China Fibretech

China Fibretech Ltd.



ANNUAL REPORT 2015

Contents

Corporate Profile	1
Letter to Shareholders	2
Group Financial Highlights	3
Business Review	4
Board of Directors	6
Corporate Information	8
Corporate Governance Report	9
Financial Contents	23
Statistics of Shareholdings	79
Notice of Annual General Meeting	81

Corporate Profile

Based in Shishi City in the Fujian Province, PRC, China Fibretech Ltd. (the "**Company**") was principally engaged in the provision of dyeing and post-processing treatment services for cotton, polyester and mixed knitted fabrics.

In April 2017, the Board of Directors of the **Company** announced that the operation of its wholly owned subsidiary, Shishi Simwa Knitting & Dyeing Co., Ltd (the "**Subsidiary**") had to be shut down due to non-compliance of sewage treatment regulation and sewage disposal without treatment made by its sewage treatment service provider, Shishi City Haitian Environmental Engineering Co., Ltd. ("Haitian").

Due to non-compliance of environmental protection and sewage treatment regulation in Shishi by Haitian, Haitian was penalised by the local authority and output of sewage from all dyeing companies in the Wubao Industrial Zone was restricted and closely monitored by the relevant authorities. Therefore, the capacity of sewage treatment service provided to the Subsidiary was reduced to 400 tonnes per day, far below the breakeven position of the Subsidiary's operation. Hence, Management decided to shut down the operation of its Subsidiary in order to contain losses.

Haitian is currently working on the improvement and upgrade of its production in order to meet the relevant regulations in Shishi, but is unable to provide date of completion at this point of time. The operation of the Subsidiary will be resumed upon compliance of relevant regulations by Haitian. Management is closely monitoring the status of Haitian and the Board will release further announcements as and when there are any developments on the above.

In the meantime, the Group is in the midst of streamlining its operations and consolidating its resources amidst challenging market conditions. With a new Board in place, the Group is charting a new course, exploring opportunities to front new drivers of growth and intensifying efforts in pursuing investment opportunities in the region to develop as a valuable and sustainable core business.

Letter to Shareholders

Dear Shareholders,

On behalf of the Board of Directors, we are pleased to present you with the Annual Report for China Fibretech Ltd. (the "Company") for the period from 1 January 2015 to 31 December 2015 ("FY2015").

We have made some positive changes to the Board and invited credible professionals into the Company to strengthen compliance and controls with the vision to inject potential quality projects into the Company.

Partners for Growth

We have signed a Memorandum of Understanding ("MOU") with Dingneng Construction (Group) Co., Ltd ("Dingneng Group") to establish a strategic partnership for infrastructure projects in Sichuan, Yunnan, Guizhou and Xinjiang provinces. We also signed a MOU with China Capital Investment Group Chengdu ("CCIG Chengdu"), a State Owned Enterprise ("SOE") to establish a strategic partnership for infrastructure investing. We warmly welcome Ningneng Group and CCIG as our two new strategic partners to help the Company strive for sustainable financial growth.

Dingneng Group

Under the MOU signed with Dingneng Group, both parties will explore an exclusive strategic partnership where Dingneng Group will appoint Fibretech as their exclusive Singapore partner for their foreign investment and financing solutions while Fibretech will tap on Dingneng Group's China strategic relationship, network and business contacts to seek investment opportunities.

As a provincial owned enterprise ("POE"), Dingneng Group has got very strong presence and network especially in the Sichuan, Yunnan, Guizhou and Xinjiang provinces where they can open many doors for the. Dingneng Group is a wholly owned subsidiary Sichuan of Sichuan Coal Industry Group Limited Liability Company. Dingneng Group has 9 subsidiary companies (branch). The main businesses are large and medium-sized mining design and construction, coal products, mining operation, mechanical and electrical installation, demolition blasting, tunnel engineering, and etc. Dingneng Group has registered capital RMB 1 billion, and the total asset RMB 3 billion. Currently, there are more than 3700 employees in the company and 500 technicians in different majors.

Dingneng's parent company is Sichuan Coal Industry Group Limited Liability Company ("SCIG"), a wholly state-owned company, was incorporated by Sichuan Provincial People's Government in August 2005 for increasing construction of large and medium sized coal mine enterprise in Sichuan Province, optimizing adjustment structure in Sichuan coal industry. It has registered capital RMB 3 billion, the total asset RMB 40 billion, annual revenues above RMB 8 billion. SCIG has 18 million tons of production capacities of coal mines. Currently, there are more than 46,000 employees in the company and 6400 technicians in different majors.

CCIG Chengdu

Under the MOU signed with CCIG Chengdu, both parties will explore a strategic partnership to jointly manage the capital, investment and Build-Operate-Transfer government infrastructure projects through Public Private Partnership structure where local government may be involved too.

CCIG Chengdu is formed in April 2017, with a paid up capital of RMB 1 billion. With businesses include project investment, investment consultancy, and asset management. Wholly Owned Subsidiary of CCIG in Beijing. CCIG is a subsidiary under the State-owned Assets Supervision and Administration Commission of the State Council headquartered in Beijing with assets of around RMB 10 billion. CCIG is a SOE that has enormous resources within the financial Industry of China. The company specializes in the area of M&A, Asset Management, and project investment in the area of property, trade, culture, and finance.

Looking Ahead

CCIG Chengdu and Dingneng Group will be joining forces with us to form a tripartite consortium made up of an SOE and a POE with an SGX listed company to invest, build and manage government infrastructure projects. Bringing together the expertise of a financial SOE and Engineering leader, a Procurement and Construction POE as partners, we will form a formidable team to work on good infrastructure projects that will generate good returns for our shareholders. With Dingneng Group and CCIG Chengdu such prominent and powerful partners, the Board believes this Company can scale new heights in the coming future.

Moving forward, we will collectively seek new opportunities that will create value and strengthen long-term sustainability of the Company.

Salutations

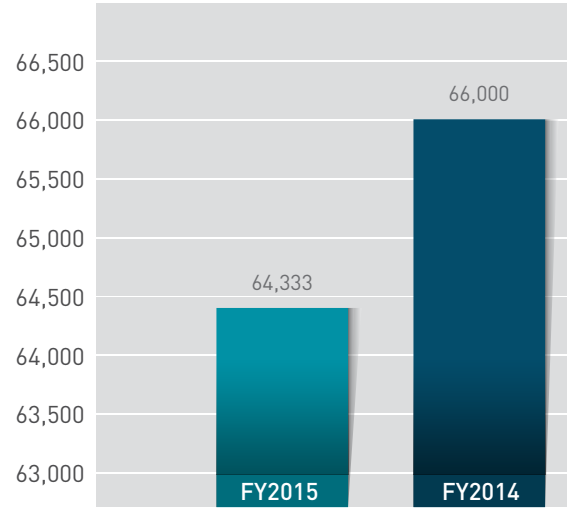
We wish to thank all our shareholders for their support and patience through this challenging period.

We also want to acknowledge the dedication and hard work of the Board members, professionals and regulator.

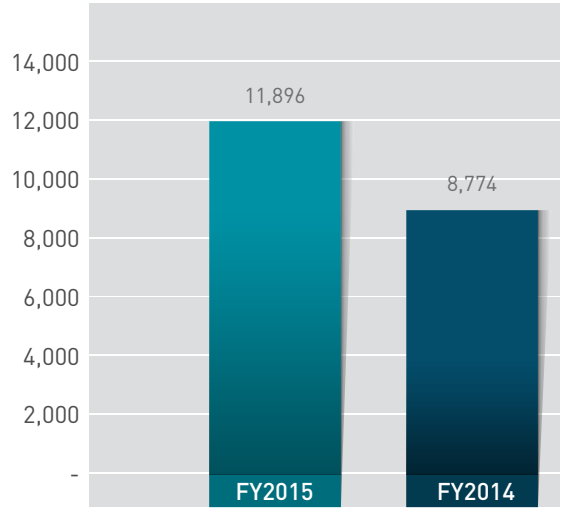
On the same note, we hereby express our utmost appreciation to the two new business partners Dingneng Group and CCIG Chengdu for their friendship and trust. The new team will now will work hard and strive for a promising start of sustained growth and steady performance.

Group Financial Highlights

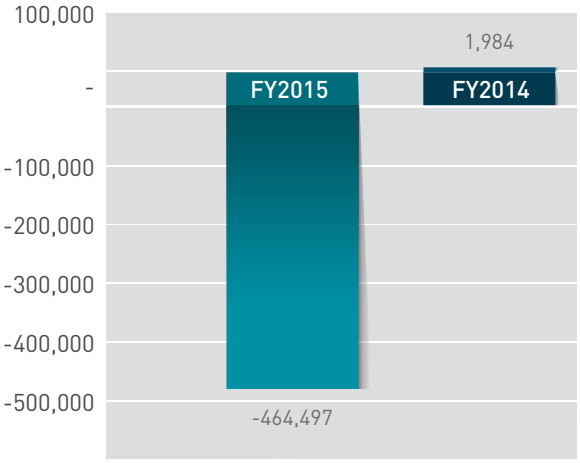
REVENUE



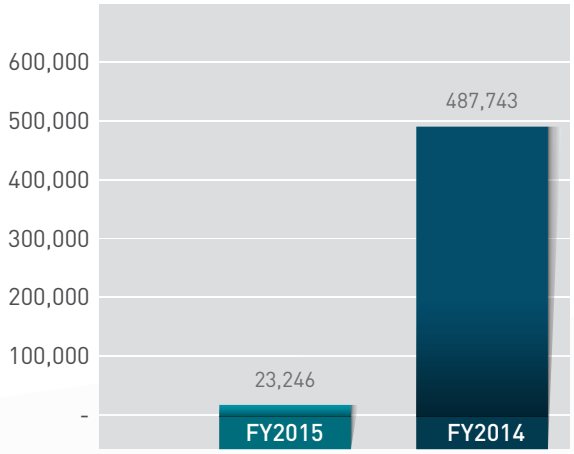
GROSS PROFIT



(LOSS)/PROFIT AFTER TAX



EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY



Business Review

Revenue

The Group recorded revenue of RMB64.3 million for year ended 31 December 2015 ("FY2015"), a decrease of 2.5% compared to RMB66.0 million for year ended 31 December 2014 ("FY2014"). The decrease in revenue was mainly due to:

i. Decrease in fabric processed from 8,416 tonnes in FY2014 to 8,143 tonnes in FY2015 as a result of lower demand from our customers during the period while offset against the impact of;

ii. Increase in average fabric processing fee from RMB7,842 per tonne in FY2014 to RMB7,901 per tonne in FY2015. Changes in product mix had also contributed to higher average processing fees due to higher proportion of cotton processed during the period which commands a higher processing fee.

Gross Profit and Gross Profit Margin

Our gross profit increased from RMB8.8 million in FY2014 to RMB11.9 million in FY2015.

Gross profit margin increased from 13.3% in FY2014 to 18.5% in FY2015 due to decrease in depreciation charge from RMB9.2 million in FY2014 to RMB3.3 million in FY2015 as a result of impairment of property, plant and equipment provided in FY2014. This impairment has resulted in lower depreciation charge in subsequent periods.

Other Income

Other income decreased by 91.3% from RMB34.9 million in FY2014 to RMB3.0 million in FY2015 mainly due to gain from disposal of Xiamen's land and properties amounting to RMB32.5 million recorded in Q42014 while offset against the impact of increase in interest income due to fixed deposits totalling of RMB200 million being placed in FY2015 .

