

Advances to suppliers are for the purchase of plant and machinery.

15 Other Current Assets

	Group	
	2016	2015
	RMB'000	RMB'000
Prepayments	**1,074**	175

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

16 Cash and Cash Equivalents

	Group		Company	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash on hand	**30**	68	**–**	–
Cash at bank	**2,768**	35,812	**34**	346
Cash and cash equivalents	**2,798**	35,880	**34**	346

The cash at bank bears effective interest rate from 0.23% to 0.31% (2015: 0.31% to 0.44%) per annum during the financial year.

Included in the cash and cash equivalents are currency denominated in Renminbi amounting to approximately RMB 2,764,000 (2015: RMB 35,534,000) held by the PRC subsidiaries, which are not freely remissible for use by the Company because of currency exchange restrictions.

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
United States dollar	**17**	18	**17**	18
Singapore dollar	**17**	328	**17**	328
Renminbi	**2,764**	35,534	**–**	–
	2,798	35,880	**34**	346

17 Share Capital

	Group and Company			
	2016		2015	
	Number of shares	**Share Capital RMB'000**	Number of shares	Share Capital RMB'000
Balance at beginning of the year	**373,717,184**	**185,637**	358,817,184	183,268
Issue of shares	**–**	**–**	14,900,000	2,369
Balance at end of the year	**373,717,184**	**185,637**	373,717,184	185,637

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

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

18 Statutory Reserve

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

19 Trade and Other Payables

	Group		Company	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables	**–**	–	**–**	–
Other payables	**4,403**	3,817	**3,652**	2,681
Amount due to a subsidiary	**–**	–	**14,655**	13,517
Amount due to a director	**6,702**	1,678	**1,702**	1,678
Accrued operating expenses	**9,175**	8,938	**–**	–
	20,280	14,433	**20,009**	17,876

Trade payables generally have credit terms ranging from 30 to 90 (2015: 30 to 90) days.

Amount due to a director and subsidiary are unsecured, interest-free and repayable on demand.

20 Commitments

(a) Operating Lease Commitments

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

	Group	
	2016	2015
	RMB'000	RMB'000
Within one year	**14**	–
Between one to five years	**70**	–
	84	–

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

20 Commitments (cont'd)

(b) Capital Commitments

Capital expenditures contracted for purchase of property, plant and equipment at the end of the reporting period but not recognised in the financial statements are as follows:

	Group	
	2016	2015
	RMB'000	RMB'000
Within one year	**7,340**	7,340
Between one to five years	**2,220**	2,220
	9,560	9,560

21 Segments Information

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

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

21 Segments Information (cont'd)

	30D Terylene filament yarn (Discontinued)		Sandwich mesh fabric and others (Discontinued)		SBR and other foamed material		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue								
External sales	**13**	20,074	**6,666**	13,301	**43,191**	61,172	**49,870**	94,547
Segment results	**(17)**	1,269	**(1,359)**	(1,126)	**709**	6,962	**(667)**	7,105
Interest income							**53**	745
Other income							**6,381**	255
Unallocated expenses							**(160,993)**	(291,940)
Loss before taxation							**(155,226)**	(283,835)
Income tax credit							**–**	2,082
Loss after tax							**(155,226)**	(281,753)
Other information								
Capital expenditure	**–**	–	**–**	–	**3,638**	1,845	**3,638**	1,845
Depreciation of property, plant and equipment	**–**	2,956	**719**	949	**4,609**	4,543	**5,328**	8,448
Amortisation of land use rights	**35**	72	**25**	54	**112**	194	**172**	320
Allowance for impairment of trade receivables	**197**	3,436	**9,474**	2,680	**12,602**	11,988	**22,273**	18,104
Reversal on impairment of trade receivables	**(1,490)**	–	**(204)**	–	**(2,442)**	–	**(4,136)**	–
Bad debts recovered	**(1,406)**	–	**(76)**	–	**–**	–	**(1,482)**	–
Write-down of inventories	**–**	180	**479**	142	**665**	32	**1,144**	354
Late delivery compensation	**–**	–	**–**	–	**–**	4,687	**–**	4,687
Product defect claims and related expenses	**–**	134,180	**–**	–	**–**	–	**–**	134,180
Know-how written off	**–**	4,500	**–**	–	**–**	4,000	**–**	8,500
Bad debt written off	**–**	3,020	**–**	519	**4,213**	180	**4,213**	3,719
Loss on disposal of PPE	**–**	–	**–**	–	**–**	1,312	**–**	1,312
Allowance for impairment loss of land use rights	**–**	–	**–**	–	**16,198**	–	**16,198**	
Allowance for impairment loss of property, plant and equipment	**–**	42,152	**4,397**	6,809	**69,694**	–	**74,091**	48,961
Unallocated:								
Capital expenditure							**5,811**	366
Depreciation of property, plant and equipment							**1,131**	995
Allowance for impairment loss of property, plant and equipment							**633**	–
Write-down of inventories							**252**	929
Allowance for impairment loss of land use rights							**18,159**	–
Loss on disposal of PPE							**1,187**	4
Amortisation of land use rights							**393**	257