Selling and Distribution Expenses

Selling and distribution expenses decreased by 14.2% from RMB0.8 million in FY2014 to RMB0.7 million in FY2015. The decrease was mainly due to decrease in staff cost by RMB60,000 as a result of reduction in number of staff.

Administrative Expenses

Administrative expenses decreased by 51.7% from RMB11.2 million in FY2014 to RMB5.4 million in FY2015. The decrease was mainly due to the followings:

- Decrease in amortisation of land use rights, rental related expenses and depreciation charge of investment properties by RMB192,000, RMB268,000 and RMB376,000 respectively as a result of the disaposal of our Xiamen land and investment properties in FY2014.
- Decrease in other taxes by RMB3,910,000 in relation to the disposal of our Xiamen land and investment properties in FY2014.
- Decrease in professional fees by RMB159,000 mainly due to expenses incurred in relation to the disposal of our Xiamen land and investment properties in FY2014 and decrease in audit fee by RMB226,000 in relation to change of auditor in FY2015.
- Decrease in staff cost by RMB481,000 as a result of reduction in number of staff.
- Decrease in director remuneration by RMB55,000 due to resignation of two directors in FY2015.

Other Operating Expenses

Other operating expenses increased from RMB20.7 million in FY2014 to RMB471.5 million in FY2015. The decrease was mainly due to provision of compensation claim from 3 customers amounting to RMB470.5 million compared to nil in FY2014.

Other than provision of impairment on property, plant and equipment and provision of doubtful debts, other operating expenses included unallocated overheads amounting to RMB3.2 million in FY2014 and RMB1.0 million in FY2015. As explained in our full year financial statement announcement for FY2013, the unallocated overheads refers to reclassification of depreciation expenses for plant and machinery from production cost in accordance to FRS 2 (inventories) note 13 on "Cost of conversion" in order to accurately reflect the Group's gross profit margin during the period.

Business Review

The decrease in unallocated overheads by 67.8% when compared to prior year was due to decrease in depreciation charged during the period as a result of impairment of property, plant and equipment provided in FY2014.

Finance Cost

Decrease in finance cost by 11.4% from RMB1.2 million in FY2014 to RMB1.0 million in FY2015 was due to decrease in loan interest expenses as a result of repayment of bank borrowings in 1Q2014.

Income Tax Expense

Income tax expenses of RMB0.8 million derived from profit generated by our China subsidiary in Shishi, Fujian Province during the year.

Review of Financial Position

Property, plant and equipment increased from RMB20.8 million as at 31 December 2014 to RMB26.1 million as at 31 December 2015, mainly attributed by the following:

- Depreciation charge of RMB3.3 million in FY2015.
- Acquisition of new machinery amounting to RMB8.6million in FY2015

Land use rights decreased from RMB2.4 million as at 31 December 2014 to RMB2.3 million as at 31 December 2015 due to amortisation of land use rights of RMB0.1 million during the financial year.

Inventories which consist of dyeing materials, additives and packaging materials increased slightly from RMB0.7 million as at 31 December 2014 to RMB0.8 million as at 31 December 2015 due to purchases made for future orders.

Trade receivables increased from RMB14.2 million as at 31 December 2014 to RMB15.2 million as at 31 December 2015. The increase was due to slower collection during the year mainly attributed to three claimants in relation to the claims by customers as announced on 30 November 2015. Trade receivables are within the credit term of 60 days as at 31 December 2015.

Prepayment and other receivables increased from RMB22.5 million as at 31 December 2014 to RMB 20.7 million as at 31 December 2015 due to prepayment of RMB2.0 million made to PPE supplier as a result of completion of installation and reconstruction of a boiler system during the period.

Cash and bank balances decreased from RMB456.1 million as at 31 December 2014 to RMB450.1 million as at 31 December 2015. The decrease was mainly attributable to cash used in investing activities. On 31 December 2015 and 1 February 2016, the Group rolled over fixed deposits totalling of RMB200 million with RMB100 million each for another 3-month at an interest rate of 1.35% per annum.

Included in Current liabilities was a provision for compensation to claims made by 3 customers amounting to RMB470.5 million in FY2015 (FY2014 : Nil.)

There was no significant movement in bank borrowings as at 31 December 2014 as compared to financial year ended 31 December 2015.

Board of Directors

Choo Han Kiat, Eric, 44
Executive Director

Academic and professional qualification:
Masters in International Accounting and Finance, London School of Economics

Date of first appointment as director:
5 October 2017

Present Directorships in other listed companies: Nil

Present Principal Commitments:
Silk Routes Financials Pte Ltd - Partner, China

Directorships in other listed companies held over the preceding three years: Nil

Background and experience:
Mr Eric Choo has more than two decade of experience in the field of finance that include working for Global MNCs like Hewlett Packard and Apple Inc. and also extensive China experiences and network in the area of Financial Management, Merger and Acquisition, and Corporate Finance. With the opening of the Chengdu office in 2014, Eric has since completed contract value of more than RMB 400m, and with customer's base that include prominent state owned enterprises, government linked investment firms, and China's top private owned enterprises. He is also the Secretary of Gulf Asia Shariah Compliant Association ("Gascia"), a neutral, non-profit, non-governmental and non-religious organization registered with the Registrar of Societies, Singapore, established with the objective to facilitate and promote the awareness and understanding of Islamic finance and encourage Islamic Finance market participants, particularly from the Gulf and Asia.

Wu Xinhua, 62
Non-Executive Non-Independent Director

Academic and professional qualification:
Certificate in Business Administration, Qinghua University

Date of first appointment as director:
27 July 2007

Date of last re-election as director:
29 April 2015

Length of service:
8 years and 5 months (as at 31 December 2015)

Present Directorships in other listed companies: Nil

Present Principal Commitments: Nil

Directorships in other listed companies held over the preceding three years: Nil

Background and experience:
Mr Wu is the founder of the Group and has been spearheading the expansion and growth of the Group. Mr Wu has over 16 years of experience in the dyeing industry and is responsible for the operations, marketing, public relations, strategic planning and development of new services and markets and overall running of the Group. Mr Wu stepped down from his positions as the Executive Chairman and Chief Executive Officer of the Company on 23 October 2017.

Low Wai Cheong, 48
Non-Executive Lead Independent Director

Academic and professional qualification:
Bachelor of Laws and Masters of Law Degree, National University of Singapore

Date of first appointment as director:
4 May 2011

Date of last re-election as director:
30 April 2014

Length of service:
6 years and 7 months (as at 31 December 2015)

Served on the following Board Committees:
Nominating Committee - Chairman
Audit Committee - Member
Remuneration Committee - Member

Present Directorships in other listed companies:
Starland Holdings Limited

Present Principal Commitments:
Chris Chong & C T Ho Partnership - Partner

Directorships in other listed companies held over the preceding three years:
Asia Environment Holdings Limited

Background and experience:
Mr Low is a practicing advocate and solicitor of the Supreme Court of Singapore, and heads the Corporate Finance and Securities Practice at Singapore law firm Chris Chong & C T Ho Partnership. His practice areas cover the legal and regulatory aspects of Capital Markets, Corporate Finance & Securities, as well as Company Restructurings & Corporate Rescues. He is also a trainer/lecturer for corporate governance courses conducted by the Singapore Chinese Chambers Institute of Business. Mr Low is also a non-practicing solicitor of the Supreme Court of England and Wales, and of the Supreme Court of New South Wales, Australia.

Board of Directors

Toh Tiong San, 51
Non-Executive Independent Director

Academic and professional qualification:
Honours Degree in Electrical Engineering, National University of Singapore

Date of first appointment as director:
23 October 2017

Served on the following Board Committees:
Remuneration Committee - Chairman
Nominating Committee - Member
Audit Committee - Member

Present Directorships in other listed companies:
Jackspeed Corporation Limited

Present Principal Commitments: Nil

Directorships in other listed companies held over the preceding three years:
Atrium Asia Investment Management Pte Ltd

Background and experience:
Mr Toh has more than 20 years of experience in private equity, fund management and corporate finance. In 1991, Mr Toh joined DBS Bank Ltd.'s private equity arm and was responsible for deal origination, due diligence, deal structuring, valuation, financial modeling, investment monitoring and divestments. He was also in DBS Bank Ltd.'s capital market services arm where he was involved in merger and acquisition activities, financial engineering and securitisation. In 2000, Mr Toh joined Temasek Holdings as the Director of Investments, responsible for investment of listed and private companies (including companies that were honoured the Enterprise 50 Awards) in industries spanning food and beverage, services, internet to private education. From 2006 to 2007 and 2009 to 2012, Mr Toh was appointed the Managing Director of Emirates Tarian Asset Management Pte Ltd ("ETAM"), responsible for setting up and running the fund management operations. Mr Toh successfully transformed ETAM into an established boutique fund management outfit before he left in 2012.

Leow Yong Kin, 46
Non-Executive Independent Director

Academic and professional qualification:
Honours Degree in BA Accounting, University of Lincolnshire & Humberside
Chartered Accountant of Singapore, Association of Chartered Certified Accountants and Institute of Certified Public Accountants of Singapore

Date of first appointment as director:
5 October 2017

Served on the following Board Committees:
Audit Committee - Chairman
Remuneration Committee - Member
Nominating Committee - Member

Present Directorships in other listed companies:
China Sports International Ltd
Present Principal Commitments:
AccountsPro Consulting Services Pte Ltd. - Director

Directorships in other listed companies held over the preceding three years:
China Taisan Technology Group Holdings Limited
Foreland Fabritech Holdings Ltd

Background and experience:
Mr Leow has more than two decades of experience in the field of finance and accounting that include working experience with US and Japan MNCs. He was previously the Chief Financial Officer of China Great Land Holdings Ltd. from July 2014 to March 2017. He is currently a Director of AccountsPro Consulting Services Pte Ltd, providing enterprise solutions such as accounting, payroll and HRM software.

Corporate Information

Board of Directors

Mr Choo Han Kiat, Eric
Executive Director

Mr Wu Xinhua
Non-Executive Non-Independent Director

Mr Low Wai Cheong
Non-Executive Lead Independent Director

Mr Toh Tiong San
Non-Executive Independent Director

Mr Leow Yong Kin
Non-Executive Independent Director

Audit Committee

Mr Leow Yong Kin (Chairman)
Mr Low Wai Cheong
Mr Toh Tiong San

Nominating Committee

Mr Low Wai Cheong (Chairman)
Mr Toh Tiong San
Mr Leow Yong Kin

Remuneration Committee

Mr Toh Tiong San (Chairman)
Mr Low Wai Cheong
Mr Leow Yong Kin

Company Secretaries

Mr Lee Wei Hsiung
Ms Wang Shin Lin, Adeline

Assistant Company Secretary

Codan Services Limited

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Bermuda Company Registration Number

40381

Bermuda Share Registrar

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Singapore Share Registrar and Share Transfer Agent

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Tel: +65 6536 5355
Fax +65 6536 1360

Independent Auditor

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

Partner-in-charge: Mr.Ong Kian Meng
(Since the financial year ended 31 December 2015)

Principal Bankers

CITIC Bank

Corporate Governance Report

China Fibretech Ltd. (the "**Company**") recognises the importance of good corporate governance and the offering of high standards of accountability to shareholders.

This report sets out the Company's corporate governance framework and practices in compliance with the principles and guidelines of the Code of Corporate Governance 2012 (the "Code"). Where there have been deviations from the Code, appropriate explanations are provided. The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time, to ensure compliance with the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**").

(A) BOARD MATTERS

BOARD'S CONDUCT OF 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 the Management to achieve this objective and the Management remains accountable to the Board.

The Board assumes responsibility for stewardship of the Company as well as its subsidiaries. Its primary role is to protect and enhance long-term shareholders' value. 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.

To assist in the execution of its responsibilities, the Board has established several board committees namely, an Audit Committee ("**AC**"), a Nominating Committee ("**NC**") and a Remuneration Committee ("**RC**") (collectively, "**Board Committees**"). These Board Committees function within clearly defined terms of reference, which are reviewed on a regular basis. The Board established the Risk Management Committee ("**RMC**") in February 2013.

The Board meets on a regular basis and as and when necessary to address any specific significant matters that may arise. The Board and its committees may also decide on matters by way of circular resolutions. The frequency of meetings and attendance of each Director at every Board and Board Committee meeting are disclosed in this Report. The Bye-laws of the Company allow for participation in Board meetings via audio or video conferencing.

The attendance of the Directors at Board's meetings and Board Committees' meetings during the FY2015 are as follows:

	Board	AC	NC	RC	RMC
No. of meetings held	6	5	1	1	1
No. of meetings attended by respective Directors					
Executive Directors:					
Wu Xinhua[1]	6	3	1	1	1
Gao Yan[2]	1	1	N.A.	N.A.	N.A.
Non-Executive Directors:					
Lin Qingguo[3]	0	0	0	0	N.A.
Wu Dezhi[4]	0	0	0	0	N.A.
Independent Directors:					
Low Wai Cheong	6	5	1	1	1
Lim Yoke Hean[5]	5	5	N.A.	N.A.	N.A.

NA Not a member
1 Stepped down as the Executive Chairman and Chief Executive Officer and re-designated as a Non-Executive Non-Independent Director on 23 October 2017.
2 Resigned as an Executive Director and Chief Operating Officer on 8 May 2015.
3 Resigned as a Non-Executive Director on 1 July 2015.
4 Resigned as a Non-Executive Non-Independent Director on 23 October 2017.
5 Resigned as a Non-Executive Independent Director on 27 January 2016.

The Board has adopted internal guidelines setting forth matters that require Board's approval. Matters which are specifically reserved to the 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, shares issuance, declaration of dividends and other returns to shareholders and matters which require Board's approval as specified under the Company's internal control policies, for example, the Interested Person Transaction ("**IPT**") policy.

A formal letter setting out the Directors' duties and responsibilities under various regulations is issued to new Directors upon their appointment. 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.

To keep pace with regulatory changes, the director's own initiatives are supplemented from time-to-time with information, updates and sponsored seminars conducted by external professionals, including any changes in legislation and financial reporting standards, government policies, and regulations and guidelines from SGX-ST that affect the Company and/or the directors in discharging their duties. The directors are informed of developments relevant to the Group, including changes in laws, regulations and risks that may impact the Group. Directors can apply to the Company for funding for any such courses, conferences and seminars which they may apply to attend.

Directors are at liberty to request further explanations, briefings or informal discussions on any aspect of the Group's operations or business issues from management.

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 particulars, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board currently comprises 5 Directors, 3 of whom are Non-Executive Independent Directors.

The Directors of the Company as at the date of this report are:

Choo Han Kiat, Eric	(Executive Director)
Wu Xinhua	(Non-Executive Non-Independent Director)
Low Wai Cheong	(Non-Executive Lead Independent Director)
Toh Tiong San	(Non-Executive Independent Director)
Leow Yong Kin	(Non-Executive Independent Director)

There is presently a strong independent element on the Board and independence of each Director is reviewed by the NC. The NC adopts the definition in the Code as to what constitutes an independent director in its review. The Board, taking into account the NC's views, considers each of the abovenamed Independent Directors to be independent. The Board considers that the present board size and number of committees facilitate effective decision-making and are appropriate for the nature and scope of the Company's operations. The NC is of the view that no individual or small group of individuals dominates the Board's decision making process.

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

Profiles of the Directors are set out in "Board of Directors" section of this Annual Report.

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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.

Wu Xinhua was the Executive Chairman ("**Executive Chairman**") and the Chief Executive Officer ("CEO") of the Company, prior to him stepping down from both positions on 23 October 2017.

The role of the Executive Chairman included ensuring that Board meetings were held when necessary and set the Board meeting agenda in consultation with the Company Secretary and ensuring that Board members were provided with complete, adequate and timely information.

The CEO's functions include the overall management, strategic direction and the day-to-day operations of the Group, and for ensuring that the organisational objectives of the Group were achieved.

Given that the role of Executive Chairman and CEO were undertaken by the same individual, Low Wai Cheong was appointed as the Lead Independent Director of the Company.

With the progressive refreshing of the Board in place, the Board will designate its Board Chairman and seek replacement CEO in due course.

BOARD MEMBERSHIP

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of new 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 skills to enable the Board to make effective decisions collectively.

The NC comprises three members, all of whom, including the chairman, are independent. The members of the NC are as follows:

Low Wai Cheong	(Chairman)
Leow Yong Kin	(Member)
Toh Tiong San	(Member)

The primary function of the NC is to determine the criteria for identifying candidates and to review nominations for the appointment of Directors to the Board, to consider how the Board's performance may be evaluated.

The NC's duties and functions are outlined as follows:

1. review and make recommendations to the Board on all candidates nominated (whether by the Board, shareholders or otherwise) for appointment to the Board, taking into account the candidate's track record, age, experience, capabilities and other relevant factors;

2. identify and make recommendations to the Board as to the Directors who are to retire by rotation and to be put forward for re-election at each annual general meeting of the Company, having regard to the Directors' contribution and performance (such as their attendance, preparedness, participation and candour), including, if applicable, as independent Directors;

3. determine annually whether or not a Director is independent, in accordance with the guidelines contained in the Code and other salient factors;

4. to review whether a Director is able to and has adequately carried out his duties as a Director of the Company in particular where the Director concerned has multiple board representations; and

5. to consider how the Board's performance may be evaluated and to propose for the Board's approval, objective performance criteria (that allows comparison with the Company's industry peers) to evaluate the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board.

The NC conducts an annual review of Directors' independence based on the definition of independence set out in the Code. The NC and the Board considers Low Wai Cheong, Toh Tiong San and Leow Yong Kin to be Independent Directors.

The NC considered the performance and contribution of each of the retiring Directors, having regard not only to their attendance and participation at Board and Board Committee meetings but also the time and effort devoted to the Group's business and affairs.

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 may identify candidates for appointment as new directors through the business network of Board members or through external independent professional advisors to assist in the search for suitable candidates. The NC will generally identify suitable candidates skilled in core competencies such as strategic planning, accounting or finance, business or management expertise.

The Company has a policy to require that a Director should not hold more than 5 listed company board representations.

In accordance with the Bye-laws of the Company, each Director shall retire at least once every three (3) years 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).

Choo Han Kiat, Eric, Low Wai Cheong, Toh Tiong San and Leow Yong Kin are retiring as Directors at the forthcoming AGM of the Company pursuant to the Bye-laws of the Company. The NC and the Board had nominated them for re-election as Directors.

Currently, the Board does not have any alternate Directors.

Details of the Directors' academic and professional qualifications and directorships or chairmanships both present and those held over the preceding three years in other listed companies and other principal commitments are set out on pages 6 and 7 of this Annual Report.

Information regarding the Directors' shareholdings in the Company and related corporations is set out on page 25 of this Annual Report.

BOARD PERFORMANCE

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

While the Code recommends that the NC be responsible for assessing the Board as a whole and its Board Committees as well as each Director's contribution, the NC is of the view that it is more appropriate and effective to conduct assessment of the Board as a whole, bearing in mind that each member of the Board contributes in a different way to the success of the Company and Board decisions are made collectively.

The Board has implemented a process for assessing the effectiveness of the Board as a whole. Each Board member is required to complete a Board performance evaluation form adopted by the NC on a yearly basis. The Chairman of the NC will then prepare a consolidated report and presents the same to the Board for discussion on the changes or actions to be taken in order for the Board to discharge its duties more effectively. The performance criteria for the Board evaluation are in respect of Board size, composition and independence, conduct of meetings, Board procedures, Board accountability, corporate strategy and planning, risk management and internal control.

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.

The NC has also reviewed the contribution by each individual director to the effectiveness of the Board as a whole and to its Board Committees in FY2015 and is satisfied that sufficient time and attention has been given by the Directors to the affairs of the Group.

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.

Under normal circumstances, the Board has separate and independent access to senior Management and the Company Secretary and is informed of material events and transactions as and when they occur. Directors are entitled to request from management and would under normal circumstances be provided, in a timely manner, with such additional information as needed to make informed decisions. The Company Secretary coordinates, attends and prepares minutes of board meetings and advises on relevant rules and regulations as well as corporate governance practices.

If the Directors, whether individually or as a group, in furtherance of their duties, need independent professional advice, the Company will, upon the direction of the Board, appoint a professional adviser to render such advice at the Company's expense.

(B) REMUNERATION MATTER

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

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

The RC comprises three members, all of whom, including the chairman, are independent. The members of the RC are as follows:

Toh Tiong San	(Chairman)
Leow Yong Kin	(Member)
Low Wai Cheong	(Member)

The RC is responsible for ensuring a formal and transparent procedure for developing policy on executive remuneration, and for fixing the remuneration packages of individual Directors and senior Management. The RC's review will cover all aspects of remuneration including but not limited to Directors' fees, salaries, allowances, bonuses, share options and benefits-in-kind and specific remuneration package for each Director. In structuring a compensation framework for executive Directors and key executives, the RC seeks to link a proportion of executive compensation to the Group's performance. 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.

The RC has access to expert advice externally or within the Company with regard to remuneration matters where deemed necessary.

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 do not receive Directors' fees. The remuneration packages of Executive Directors' and key senior Management are based on their service contracts and are determined by the performance of the individuals, as well as the Group and industry benchmark. The remuneration packages for the Executive Directors and staff are made up of both fixed and variable components. The variable components are determined based on the performance of the individual employees as well as the Group's performance. Previously, the service contract for Wu Xinhua as CEO is a fixed appointment period and can be terminated by either party, giving not less than six (6) months' notice in writing.

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

DISCLOSURE ON REMUNERATION

Principle 9: Each company should provide clear disclosure of its remuneration policy, 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 executives, and performance.

a) No. of Directors in the following remuneration bands for FY2015 are as follows:

Below S$250,000	[6]
Total	**[6]**

b) A breakdown, showing the level and mix of each individual Director's remuneration and fees for FY2015 is as follow:

Remuneration Bands & Name of Directors	Directors' Fees S$'000	Salary S$'000	Bonus S$'000	Share-based incentives and awards S$'000	Other benefits S$'000	Total S$'000
Below S$250,000						
Non-Executive Directors:						
Lin Qingguo[1]	11	–	–	–	–	11
Wu Dezhi[2]	11	–	–	–	–	11
Independent Directors:						
Lim Yoke Hean[3]	50	–	–	–	–	50
Low Wai Cheong	45	–	–	–	–	45
Executive Directors:						
Wu Xinhua[4]	–	132	–	–	14	146
Gao Yan[5]	–	28	–	15	5	48

1 Resigned on 1 July 2015
2 Resigned on 23 October 2017
3 Resigned on 27 January 2016
4 Resigned on 23 October 2017
5 Resigned on 8 May 2015

c) No. of key executives in the following remuneration bands for FY2015 are as follows:

Below S$250,000	[5]
Total	**[5]**

d) Breakdown, showing the level and mix of each key executive's remuneration for FY2015, is as follow:-

Remuneration Bands & Name of Key Executives	Salary S$'000	Bonus S$'000	Share-based incentives and awards S$'000	Other benefits S$'000	Total S$'000
Below S$250,000					
Mak Chi Shing	84	–	–	–	84
Feng Liang	40	–	–	9	49
Wu Xinda	32	–	–	9	41
Zhang Zhenghe	32	–	–	9	41
Zhang Dufang	26	–	–	9	35

The total remuneration paid to the top 5 key executives (who are not Directors) for the financial year ended 31 December 2015 was approximately $250,000.00.