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

21 Segments Information (cont'd)

	30D Terylene filament yarn (Discontinued)		Sandwich mesh fabric and others (Discontinued)		SBR and other foamed material		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Segment assets	**1,309**	6,380	**8,782**	16,560	**37,850**	125,446	**47,943**	148,386
Property, plant and equipment	**–**	–	**532**	375	**5,268**	82,260	**5,800**	82,635
Land use rights	**1,309**	6,119	**982**	4,589	**4,282**	16,444	**6,573**	27,152
Inventories	**–**	–	**1,876**	2,457	**3,542**	2,398	**5,418**	4,855
Trade receivables	**–**	261	**5,394**	9,139	**24,758**	24,344	**30,152**	33,744
Unallocated corporate assets:								
Other current assets							**1,074**	175
Cash and cash equivalents							**2,798**	35,880
Other receivables							**30,794**	33,179
Inventories							**614**	4,404
Land use rights							**7,534**	21,877
Property, plant and equipment							**15,807**	12,042
Total assets							**106,564**	255,943
Segment liabilities	**–**	–	**–**	–	**–**	–	**–**	–
Unallocated corporate liabilities								
Income tax payable							**286**	286
Other payables							**20,280**	14,433
Total liabilities							**20,566**	14,719

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

21 Segments Information (cont'd)

	Group	
	2016	2015
	RMB'000	RMB'000
Segment assets		
Unallocated:		
Other current assets	**1,074**	175
Cash and cash equivalents	**2,798**	35,880
Other receivables	**30,796**	33,179
Inventories	**614**	4,404
Land use rights	**7,534**	21,877
Property, plant and equipment	**15,807**	12,042
	58,623	107,557

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

	Group	
	2016	2015
	RMB'000	RMB'000
Segment liabilities		
Unallocated:		
Income tax payable	**286**	286
Other payables	**20,280**	14,433
	20,566	14,719

22 Significant Related Party Transactions

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

23 Financial Risk Management

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

23 Financial Risk Management (cont'd)

(i) Market risk – currency risk

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

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

The Group's currency exposure for the financial year ended 31 December 2016 arises from the cash and cash equivalents and trade and other payables which are denominated in SGD and USD. The currency exposures of the net financial (liabilities)/assets denominated in SGD and USD are approximately (RMB 1,685,000) and RMB 17,000 respectively (2015: (RMB 2,354,000) and RMB 18,000 respectively).

Sensitivity analysis for currency risk

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

(ii) Market risk – interest rate risk

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

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

(iii) Credit risk

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

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

The Group performs on-going credit evaluation of its customers' financial position. The concentration of credit risk from the Group's trade receivables is 16% (2015: 22%), comprising 5 (2015: 5) customers as at 31 December 2016.

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

23 Financial Risk Management (cont'd)

(iii) Credit risk (cont'd)

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired amounting to approximately RMB 43,638,000 (2015: RMB 52,783,000) are creditworthy companies with good payment record with the Group. Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit ratings and no history of default.