Immediate Family Members of Directors

No immediate family member of any Director was in employment with the Group and whose remuneration has exceeded S$50,000 during FY2015.

China Fibretech Share Award Scheme

China Fibretech Share Award Scheme (the "**Scheme**") was approved by the shareholders on 29 April 2014. Pursuant to the rules of the Scheme, the Scheme is administered by the RC.

The Scheme is a performance incentive scheme which will form an integral part of the Group's incentive compensation programme. The purpose of the Scheme is to provide an opportunity for full-time employees of the Group and Directors (excluding Independent Directors) (the "**Selected Persons"**), who have met performance targets to be remunerated not just through cash bonuses but also by an equity stake in the Company. As the shares of the Company will be issued free under the Scheme, the Selected Persons would receive the same benefit from a contingent award under the Scheme ("**Award**") in respect of fewer shares as they would receive if share options were granted instead of a larger number of shares. The Scheme would therefore allow the Company to provide the incentive to employees while reducing the dilutive effect on shareholders.

The Awards given to a particular Selected Person will be determined at the discretion of the RC, who will take into account factors such as the Selected Person's capability, scope of responsibility, skill and vulnerability to leaving the employment of the Group. In deciding on an Award to be granted to a Selected Person, the RC will also consider all aspects of the compensation and/or benefits given to the Selected Person and such other share-based incentive schemes of the Company, if any. The RC may also set specific criteria and performance targets for each of its business units, taking into account factors such as (i) the Company's and the Group's business goals and directions for each financial year; (ii) the Selected Person's actual job scope and responsibilities; and (iii) the prevailing economic conditions.

(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 detailed financial information whenever necessary for the discharge of its duties to the shareholders.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

The Board recognises its responsibilities over the governance of risks and regularly reviews the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology controls (collectively, "**Internal Controls**"), with the assistance of the management, the external auditors and the internal auditors appointed by the Company.

The Board has set in place management procedures for ensuring a sound system of risk management and Internal Controls. These procedures include, since FY2013, a structured Enterprise Risk Management ("**ERM**") system, management reviews of key transactions, and the assistance of independent consultants such as the Group's external and internal auditors to review financial statements and Internal Controls covering key risk areas.

The ERM programme established by the Company which covers the following areas:

ERM policies and procedures

An overall framework for risk management has been documented in a manual to be 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 will also require ongoing identification of key risks to the Company and reporting these risks to the Board to better determine whether appropriate measures have been taken to address relevant risks. Risk workshops, attended by key management personnel, are conducted annually to provide a structured approach to identify and assess of risks of the Group.

On 21 February 2013, a Risk Management Committee ("**RMC**") was set up with Mr Lim Yoke Hean appointed as the Chairman of RMC. The members of RMC include Mr Wu Xinhua, Ms Gao Yan, Mr Low Wai Cheong, Mr Lim Yoke Hean and Mr Mak Chi Shing. With the progressive refreshing of the Board in place, the composition of the RMC will be determined and reconstituted in due course.

Risk Appetite of the Company

Generally, the Board will rely on management to monitor day to day operations while subjecting key corporate decisions, such as investments or acquisitions of businesses to Board approval. Management frequently reviews the Group's business and operational activities to identify and highlight to the Board and AC any areas of significant business risks as well as appropriate measures to control and mitigate these risks. The Company's performance is monitored closely by the Board periodically and any significant matters that might have an impact on the operating results are required to be brought to the immediate attention of the Board.

The Company 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. Active efforts are also in place to manage risks within impact such as transferring them to third party insurers or having internal control procedures to better mitigate the likelihood of their occurrence. Internal audits will be regularly conducted to assess the ongoing compliance with the established controls to address key risk areas where applicable.

Risk assessment and monitoring

Based on the ERM framework, the nature and extent of risks to the Company will be assessed regularly and risk reports covering top risks to the Group will be submitted to the Board at least on a half yearly basis. A set of risk registers to document risks arising from this ERM exercise has been also been established to document all key risks and the corresponding countermeasures to the Company. This registers will be updated whenever new risks emerge.

The Company has started their first 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. The CSA exercise will cover all the key business processes of the Group and results of the exercise will be included in the periodic risk reports to the Board and Audit Committee.

Due to the uncertainties surrounding certain potential customers' claims as described in the Company's announcement on 30 November 2015, the Board is unable to receive assurance from the CEO (Wu Xinhua stepped down as CEO on 23 October 2017) and the Group's Senior Finance Manager (resigned on 8 June 2017) that:

(a) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and

(b) the Company's risk management and Internal Control systems are effective.

The Board, with the concurrence of AC, is of the opinion that, the system of Internal Controls maintained by the Group's Management throughout the financial year ended 31 December 2015 is deem inadequate to address the financial, operational, compliance and information technology risks.

The Board and AC are of the opinion that, the Company's Internal Controls were inadequate based on:

- The Internal Controls established and maintained by the Group;
- Reports issued by the internal auditors and external auditors;
- Risk reports arising from the ERM exercise
- Regular reviews performed by the Management, and annual review undertaken by AC and the Board; and
- Confirmation by the Management.
- Approving of substantial payment without Board endorsement

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 of non-executive Directors, all of whom, including the Chairman, are independent. The members of the AC are as follows:-

Leow Yong Kin	(Chairman)
Low Wai Cheong	(Member)
Toh Tiong San	(Member)

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 internal control systems.

The members of the AC, collectively, are appropriately qualified to discharge the AC's responsibilities. Leow Yong Kin, Low Wai Cheong and Toh Tiong San all possess the requisite accounting and related financial management expertise and experience.

The duties and responsibilities of the AC in accordance with its terms of reference, which include the following:

1. assists the Board in discharging its statutory responsibilities on financial and accounting matters;

2. reviews the financial and operating results and accounting policies of the Group;

3. reviews significant financial reporting issues and judgements relating to financial statements for each financial year, interim and annual results announcement before submission to the Board for approval;

4. reviews the adequacy of the Company's internal controls and risk management policies;

5. reviews the audit plans and reports of the external and internal auditors and consider the effectiveness of the actions taken by Management on the auditors' recommendations;

6. appraises and report to our Board on the audits undertaken by the external and internal auditors, the adequacy of the disclosure of information, and the appropriateness and quality of the system of management and internal controls;

7. reviews the independence of external auditors annually and nominate external auditors for appointment or re-appointment of and consider matters relating to the resignation or removal of the auditors and approve the remuneration and terms of engagement of the external auditors; and

8. reviews IPTs, as defined in the Listing Manual of the SGX-ST.

In 2016, the independent director(s) in the AC has restricted access to and has restricted co-operation from the management and has been given restricted resources required for it to discharge its function. Hence, the AC is unable to discharge its functions properly, in particular the following:

1. the audit plan and results of the external audit and the independence and objectivity of the external auditors, including the review of the extent of non-audit services provided by the external auditors to the Group;

2. the adequacy of the Group's risk management processes;

3. the Group's compliance with legal requirements and regulations, including the related compliance policies and programmes and reports received from regulators, if any;

4. Group's quarterly and annual financial statements and the external auditors' report on the annual financial statements of the Group and of the Company before their submission to the board of directors;

5. the quarterly, half-yearly and annual announcements as well as the related press releases on the results of the Group and financial position of the Group and of the Company;

6. interested person transactions in accordance with SGX listing rules.

The AC will convene at least four (4) meetings after the end of each quarter of every financial year. The external auditor will also be present except the fourth AC meeting at the relevant junctures. In its review of the audited financial statements for FY2015, the AC discussed with the Management and external auditors the audit work performed and accounting principles applied.

The AC has explicit authority to investigate any matter within its terms of reference. It also has the discretion to invite any Director or Management to attend its meetings.

The AC also meets with the external auditors and internal auditors without the presence of the Management at least once a year. The Company is in compliance with Rule 712 and Rule 715 of the Listing Manual of SGX-ST whereby the Company appoints a suitable auditing firm to meet its audit obligations in respect of its own accounts and for its subsidiaries.

The AC has reviewed the services performed by RT LLP and noted that no non-audit services were provided in FY2015.

The aggregate amount of fees paid to RT LLP for audit services for FY2015 is S100,000.

The AC has reviewed and is satisfied with the independence of the external auditors, and has recommended to the Board that RT LLP be nominated for re-appointment as auditors of the Company at the forthcoming AGM.

The Company has put in place a whistle-blowing policy and arrangements where employees of the Company may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters, and to ensure that arrangements are in place for the independent investigations of such matters and for appropriate follow up actions. The procedures for reporting such matters and the contact details of the AC have been made available to the employees on the subsidiaries' general notice board. On a public approach, any person who wishes to raise such concerns or matters to the AC's members may do so in confidence by way of email to "ac@chinafibretech.com".

The AC is briefed by the external auditors of changes to accounting standards and issues which have a direct impact on financial statements during the presentation of the audit plan and the audit report to the AC.

INTERNAL AUDIT

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

The Management has put in place the systems of Internal Controls within the Group to identify risks and document countermeasures to address risks in the Group's business, and to safeguard the shareholders' interests and the Group's assets.

Top ten risks and their respective countermeasures are identified by key management and documented in the Group's risk register and discussed with the Board regularly. The abovementioned systems are intended to provide reasonable but not absolute assurance against material misstatements or loss, and to safeguard assets and ensure maintenance of proper accounting records, reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risks.

Management will review and adjusts its business and operational activities, if necessary, where it identifies areas of significant business risks as well as taking appropriate measures to control and mitigate these risks. The Management reviews all significant control policies and procedures on a continuous basis and highlights all significant matters to the Board.

Management alone does not guarantee that business undertakings will not fail. However, by identifying and managing risks that may arise, the Group can make more informed decisions and benefit from a better balance between risk and reward. This will help protect and also create shareholders' value.

Management is then expected to ensure that appropriate controls are in place to manage those risks, and such risks and controls are monitored by the Board on a regular basis.

The Company's external auditors also highlight internal control issues that came to their notice during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and these issues and their recommendations are reported to the AC.

The internal audit function is outsourced to BDO LLP who report primarily to the AC. BDO LLP is an international auditing firm and they perform their work based on the BDO Global Internal Audit Methodology which is consistent with the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors.

The AC reviews and approves the internal audit plan submitted by the internal audit function. Upon completion of internal audit, the internal audit function reports to the AC any significant weaknesses and risks identified in the internal audits. Implementation of internal audit recommendations is further reviewed by the internal audit function based on dates agreed with the Management. The internal auditors have unfettered access to the Company's documents, records, properties and personnel, including access to the AC members.

The AC also review, at least annually, the adequacy and effectiveness of the internal audit function including the qualifications and experience of the internal audit staff assigned to perform the reviews.

The Board notes that any system of internal controls can only provide reasonable, but not absolute, assurance that the Group would not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. Therefore, the Board recognizes the limitations that are inherent in any system as this control system is designed to manage rather than eliminate risk of failure to achieve corporate objectives. The Board is also of the view that given the above limitations to internal controls system, there is no absolute assurance against occurrence of material errors, poor judgement in decision-making, human error, fraud or other irregularities.

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

SHAREHOLDER RIGHTS

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

The Company is committed to maintaining and improving its level of corporate transparency, providing timely, fair and adequate disclosure of relevant information to shareholders so that they will be apprised of the developments that may have a material impact on the Company's securities. The Company does not practice selective disclosure. Such information is published through the SGXNET. The Company is open to meetings with investors and analysts, and in conducting such meetings, the Company is mindful of the need to ensure fair disclosure.

The Company ensures true and fair information is delivered adequately to all shareholders and to ensure that shareholders have the opportunity to participate effectively in and vote at general meetings of shareholders.

The Company's Bye-laws presently do not permit a shareholder, including a corporation which provides nominee or custodial services, to appoint more than two proxies to attend and participate in shareholders' general meetings as proxies.

COMMUNICATION WITH SHAREHOLDERS

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

In line with continuous disclosure obligations of the Company, pursuant to the SGX-ST's Listing Manual, the Board has devised an effective investor relations policy to regularly convey pertinent information to shareholders in a timely manner, of material events and all major developments that impact the Group.

Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly as soon as practicable. Communication is made through:

- Annual reports that are prepared and issued to all shareholders. The Board makes every effort to ensure that the annual report includes all relevant information about the Group, including future developments and other disclosures required by the Listing Manual and the relevant accounting standards;
- Quarterly financial statements containing a summary of the financial information and affairs of the Group for the period;
- Notices of and explanatory memoranda for annual general meetings and extraordinary general meetings;
- Analyst briefings for the Group's quarterly and annual results as well as other briefings, as appropriate;
- Press releases on major developments of the Group;
- Disclosures to the SGX-ST; and
- The Group's websites at http://www.china-fibretech.com at which shareholders can access information of the Group. The website provides, inter alia, products information and profile of the Group.

The Executive Director is handling investor relations to support the Group in promoting communication and investment community. The contact information of the Company is stated in the corporate website.

In view of the current performance of the Group, the Company had decided not to declare any dividends for FY2015 to preserve cash for any future investment plans.

CONDUCT OF SHAREHOLDER MEETINGS

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

The Bye-laws of the Company allows shareholders to vote at general meetings in person or by proxy and equal effect is given to such votes. Separate resolutions are tabled at general meetings on each distinct issue. Management, Directors and, where necessary, the external auditors and legal advisors are present and available to address questions at general meetings.

Minutes of general meetings of the Company which include comments or queries from shareholders relating to the agenda of the meeting as well as responses from the Board and management are prepared and made available to shareholders upon request.

All resolutions of the Company will be put to vote by poll and the detailed results showing the number of votes cast for and against each resolution and the respective percentages will be announced.

(E) DEALING IN SECURITIES

The Company has adopted its own internal compliance code pursuant to the SGX-ST's best practices on dealings in securities and these are applicable to all its officers in relation to their dealings in the Company's securities. The Company and its officers are prohibited from dealing in the Company's shares during the period commencing two (2) weeks before the announcement of the Company's quarterly financial results and one (1) month before the announcement of the Company's full-year financial results, or if they are in possession of unpublished price-sensitive information of the Company. In compliance with Rule 1207(19)(b), the Company also prohibits its officers from dealing in the Company's securities on short-term considerations. In addition, Directors and officers are expected to observe insider-trading laws at all times even when dealing in securities within the permitted trading period.

(F) MATERIAL CONTRACTS

There were no material contracts of the Company or its subsidiaries involving the interests of the CEO, any 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 TRANSACTION ("IPT")

The Company has established procedures 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.

There were no IPT with an aggregate value of more than S$100,000 in FY2015. First Board Corporate Advisory Pte. Ltd. ("**First Board**"), which has been providing corporate secretarial services to the Company since 1 January 2010, continued to provide corporate secretarial services to the Company during FY2015. First Board is 50% owned by a partner of ChrisChong & CT Ho Partnership, a firm in which Low Wai Cheong is an equity partner with a 20% interest. The total fees paid to First Board and ChrisChong & CT Ho Partnership by the Company in FY2015 is well below the threshold of S$100,000 set out under Chapter 9 of the Listing Manual, and is therefore exempted from disclosure pursuant to Rule 907 of the Listing Manual. First Board ceased to provide corporate services to the Company in August 2016.

As disclosed under the Notes to the Financial Statements FY2015 of this Annual Report, the total payment made to Fujian Province Shishi City Hongyuan Paper Plastic Packaging Development Co. Ltd, of which 100% equity interest is owned by a nephew of Wu Xinhua, in relation to the purchase of packaging materials during FY2015 amounted to RMB1,176,000 and the total payment made to Shishi City Haitian Environmental Engineering Co., Ltd., of which less than 2% equity interest is owned by a daughter of Wu Xinhua, in relation to the wastewater treatment services during FY2015 amounted to RMB2,130,000. The individual transactions of the abovementioned payments are less than S$100,000 and are therefore also exempted from disclosure pursuant to Rule 907 of the Listing Manual.

(H) UTILIZATION OF PROCEEDS FROM INITIAL PUBLIC OFFERING ("IPO")

The Company refers to the net IPO proceeds of approximately S$16.3 million raised from the initial public offering of shares on 30 June 2008. As at the date of this report, the net proceeds from the Company's initial public offering has been utilised as follows:

Use of IPO proceeds	Amount allocated S$'000	Amount utilized S$'000	Balance S$'000
To construct new facilities and acquire new machinery	14,000	13,231	769
To expand our research and development capabilities	1,000	1,000	–
For working capital purpose	1,282	1,282	–
	16,282	15,513	769

Financial Contents

PAGE

Directors' Statement	24
Independent auditors' report	27
Consolidated statement of profit or loss and other comprehensive income	31
Statements of financial position	32
Statements of changes in equity	33
Consolidated statement of cash flows	35
Notes to the financial statements	36

Directors' Statement

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

The directors present their statement to the members together with the audited consolidated financial statements of China Fibretech Ltd. (the "Company") and its subsidiaries (the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2015.

1. Opinion of the directors

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company together with the notes thereto are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015, and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended on that date; and

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

2. Directors

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

Executive director

Wu Xinhua (吴新华)

Independent non-executive director

Low Wai Cheong

Non-independent non-executive director

Wu Dezhi (吴德直)

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 objects was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, except as disclosed in paragraph 4 below.

4. Directors' interests in shares or debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had an interests in the shares or debentures of the Company and its related corporations, except as disclosed below:

	Direct interest				Deemed interest		
	At beginning of year	Addition	Share consolidation*	At end of year	At beginning of year	Share consolidation*	At end of year
The Company							
China Fibretech Ltd.							
(No. of ordinary shares of US$2 each)							
Wu Xinhua	–	–	–	–	226,104,675	(221,582,582)	4,522,093
Gao Yan (resigned on 8 May 2015)	1,700,000	280,000	(1,940,400)	39,600	–	–	–
Wu Dezhi	500,000	–	(490,000)	10,000	–	–	–
The Ultimate Holding Company							
Wellgain International Holdings Limited							
(No. of ordinary shares of US$1.00 each)							
Wu Xinhua	1	-	-	1	-	-	-

* *During the financial year, China Fibretech Ltd. has completed a share consolidation exercise to consolidate every fifty ordinary shares into one ordinary share.*

5. Share options

There were no share options granted by the Company or its subsidiaries during the financial year.

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

There were no unissued shares under option in the Company or its subsidiaries as at the end of the financial year.

6. Audit committee

The Audit Committee of the Company comprises two non-executive directors and at the date of this report, they are:

Low Wai Cheong
Wu Dezhi (吴德直)

The Audit Committee has convened four meetings during the year with key management and the internal and external auditors (both outgoing and incoming auditors) of the Company.

The Audit Committee carried out its duties which included the following:

(i) the audit plans of the internal auditors of the Group and their evaluation of the adequacy of the Group's system of internal accounting controls;
(ii) Group's quarterly and annual financial statements and the external auditors' report on the annual financial statements of the Group and of the Company before their submission to the board of directors;

6. Audit committee (Continued)

(iii) the quarterly, half-yearly and annual announcements as well as the related press releases on the results of the Group and financial position of the Group and of the Company;
(iv) interested person transactions in accordance with SGX listing rules;
(v) nomination of external auditors and approval of their compensation; and
(vi) submission of report of actions and minutes of the Audit Committee to the board of directors with any recommendations as the Audit Committee deems appropriate.

In 2016, the independent director(s) in Audit Committee has restricted access to and has restricted co-operation from the management and has been given restricted resources required for it to discharge its function. Hence, the Audit Committee is unable to discharge its function properly including the following:

(i) the audit plan and results of the external audit and the independence and objectivity of the external auditors, including the review of the extent of non-audit services provided by the external auditors to the Group;
(ii) the adequacy of the Group's risk management processes;
(iii) the Group's compliance with legal requirements and regulations, including the related compliance policies and programmes and reports received from regulators, if any;
(iv) Group's quarterly and annual financial statements and the external auditors' report on the annual financial statements of the Group and of the Company before their submission to the board of directors;
(v) the quarterly, half-yearly and annual announcements as well as the related press releases on the results of the Group and financial position of the Group and of the Company;
(vi) interested person transactions in accordance with SGX listing rules.

The Audit Committee has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of RT LLP (who was appointed on 30 November 2015) for re-appointment as external auditors of the Group at the forthcoming AGM of the Company.

On behalf of the Board of Directors

Wu Xinhua
Director

Wu Dezhi
Director

20 December 2016

Independent Auditors' Report

TO THE MEMBERS OF CHINA FIBRETECH LTD.
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of China Fibretech Ltd. (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position and statements of changes in equity of the Group and of the Company as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, and the consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with Singapore Standards on Auditing. Because of the matters described in the Basis for Disclaimer of Opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

1. Opening balances

   We were appointed as auditors on 30 November 2015 and were unable to obtain sufficient appropriate audit evidence in respect of the opening balances of the Group's property, plant and equipment, land use rights, inventories, trade and other receivables, prepayments, cash and cash equivalents, trade and other payables, bank borrowings, income tax payables and the Company's investment in subsidiaries, amount due from a subsidiary and amount due to a subsidiaries on 1 January 2015.

   Since the opening balances as at 1 January 2015 are entered into the determination of the financial position of the Group and of the Company as at 31 December 2015 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended 31 December 2015, we are unable to determine whether adjustments, if any, might have been found to be necessary in respect of the Group's and the Company's financial statements for the financial year ended 31 December 2015.

   Our opinion on the current financial year's financial statements of the Group and the statement of financial position and statement of changes in equity of the Company is also modified because of the possible effect of these matters on the comparability of the current year's figures and the corresponding figures.

2. Compensation claims by three customers

   As disclosed in Note 32(a), on 30 November 2015, the Company's wholly-owned subsidiary, Shishi Simwa Knitting & Dyeing Co., Ltd (石狮市新华针织漂染有限公司) first received notices from its three existing customers ("Claimants") on 25 November 2015 and 26 November 2015 alleging that they had suffered substantial damages and financial losses due to the products processed by that subsidiary for not meeting their specified requirements, resulting in de-colouration of their end-products (the "Claims"). It was noted that the said notices did not contain quantification of the alleged losses incurred. These Claims were for products delivered in 2014 and early 2015.

   The matters relating to the compensations were disclosed by the Company in their announcements on the Singapore Exchange dated 8 April 2016, 19 July 2016, 27 September 2016, and 29 September 2016.

   Arising from the payment of compensation on 28 September 2016 as announced on 29 September 2016 [Note32 (a)], management has made a provision for compensation claims as at 31 December which amounted to RMB470,475,000 as disclosed in Note 24 to the financial statements. We have not been able to verify the quantum of the payment as well as the parties to which the payments had allegedly been made.