Financial assets that are past due but not impaired

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

The age analysis of trade and other receivables past due at the end of the reporting period but not impaired is as follows:

	Group	
	2016	2015
	RMB'000	RMB'000
Past due within 30 days	**3,200**	3,460
Past due 31 to 90 days	**6,949**	10,680
	10,149	14,140

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

The carrying amount of trade and other receivables individually determined to be impaired at the end of reporting period and the movement in the related allowance for impairment is as follows:

	Group	
	2016	2015
	RMB'000	RMB'000
Trade and other receivables-nominal amounts	**37,649**	19,512
Less: Allowance for impairment	**(37,649)**	(19,512)
	–	–
Movement in allowance accounts:		
As at beginning of the year	**19,512**	1,408
Charge for the year	**22,273**	18,104
Reversal of impairment on trade receivables	**(4,136)**	–
As at end of the year	**37,649**	19,512

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

23 Financial Risk Management (cont'd)

(iii) Credit risk (cont'd)

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

The Company's exposure to credit risk arises largely from the amount due from subsidiary as disclosed in Note 14.

(iv) Liquidity risk

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

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

Financial assets are due within one year.

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

24 Fair Value of Financial Instruments

For financial reporting purpose, fair value measurement are categorised into level 1, 2 or 3 based on the degree to which inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety.

The table below analyses the fair value of the Group's assets that are measured at fair value. The different levels are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted price included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Group				
2016				
Assets				
Property, plants and equipment	–	–	15,796	15,796
Land use rights	–	–	14,107	14,107
			29,903	29,903

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

25 Capital Management

The Group's objectives when managing capital are:

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

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

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

(d) To provide an adequate return to shareholders.

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

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

As disclosed in Note 18, the Group's subsidiaries in the PRC are required to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the relevant subsidiaries for the financial year ended 31 December 2016 and financial year ended 31 December 2015. The Group is not subject to any other externally imposed capital requirement for the financial year ended 31 December 2016 and financial year ended 31 December 2015.

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

	Group	
	2016	2015
	RMB'000	RMB'000
Trade and other payables	**20,280**	14,433
Less: Cash and cash equivalents (Note 16)	**(2,798)**	(35,880)
Net debt/(cash)	**17,482**	(21,447)
Equity attributable to owners of the Company	**85,998**	241,224
Capital and net debt	**103,480**	219,777
Gearing ratio	**20.33%**	N.m

N.m: Not meaningful

26 Events after the Reporting Period

On 16 February 2017, the acquisition of 45% of the paid-up share capital of Estar Investments Pte. Ltd ("Estar") was completed. The consideration shares of 63,800,000 ordinary shares was issued and allotted and representing 14.58% of the enlarged share capital of the Company. Following with the acquisition, the total issued and paid-up shares of the Company increased from 373,717,184 shares to 437,517,184 shares.

On 29 March 2017, the company has announced that a subsidiary of Estar, E-star Electric Technology Co., Ltd ("Beijing E-star") will build 160 charging stations for electric vehicles in China's Huizhou city through a strategic collaboration with a Chinese property developer, Tai Yu Realty ("Tai Yu"). Both Beijing E-star and Tai Yu have agreed to work together to set up charging stations for Tai Yu's other residential developments and future projects in China.

STATISTICS OF **SHAREHOLDINGS**

As at 30 March 2017

NO. OF SHARES ISSUED	:	437,517,184
CLASS OF SHARES	:	ORDINARY SHARES
VOTING RIGHTS	:	ONE VOTE PER SHARE
NO. OF TREASURY SHARES	:	NIL
NO. OF SUBSIDIARY HOLDINGS[1]	:	NIL
PERCENTAGE OF TREASURY SHARES AND SUBSIDIARY HOLDINGS[2]	:	NIL

Note:

(1) "Subsidiary Holdings" means any Issued Shares of the Company held by its subsidiaries (as referred to in the Companies Act, Chapter 50 of Singapore).