Report on the Financial Statements (Continued)

Basis for Disclaimer of Opinion (Continued)

2. Compensation claims by three customers (Continued)

We were unable to verify the matters mentioned in the above announcements. We have not been provided with or able to obtain any independent evidence that would be sufficient and appropriate for our audit purposes to conclude on the Claims, their validity and their accounting treatment and disclosures. Consequently, we are not able to determine if the Claims should be accounted for as provision for compensation and neither were we able to verify on the Company's obligation to pay. Accordingly, we are unable to conclude on the nature and quantum of the provision and disclosure.

3. Bank confirmation

The management had not allowed for certain audit procedures to be performed and there were no acceptable alternatives to these procedures. Consequently, we were unable to carry out our audit procedures to obtain sufficient appropriate audit evidence to satisfy ourselves as to the existence and the quantum of the bank balances in the current account and fixed deposits account amounting to RMB250,125,000 and RMB200,000,000 respectively (see Note 20) as at 31 December 2015. In addition, we were also unable to determine the existence, quantum and completeness of the bank borrowings, which amounted to RMB12,900,000 (see Note 25) as at 31 December 2015.

Further, as disclosed in Note 25(a) & (b) to the financial statements, the bank borrowings of RMB4,400,000, RMB3,500,000 and RMB5,000,000 granted to the Group have matured on 14 September 2016, 17 August 2016 and 1 April 2016 respectively. We have not been provided with any supporting documents with respect to the settlement of these borrowings. Consequently, we were unable to establish whether these loans have been fully settled at their maturity date.

4. Going concern

As disclosed in Note 1.2 to the financial statements, as at 31 December 2015, the Group's current liabilities exceeded current assets by RMB5,175,000. In addition, the Group incurred a net loss of approximately RMB464,497,000 for the financial year ended 31 December 2015.

As disclosed in Note 32(a), and as noted in our report above (Point 2), the Group paid a total compensation amount of RMB465,998,000 after netting off against the trade receivables amounting to RMB4,477,000 to the Claimants namely, 晋江市滨浪制衣织造有限公司, 石狮市爱利奴服饰有限公司 and 石狮市金太屋纺织服饰有限公司.

Accordingly, the Group's cash and cash equivalents of approximately RMB450 million (Note 20) as at 31 December 2015 have been substantially depleted due to the above compensation on 28 September 2016. This has created a material uncertainty with respect to cash flow management that may cast significant doubt over the Group's and the Company's ability to continue as a going concern.

As disclosed in Note 1.2 to the financial statements, the directors have prepared these financial statements on a going concern basis. Based on the limited information about the Group and of the Company made available to us, we were unable to perform alternative procedures to determine the appropriateness of the use of the going concern assumption.

5. Prepayment of land use rights

As disclosed in Note 19 to the financial statements, included in prepayments is a payment of land use right over a plot of land measuring 16,235 square metres located at Wubao Industrial Zone, Shishi City (2003-1-4) 石狮市鸿山镇伍堡污染工业区 (2003-1-4). This was paid in 2008 with carrying value of approximately RMB20,343,000 (2014: RMB20,343,000) to the Land Bureau of Shishi Municipal Government (the "Land Bureau"). This certificate of the land use rights has not yet been issued by the Land Bureau since 2008. On 19 August 2016, the Company announced on the Singapore Exchange that the prepayment of RMB20,343,000 will be refunded in due course based on recent contract with the Land Bureau.

As we had not been furnished by the Company with any of the supporting documents with respect to the refund from the Land Bureau, nor had we been able to obtain information or perform any alternative procedures with respect to the land use rights, accordingly, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the validity and existence of this prepayment.

Report on the Financial Statements (Continued)

Basis for Disclaimer of Opinion (Continued)

6. Investment in subsidiaries and amount due from a subsidiary

In view of the compensation claims paid to the three customers as noted in our report above (point 2) and as disclosed in Note 32(a), the Company has recognised an impairment loss on investment in subsidiaries and amount due from a subsidiary amounting to RMB102,370,000 (Note 15) and RMB90,441,000 (Note 16) respectively. We are unable to assess the basis of impairment loss made by the management. Consequently, we were unable to perform any alternative audit procedures to assess the appropriateness and the quantum of the impairment loss made on the investment in subsidiaries and amount due from a subsidiary.

7. Property, plant and equipment and land use rights

As at 31 December 2015, the Group's carrying values of property, plant and equipment and land use right amounted to RMB26,055,000 and RMB2,366,000 respectively. As disclosed in Note 25 to the financial statements, the bank borrowings are secured by the Group's buildings on leasehold land (Note 12) and land use rights (Note 13) with carrying amounts of RMB6,703,000 and RMB2,366,000 respectively.

In reference to our Point 3 in our report above, we were not able to perform audit procedures relating to bank balances and borrowings. Consequently, we were unable to verify the ownership or collateralisation of the buildings on leasehold land and land use rights. The Company has informed us that the title deed is being held by the bank as collateral.

In addition, management has also not determined the recoverable amount of, nor assessed for any allowance for impairment of the property, plant and equipment and land use rights. Consequently, we were also unable to perform alternative audit procedures to assess the appropriateness of the carrying amount of the property, plant and equipment and land use rights.

8. Trade receivables

As stated in Note 18 to the financial statements, the Group's trade receivables include balances due from the Claimants. No allowances for impairment loss of trade receivables was made in respect of the three customers which filed notices of claims against the Company as the amount due from Claimants were subsequently settled by netting off against the compensation claim made to the Claimants on 28 September 2016.

We were unable to obtain independent audit confirmations of the balances due to the Group from the Claimants as at 31 December 2015 as the Company had not allowed us to circulate the audit confirmations to the Claimants.

Accordingly, in view of the limitation of scope imposed by the Company, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the carrying amount of RMB4,477,000 due from the Claimants as at 31 December 2015 was fairly stated nor are we able to satisfy ourselves as to the validity and existence of those Claimants.

9. Inventories

As at 31 December 2015, the Group's inventories had a carrying value of RMB816,000 (Note 17). We were unable to obtain any sufficient appropriate supporting documents, information and explanations we considered necessary to ascertain if the inventories were properly carried at the lower of its cost and its net realisable value due to management imposed limitation of scope.

10. Tax provision

In view of the above matters mentioned in Basis for Disclaimer of Opinion, we were unable to determine the consequential tax impact arising from any necessary and consequential adjustments and the appropriateness and completeness of disclosures made in the financial statements for the financial year ended 31 December 2015.

Report on the Financial Statements (Continued)

Basis for Disclaimer of Opinion (Continued)

11. Events occurring after the reporting period

We were unable to complete all our audit procedures for our events occurring after the reporting period, which we considered necessary to satisfy ourselves on the significant matters occurring after the reporting period with respect to items recorded or unrecorded as at 31 December 2015. Accordingly, in view of the limitation of scope imposed by the Company, we were unable to determine whether all significant subsequent events have been adequately dealt with in these financial statements (see Note 32) with respect to disclosures, presentation and adjusting subsequent events.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the accompanying financial statements of the Group and the Company.

Other Matter

The financial statements of the Group and of the Company for the financial year ended 31 December 2014 were audited by another firm of auditors whose report dated 24 March 2015 expressed an unmodified audit opinion.

As indicated in the first paragraph of this report, we were engaged to conduct an audit with reference to pages 10 to 58, being the financial statements. We are not required to, and do not, take responsibility for any other information appended to the financial statements, including representations or statements made by the management and/or the Board, except to establish consistency of facts with our understanding. In particular, we had received only the Directors' Statement by the date of our audit report, and after reading it, we noted that certain of the contents in Paragraph 6 under the header, "Audit Committee" are not consistent with our understanding, and therefore may not necessarily represent our views.

RT LLP
Public Accountants and
Chartered Accountants

Singapore
20 December 2016

Consolidated Statement of Profit or Loss and other Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	Group 2015 RMB'000	2014 RMB'000
Revenue	4	64,333	66,000
Cost of sales		(52,437)	(57,226)
Gross profit		11,896	8,774
Other income	5	3,041	34,918
Distribution costs		(715)	(833)
Administrative expenses		(5,416)	(11,221)
Other operating expenses		(471,508)	(20,675)
Finance costs	6	(1,038)	(1,172)
(Loss) / profit before taxation	7	(463,740)	9,791
Income tax expense	9	(757)	(7,807)
(Loss) / profit representing total comprehensive income for the financial year attributable to equity holders of the Company		(464,497)	1,984

Earnings per share attributable to owners of the Company (RMB)

	Note	2015	2014 Restated
– Basic and diluted	10	(51.76)	0.22

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

Statements of Financial Position

AS AT 31 DECEMBER 2015

	Note	Group		Company	
		2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
ASSETS					
Non-current assets					
Intangible assets	11	–	–	–	–
Property, plant and equipment	12	26,055	20,765	–	–
Land use rights	13	2,366	2,427	–	–
Investment properties	14	–	–	–	–
Investments in subsidiaries	15	–	–	–	102,370
Amount due from a subsidiary	16	–	–	–	79,898
Total non-current assets		28,421	23,192	–	182,268
Current assets					
Inventories	17	816	697	–	–
Trade and other receivables	18	15,400	16,188	–	–
Prepayments	19	20,462	20,486	120	143
Amount due from a subsidiary	16	–	–	4,796	16,735
Cash and cash equivalents	20	450,127	456,149	23	143
Total current assets		486,805	493,520	4,939	17,021
Total assets		515,226	516,712	4,939	199,289
LIABILITIES AND EQUITY					
Equity					
Share capital	21	135,773	135,704	135,773	135,704
Treasury shares	22	(35)	(35)	(35)	(35)
Other reserves	23	(2,976)	(2,907)	79,908	79,977
(Accumulated losses) / retained earnings		(109,516)	354,981	(216,789)	(21,684)
Equity attributable to owners of the Company		23,246	487,743	(1,143)	193,962
Current liabilities					
Amount due to a subsidiary	16	–	–	4,796	4,481
Trade and other payables	24	8,428	8,631	1,286	846
Provision for compensation	24	470,475	–	–	–
Bank borrowings	25	12,900	12,900	–	–
Income tax payables		177	7,438	–	–
Total current liabilities		491,980	28,969	6,082	5,327
Total liabilities		491,980	28,969	6,082	5,327
Total liabilities and equity		515,226	516,712	4,939	199,289

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

	Note	Attributable to owners of the Company								
					Other reserves					
		Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Share- based payment reserve RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Merger reserve RMB'000	Retained earnings / (Accumulated losses) RMB'000	Total equity RMB'000
Group										
Balance at 1 January 2014		135,635	(18)	79,908	69	4,403	15,000	(102,287)	352,997	485,707
Profit, representing total comprehensive income for the financial year		–	–	–	–	–	–	–	1,984	1,984
Transaction with owners, recognised directly in equity		135,635	(18)	79,908	69	4,403	15,000	(102,287)	354,981	487,691
Equity-settled share-based payment expense		–	–	–	69	–	–	–	–	69
Issue of shares under equity-settled transactions	21	69	–	–	(69)	–	–	–	–	–
Repurchase of treasury share		–	(17)	–	–	–	–	–	–	(17)
Balance at 31 December 2014		135,704	(35)	79,908	69	4,403	15,000	(102,287)	354,981	487,743
Balance at 1 January 2015		135,704	(35)	79,908	69	4,403	15,000	(102,287)	354,981	487,743
Loss, representing total comprehensive loss for the financial year		–	–	–	–	–	–	–	(464,497)	(464,497)
Transaction with owners, recognised directly in equity		135,704	(35)	79,908	69	4,403	15,000	(102,287)	(109,516)	23,246
Issue of shares under equity-settled transactions	21	69	–	–	(69)	–	–	–	–	–
Balance at 31 December 2015		135,773	(35)	79,908	–	4,403	15,000	(102,287)	(109,516)	23,246