(2) Percentage calculated against the total number of Issued Shares (excluding Treasury Shares and Subsidiary Holdings)

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	1	0.09	98	0.00
100 - 1,000	47	4.27	25,101	0.01
1,001 - 10,000	225	20.46	1,505,600	0.34
10,001 - 1,000,000	781	71.00	75,013,001	17.15
1,000,001 AND ABOVE	46	4.18	360,973,384	82.50
TOTAL	**1,100**	**100.00**	**437,517,184**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	SKY UPRIGHT HOLDINGS LIMITED	79,079,920	18.07
2	PHILLIP SECURITIES PTE LTD	56,034,864	12.81
3	TAY WEE KWANG	32,509,000	7.43
4	KOO AH SEANG	17,744,200	4.06
5	UOB KAY HIAN PTE LTD	17,564,600	4.01
6	HONG JIANCHUN	11,991,200	2.74
7	LOO SONG PHEOW	11,227,900	2.57
8	LIAO JIAN QIN	10,415,800	2.38
9	LIM TIONG KHENG STEVEN	10,000,000	2.28
10	CIMB SECURITIES (SINGAPORE) PTE LTD	8,592,000	1.96
11	OCBC SECURITIES PRIVATE LTD	8,471,700	1.94
12	LOH SONG QUEE	7,800,000	1.78
13	LIM HWAI ENG	6,100,000	1.39
14	CHUA SOO HUAN LINDA	6,000,000	1.37
15	EESTI GLOBAL PTE LTD	5,062,000	1.16
16	YONG HENG CHOE	4,801,000	1.10
17	AU-YEUNG TIN WAH	4,760,000	1.09
18	RAFFLES NOMINEES (PTE) LTD	4,120,000	0.94
19	BOON SU YIN MARIE	3,983,000	0.91
20	TAY AH KEE	3,800,000	0.87
	TOTAL	**310,057,184**	**70.86**

STATISTICS OF **SHAREHOLDINGS**

As at 30 March 2017

Substantial Shareholders

		Direct Interest		Deemed Interests	
No.	**Name**	**No. of shares held**	**%**	**No. of shares held**	**%**
1.	Sky Upright Holdings Limited[1]	79,079,920	18.07	–	–
2.	Ting Chun Yuen[1]	–	–	79,079,920	18.07
3.	Tay Wee Kwang	32,509,000	7.43	–	–
4.	Hoi Cheng Pan[2]	–	–	49,802,864	11.38

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

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

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

As at 30 March 2017, 63.03% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST which requires 10% of the equity securities excluding treasury shares (excluding preference shares and convertible equity securities) in a class that is listed to be in the hands of the public.

NOTICE OF **ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Ziwo Holdings Ltd. (the "**Company**") will be held at Meeting Room 305, Level 3 Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593 on Thursday, 27 April 2017 at 3.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

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

2. To approve the payment of Directors' fees of S$125,000 for the financial year ending 31 December 2017, to be paid quarterly in arrears. (2016: S$125,000) **(Resolution 2)**

3. To re-elect Mr Lim Heng Chong Benny being a Director who is retiring pursuant to Article 91 of the Constitution of the Company, and who, being eligible, is offering himself for re-election.

   [See Explanatory Note (i)] **(Resolution 3)**

4. To note the retirement of Mr Ngan See Juan as a Director who is retiring pursuant to Article 91 of the Constitution of the Company.

5. To re-elect Mr Tay Wee Kwang being a Director who is retiring pursuant to Article 97 of the Constitution of the Company, and who, being eligible, is offering himself for re-election.

   [See Explanatory Note (ii)] **(Resolution 4)**

6. To re-appoint Messrs RT LLP, Public Accountants and Chartered Accountants, as the Auditors of the Company for the financial year ending 31 December 2017 and to authorise the Directors of the Company to fix their remuneration. **(Resolution 5)**

AS SPECIAL BUSINESS

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

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

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

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

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

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

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

NOTICE OF **ANNUAL GENERAL MEETING**

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

provided that:

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

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

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

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

(c) any subsequent consolidation or subdivision of shares;

(3) in exercising the Share Issue Mandate conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

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

` [See Explanatory Note (iii)] **(Resolution 6)**

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

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

[See Explanatory Note (iv)] **(Resolution 7)**

NOTICE OF **ANNUAL GENERAL MEETING**

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

By Order of the Board

Yap Lian Seng
Company Secretary

Singapore, 12 April 2017

Explanatory Notes:

(i) Resolution 3 – Mr Lim Heng Chong Benny will, upon re-election, remain as Independent Director of the Company, Chairman of the Nominating Committee, and a member of the Audit Committee and Remuneration Committee. Mr Lim will be considered independent pursuant to Rule 704(8) of the Listing Manual of the SGX-ST. Detailed information relating to Mr Lim Heng Chong Benny can be found under sections "Board of Directors" and "Corporate Governance Report" in the Company's FY2016 Annual Report. Save as disclosed, there are no relationships (including immediate family relationships) between Mr Lim Heng Chong Benny and other Directors, the Company or its 10% shareholders.

(ii) Resolution 4 – Article 97 of the Company's Constitution permits the Directors to appoint any person to be a Director either to fill a casual vacancy or as an additional Director. Any person so appointed by the Directors shall hold office only until the next Annual General Meeting and shall then be eligible for re-election, but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting. Mr Tay Wee Kwang was appointed on 3 April 2017, and is seeking re-election at the forthcoming AGM. Mr Tay Wee Kwang will, upon re-election, remain as a Non-Executive Director of the Company. Detailed information relating to Mr Tay Wee Kwang can be found under sections "Board of Directors" and "Corporate Governance Report" in the Company's FY2016 Annual Report. Save as disclosed above, there are no relationships (including immediate family relationships) between Mr Tay Wee Kwang and other Directors, the Company or its 10% shareholders.

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

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

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

Notes:

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

2. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).

3. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at 8 Robinson Road, #13-00 ASO Building, Singapore 048544 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

NOTICE OF **ANNUAL GENERAL MEETING**

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Chapter 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

PERSONAL DATA PRIVACY

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

ZIWO HOLDINGS LTD.

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

IMPORTANT:

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see Note 4).
2. For investors who have used their CPF monies to buy the Company's shares, this proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.
3 CPF Investors are requested to contact their respective Agent Banks for any queries they may have with regard to their appointment as proxies or the appointment of their Agent Banks as proxies for the Annual General Meeting.

ANNUAL GENERAL MEETING PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, _____ (Name) _____ (NRIC/Passport No.)

of _____ (Address)

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

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

and/or (delete as appropriate)

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

as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Annual General Meeting (the "**Meeting**") of the Company to be held at Meeting Room 305, Level 3 Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593 on Thursday, 27 April 2017 at 3.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

No.	**Resolutions relating to:**	**No. of votes 'For'***	**No. of votes 'Against'***
Ordinary Business			
1	To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2016 together with the Auditors' Report thereon.		
2	To approve the payment of Directors' fees of S$125,000 for the financial year ending 31 December 2017, to be paid quarterly in arrears.		
3	To re-elect Mr Lim Heng Chong Benny, a Director who retires pursuant to Article 91 of the Constitution of the Company.		
4	To re-elect Mr Tay Wee Kwang, a Director who retires pursuant to Article 97 of the Constitution of the Company.		
5	To re-appoint Messrs RT LLP as Auditors of the Company for the financial year ending 31 December 2017 and to authorise the Directors of the Company to fix their remuneration.		
Special Business			
6	Authority to issue shares		
7	Authority to grant awards and issue shares under the Ziwo Share Award Scheme		

**If you wish to exercise all your votes 'For' or 'Against', please tick (√) within the box provided. Alternatively, please indicate the number of votes as appropriate.*

Dated this _____ day _____ of 2017

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

_____

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

*Delete where inapplicable

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company (other than a Relevant Intermediary*), entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

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

4. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).

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

6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 8 Robinson Road, #13-00 ASO Building, Singapore 048544 not less than forty-eight (48) hours before the time appointed for the Meeting.

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

8. A corporation which is a member may authorize by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

   * A Relevant Intermediary is:

   (a) a banking corporation licensed under the Banking Act (Chapter 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

GENERAL:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at seventy two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 12 April 2017.



Ziwo Holdings Ltd.

Company Registration Number: 200800853Z

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Tel: (65) 63278398