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

Statements of Changes In Equity

AS AT 31 DECEMBER 2015

	Note	Share capital RMB'000	Treasury shares RMB'000	Other reserves: Share premium RMB'000	Other reserves: Share- based payment reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Company							
Balance at 1 January 2014		135,635	(18)	79,908	69	(18,735)	196,859
Loss, representing total comprehensive loss for the financial year		–	–	–	–	(2,949)	(2,949)
Transaction with owners, recognised directly in equity		135,635	(18)	79,908	69	(21,684)	193,910
Equity-settled share-based payment expense		–	–	–	69	–	69
Issue of shares under equity-settled transactions	21	69	–	–	(69)	–	–
Repurchase of treasury share		–	(17)	–	–	–	(17)
Balance at 31 December 2014		135,704	(35)	79,908	69	(21,684)	193,962
Balance at 1 January 2015		135,704	(35)	79,908	69	(21,684)	193,962
Loss, representing total comprehensive loss for the financial year		–	–	–	–	(195,105)	(195,105)
Transaction with owners, recognised directly in equity		135,704	(35)	79,908	69	(216,789)	(1,143)
Issue of shares under equity-settled transactions	21	69	–	–	(69)	–	–
Balance at 31 December 2015		135,773	(35)	79,908	–	(216,789)	(1,143)

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

Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	Group 2015 RMB'000	2014 RMB'000
Operating activities			
(Loss) / profit before income tax		(463,740)	9,791
Adjustments for:			
Amortisation of land use rights	13	61	253
Depreciation of property, plant and equipment	12	3,283	9,248
Depreciation of investment properties	14	–	376
(Gain) / loss on disposal of property, plant and equipment, net	5	(105)	88
Gain on disposal of investment properties and land use rights	5	–	(32,555)
Provision of compensation claims	24	470,475	–
Equity-settled share-based payment expense		–	69
Impairment loss recognised in respect of property, plant and equipment	12	–	17,468
Interest income	5	(2,936)	(1,505)
Interest expenses	6	1,038	1,172
Operating cash flows before movements in working capital changes		8,076	4,405
Changes in working capital:			
Inventories		(119)	261
Trade and other receivables		1,037	(629)
Trade and other payables		(203)	(1,342)
Cash generated from operations		8,791	2,695
Interest received		2,711	1,505
Income taxes paid		(8,018)	(665)
Net cash generated from operating activities		3,484	3,535
Investing activities			
Acquisition and construction of property, plant and equipment	12	(8,573)	(4,972)
Proceeds from disposal of property, plant and equipment		105	17
Proceeds from disposal of investment properties and land use rights		–	48,691
Net cash (used in) / generated from investing activities		(8,468)	43,736
Financing activities			
Proceeds from borrowings		12,900	12,900
Repayment of borrowings		(12,900)	(50,400)
Interest paid	6	(1,038)	(1,172)
Repurchase of treasury shares	22	–	(17)
Net cash used in financing activities		(1,038)	(38,689)
Net (decrease) / increase in cash and cash equivalents		(6,022)	8,582
Cash and cash equivalents at beginning of financial year		456,149	447,567
Cash and cash equivalents at end of financial year	20	450,127	456,149

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

1. General information

1.1 Corporate information

China Fibretech Ltd. (the "Company") (Registration Number 40381) is incorporated in Bermuda with its registered office located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Group is located at Wubao Industrial Zone, Shishi City, Fujian Province 362700, The People's Republic of China ("the PRC"). The Group does not have a place of business in Singapore as at the date of this report.

The principal activity of the Company is investment holding.

The principal activities of the respective subsidiaries are disclosed in Note 15 to the financial statements.

The Company's immediate and ultimate holding company is Wellgain International Holdings Limited, a company incorporated in British Virgin Islands.

The financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2015 were authorised for issue in accordance with a resolution of the Directors on the date of the Directors' Statement.

1.2 Going concern

As at 31 December 2015, the Group's current liabilities exceeded current assets by RMB5,175,000. In addition, the Group incurred a net loss of RMB464,497,000 for the financial year ended 31 December 2015.

Furthermore, as disclosed in Note 32(a), and noted in our Independent Auditors' Report above (Point 4), the Group paid a total compensation amount of RMB465,998,000 after netting off an amount of RMB4,477,000 due from these claimants namely, 晋江市滨浪制衣织造有限公司, 石狮市爱利奴服饰有限公司 and 石狮市金太屋纺织服饰有限公司.

Accordingly, the Group's cash and cash equivalents of approximately RMB450 million (Note 20) as at 31 December 2015 have been substantially depleted due to the above compensation on 28 September 2016. This has created a material uncertainty with respect to cash flow management that may cast significant doubt over the Group's and the Company's ability to continue as a going concern.

Notwithstanding this, the directors have prepared these financial statements on a going concern basis.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements have been drawn up in accordance with the provisions of the Singapore Financial Reporting Standards ("FRS") including related Interpretations of FRS ("INT FRS") and are prepared on the historical cost basis, except as disclosed in the accounting policies below.

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Renminbi ("RMB") which is also the functional currency of the Company, and all values presented are rounded to the nearest thousand ("RMB'000"), unless otherwise indicated.

In the current financial year, the Group has adopted all the new and revised FRS and INT FRS that are relevant to its operations and effective for the current financial year. The adoption of these new/revised FRS and INT FRS did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior years, except as detailed below.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

FRS 108 Operating segments

The Group has adopted the above amendment to FRS 108 on 1 January 2015. The amendment is applicable for annual periods beginning on or after 1 July 2014. It sets out the required disclosures on the judgements made by management in aggregating operating segments. This includes description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. The standard is further amended to require a reconciliation of segment assets to entity's assets when segment assets are reported.

The Group has included the additional required disclosures in Note 27 of the financial statements.

Interpretations and amendments to published standards effective in 2015

On 1 January 2015, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

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

FRS and INT FRS issued but not yet effective

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's and Company's accounting periods beginning on or after 1 January 2016 and which the Group and Company have not early adopted:

Effective for the Group's and Company's annual accounting period beginning on 1 January 2016
- Amendments to FRS 27 Separate financial statements (Equity method in separate financial statements)
- Amendments to FRS 16 Property plant and equipment and FRS 38 Intangible assets (Clarification of acceptable methods of depreciation and amortisation)
- Amendments to FRS 1 Presentation of financial statements (Disclosure initiative)

Effective for the Group's and Company's annual accounting period beginning on 1 January 2017
- Amendments to FRS7 (Disclosure initiative)
- Amendments to FRS12 (Recognition of deferred tax assets for unrealized losses)

Effective for the Group's and Company's annual accounting period beginning on 1 January 2018
- FRS 115 Revenue from Contracts with Customers
- FRS 109 Financial Instruments

The Directors do not anticipate that adoption of the above FRS and INT FRS in future periods will have a material impact on the financial statements of the Company and the Group in the period of their initial adoption except for FRS 115 and FRS 109. Management is currently evaluating the potential impact of the application of FRS 115 and FRS 109 on the financial statements of the Group and of the Company in the period of their initial application.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

FRS 109 - Financial Instruments

FRS 109 supersedes FRS 39 Financial Instruments: Recognition and Measurement with new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Under FRS 109, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for certain equity investments, for which the Group will have a choice to recognise the gains and losses in other comprehensive income. A third measurement category has been added for debt instruments – fair value through other comprehensive income. This measurement category applies to debt instruments that meet the Solely Payments of Principal and Interest contractual cash flow characteristics test and where the Group is holding the debt instrument to both collect the contractual cash flows and to sell the financial assets.

FRS 109 carries forward the recognition, classification and measurement requirements for financial liabilities from FRS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, FRS 109 retains the requirements in FRS 39 for de-recognition of financial assets and financial liabilities.

FRS 109 introduces a new forward-looking impairment model based on expected credit losses to replace the incurred loss model in FRS 39. This determines the recognition of impairment provisions as well as interest revenue. For financial assets at amortised cost or fair value through other comprehensive income, the Group will now recognise (at a minimum) 12 months of expected losses in profit or loss. Lifetime expected losses will be recognised on these assets when there is a significant increase in credit risk after initial recognition.

FRS 109 also introduces a new hedge accounting model designed to allow entities to better reflect their risk management activities in their financial statements.

The Group plans to adopt FRS 109 in the financial year beginning on 1 January 2018 with retrospective effect in accordance with the transitional provisions. There may be a potentially significant impact on the accounting for financial instruments on initial adoption. Due to the recent release of this standard, the Group has not yet made a detailed assessment of the impact of this standard, however the Group will be required to re-assess the classification and measurement of financial assets, particularly those currently classified as available for sale and the new impairment requirements are expected to result in changes for impairment provisions on trade receivables and other financial assets not measured at fair value through profit or loss.

FRS 115 – Revenue from Contracts with Customers

FRS 115 introduces a comprehensive model that applies to revenue from contracts with customers and supersedes all existing revenue recognition requirements under FRS. The model features a five-step analysis to determine whether, how much and when revenue is recognised, and two approaches for recognising revenue: at a point in time or over time. The core principle is that an entity recognises revenue when control over promised goods or services is transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FRS 115 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statement to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

On initial adoption of this standard there may be a potentially significant impact on the timing and profile of revenue recognition of the Group. Due to the recent release of this standard, the Group has not yet made a detailed assessment of the impact of this standard. The Group plans to adopt the standard in the financial year beginning on 1 January 2018 with either full or modified retrospective effect in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the Group has control. The Group controls an investee if the Group has power over the investee, exposure to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Subsidiaries are consolidated from the date on which control is obtained by the Group up to the effective date on which control is lost, as appropriate.

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised losses may be an impairment indicator of the asset concerned.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by other members of the Group.

Non-controlling interests in subsidiaries relate to the equity in subsidiaries which is not attributable directly or indirectly to the owners of the parent. They are shown separately in the consolidated statements of comprehensive income, financial position and changes in equity.

Non-controlling interests in the acquiree that are a present ownership interest and entitle its holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value, of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the 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 interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary it derecognises the assets and liabilities of the subsidiary and any non-controlling interest. The profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

In the separate financial statements of the Company, investments in subsidiaries are carried at cost, less any impairment loss that has been recognised in profit or loss.

2. Summary of significant accounting policies (Continued)

2.3 Business combinations

Business combinations from 1 January 2010

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 *Business Combinations* are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with FRS 105 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at the lower of cost and fair value less costs to sell.

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 (i.e. the date the Group attains control) 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.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 Income Taxes and FRS 19 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with FRS 102 Share-based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and is initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

2. Summary of significant accounting policies (Continued)

2.3 Business combinations (Continued)

Business combinations before 1 January 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations were accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as step acquisitions. Adjustments to those fair values relating to previously held interests were treated as a revaluation and recognised in equity.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that would otherwise be required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was probable and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affected goodwill.

Common Control Business Combination Outside the Scope of FRS 103

A business combination involving entities under common control is a business combination in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. A business combination involving common control entities, is outside the scope of FRS 103. For such common control business combinations, the merger accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the consolidated financial statements.

In applying merger accounting, financial statement items of the combining entities or businesses for the reporting period in which the common control combination occurs, and for any comparative periods disclosed, are included in the consolidated financial statements of the combined entity as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties.

A single uniform set of accounting policies is adopted by the combined entity. Therefore, the combined entity recognises the assets, liabilities and equity of the combining entities or businesses at the carrying amounts in the consolidated financial statements of the controlling party or parties prior to the common control combination. The carrying amounts are included as if such combined entity's accounting policies and applying those policies to all periods presented. There is no recognition of any goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combination. The effects of all transactions between the combining entities or businesses, whether occurring before or after the combination, are eliminated in preparing the consolidated financial statements of the combined entity.

The consolidated financial statements were prepared based on the audited financial statements of subsidiary which were prepared in accordance with FRS for the purpose of consolidation. The PRC subsidiary maintains its accounting records and prepares the relevant statutory financial statement in accordance with the accounting standards and legislations of the PRC Generally Accepted Accounting Principle ("GAAP").

Business combinations for the acquisition of Simwa Holdings Ltd, Shishi Simwa Knitting & Dyeing Co., Ltd and Xiamen Sunny Dyeing and Printing Co., Ltd were accounted for using the merger accounting as described above.

2. Summary of significant accounting policies (Continued)

2.4 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of estimated customer returns, rebates and other similar allowances.

Rendering of services

Revenue from provision of dyeing and post-processing treatment services is recognised when the services are rendered to customers. Revenue excludes sales related 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

Interest income is recognised using the effective interest method.

Rental income

Rental income from investment properties is recognised on a straight-line basis over the term of the relevant lease.

Management fee

Management fees from tenants are recognised on a straight-line basis over the term of relevant lease.

2.5 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.6 Retirement benefit costs

The Group participates in the national pension schemes as defined by the laws of PRC. Subsidiaries incorporated in the PRC are required to provide staff pension benefits to their employees under existing PRC legislation. These subsidiaries are required to contribute a certain percentage of their payroll costs to the pension scheme to fund the benefits. The pension funds are managed by government agencies, which are responsible for paying pensions to the retired employees. Contributions under the pension scheme are charged to the profit or loss as they become payable in accordance with the rules of the pension scheme.

2.7 Employee leave entitlements

No provision has been made for employee leave entitlements as any unconsumed annual leave will be forfeited.

2. Summary of significant accounting policies (Continued)

2.8 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the financial year.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control 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.

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year and based on the tax consequence that will follow from the manner in which the Group expects, at the end of the financial year, to recover or settle the carrying amounts of its assets and liabilities except for the investment properties where investment properties measured at fair value are presented to be recovered entirely through sale. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- when the sales tax that is incurred on purchases is not recoverable from the tax authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of sales tax included.

2. Summary of significant accounting policies (Continued)

2.9 Dividends

Equity dividends are recognised when they become legally payable. Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which dividends are approved by shareholders.

2.10 Foreign currency transactions and translation

Foreign currency transactions are translated into the individual entities' respective functional currencies at the exchange rates prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. 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.

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 differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

2.11 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. 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 plant and equipment.

Depreciation is charged so as to write off the cost of assets, other than freehold land and properties under construction, over their estimated useful lives, using the straight-line method, on the following bases:

• Buildings on leasehold land	30 years
• Plant and machinery	5 – 10 years
• Furniture, fixtures and office equipment	5 years
• Renovation	5 years

No depreciation is charged on construction-in-progress as they are not yet in use as at the end of the financial year.

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are shown at their costs less accumulated depreciation, and where applicable, accumulated impairment losses.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each financial year.

The gain or loss, being the difference between the sales proceeds and the carrying amount of the asset, arising on disposal or retirement of an item of property, plant and equipment is recognised in profit or loss. Any amount in the revaluation reserve relating to that asset is transferred to retained earnings directly.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

There are no rules or guidelines under the existing rules and regulations in the PRC as to the responsibilities of restoration upon expiry of land use rights. There is no reliable estimation to the cost of restoration and the expenditure is not probable.

2. Summary of significant accounting policies (Continued)

2.12 Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation is initially recognised at cost and subsequently carried at cost less accumulated depreciation and impairment losses. Depreciation is charged, using the straight-line method, so as to write off the cost over their estimated useful lives of 30 years. The residual values, useful lives and depreciation method of investment properties are reviewed and adjusted as appropriate, at the end of each financial year. The effects of any revision are included in profit or loss when the changes arise.

Costs of major renovations and improvements to the investment property are capitalised as additions and the carrying amounts of the replaced components are written off to profit or loss. The costs of maintenance, repairs and minor improvement are charged to profit or loss when incurred.

Upon its disposal or retirement, the difference between the net disposal proceeds and the carrying amount of the investment property is recognised in profit or loss.

2.13 Intangible assets

Computer software

Acquired computer software licences are initially capitalised on the basis of the costs incurred to acquire and prepare the software for its intended use. Direct expenditure which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured is added to the original cost of the software. Costs associated with maintaining computer software are recognised as an expense as incurred.

Computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised over their estimated useful lives of 5 years.

Trademark

Trademarks are stated at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised over 10 years, which is the shorter of their estimated useful lives and periods of contractual rights.

2.14 Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over the lease term of 50 years.

2.15 Impairment of tangible and intangible assets

The Group reviews the carrying amounts of its tangible and intangible assets as at each reporting date to assess for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Irrespective of whether there is any indication of impairment, the Group also tests its intangible assets with indefinite useful lives and intangible assets not yet available for use for impairment annually by comparing their respective carrying amounts with their corresponding recoverable amounts.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss for the amount by which the asset's carrying amount exceeds the recoverable amount is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

2. Summary of significant accounting policies (Continued)

2.15 Impairment of tangible and intangible assets (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.16 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the 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 shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

Financial assets

All financial assets are recognised on a trade date – the date on which the Group commits to purchase or sell the asset. They are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets pertains to loans and receivables. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

Loans and receivables

The Group's loans and receivables comprise trade and other receivables, amounts due from a subsidiary and cash and cash equivalents.

Such loans and receivables are non-derivatives with fixed or determinable payments that are not quoted in an active market. They are measured at amortised cost, using the effective interest method less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

2. Summary of significant accounting policies (Continued)

2.16 Financial instruments (Continued)

Impairment of financial assets (Continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds receivables.

Classification as debt or equity

Financial liabilities and equity instruments issued by Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Ordinary share capital

Ordinary share capital is classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

When shares recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale issue or cancellation of treasury shares.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained earnings of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued pursuant to the employee share option scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve of the Company.

Financial liabilities and equity instruments

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities are classified as at fair value through profit or loss if the financial liability is either held for trading or it is designated as such upon initial recognition.

2. Summary of significant accounting policies (Continued)

2.16 Financial instruments (Continued)

Other financial liabilities

Trade and other payables

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

Borrowings

Interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (Note 2.5).

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

2.17 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.18 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and cash on hand which are subject to insignificant risk of changes in value.

2.19 Leases

Operating Leases

Lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which user benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, which is discounted using a pre-tax discount rate.

2. Summary of significant accounting policies (Continued)

2.20 Provisions (Continued)

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss as they arise.

2.21 Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value of the equity instruments (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest and adjusted for the effect of non market-based vesting conditions. At the end of each financial year, the Group revises the estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised over the remaining vesting period with a corresponding adjustment to the equity-settled employee benefits reserve.

2.22 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive directors and the chief executive officer who make strategic decisions.

3. Critical accounting judgements and key sources of estimation uncertainty

The Group made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources in the application of the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors that are considered to be reasonable under the circumstances. Actual results may differ from the estimates.

3.1 Critical judgements made in applying the Group's accounting policies

Management is of the opinion that there are no critical judgements (other than those involving estimates) that have a significant effect on the amounts recognised in the financial statements.

3.2 Key sources of estimation uncertainty

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Impairment of investments in subsidiaries

At the end of each financial year, an assessment is made on whether there are indicators that the Company's investments are impaired. Where necessary, the Company's assessments are based on the estimation of the value-in-use of the assets defined in FRS 36 Impairment of Assets by forecasting the expected future cash flows for a period of up to 5 years, using a suitable discount rate in order to calculate the present value of those cash flows.

During the current financial year, an impairment loss of RMB102,370,000 (2014: Nil) was recognised for the investment in subsidiaries of the Company. The Company's carrying amount of investments in subsidiaries as at 31 December 2015 was Nil (2014: RMB102,370,000) (Note 15).

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.2 Key sources of estimation uncertainty

(ii) Depreciation of property, plant and equipment

The Group depreciates the property, plant and equipment over their estimated useful lives after taking into account of their estimated residual values. The estimated useful life reflects management's estimate of the period that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual value reflects management's estimated amount that the Group would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, as if the asset were already of the age and in the condition expected at the end of its useful life. Changes in the expected level of usage and technological developments could affect the economics, useful lives and the residual values of these assets which could then consequentially impact future depreciation charges. The carrying amounts of the Group's property, plant and equipment at 31 December 2015 were RMB26,055,000 (2014: RMB20,765,000) (Note 12).

(iii) Inventory valuation method

Inventory is valued at the lower of cost and net realisable value. Management reviews the Group's inventory levels in order to identify slow-moving and obsolete inventory and identifies items of inventory which have a market price, being the selling price quoted from the market of similar items that is lower than its carrying amount. Management then estimates the amount of inventory loss as an allowance on inventory. Changes in demand levels, technological developments and pricing competition could affect the saleability and values of the inventory which could then consequentially impact the Group's and Company's results, cash flows and financial position. The carrying amount of the Group's inventories as at 31 December 2015 was RMB816,000 (2014: RMB697,000). There was no allowance made on inventory for the year ended 31 December 2015 and 2014 (Note 17).

(iv) Provision for income taxes

The Group has exposure to income taxes in the PRC of which a portion of these taxes arose from certain transactions and computations for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities of expected tax issues based on their best estimates of the likely taxes 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 in the period in which such determination is made. The carrying amounts of the Group's current tax payable as at 31 December 2015 was RMB177,000 (2014: RMB7,438,000).

The Company did not provide the auditors with any supporting documents with respect to the above items 3.2(i) to 3.2(v).

(v) Provision for compensation claims

The Group made provision for compensation claims amounting to RMB470,475,000 as at 31 December 2015. The estimates provision for compensation claims was based on the demand notice received from the claimants and testing on products processed by the Company and was estimated based on the cost of the finished products for the customers. Changes in the outcome of further testing, if commissioned may result in changes in the amount of the required provisions. The carrying amount of the provision for compensation claims is disclosed in Note 24.

4. Revenue

	Group	
	2015 RMB'000	2014 RMB'000
Provision of dyeing and post-processing treatment services for fabrics	64,333	66,000

5. Other income

	Group	
	2015 RMB'000	2014 RMB'000
Gain from disposal of investment properties and land use rights	–	32,555
Interest income	2,936	1,505
Rental income	–	617
Management fee from tenants	–	329
Gain/(loss) on disposal of property, plant and equipment	105	(88)
	3,041	34,918

6. Finance costs

	Group	
	2015 RMB'000	2014 RMB'000
Interest expense on bank loans	1,038	1,172

7. (Loss)/profit before taxation

(Loss)/profit before income tax has been arrived at after charging / (crediting):

	Group	
	2015 RMB'000	2014 RMB'000
Audit fee paid to auditors	452	575
Non-audit fees paid/payable to internal auditors	111	187
Amortisation of land use rights (Note 13)	61	253
Cost of inventories included in cost of sales	20,722	23,132
Depreciation of investment properties (Note 14)	–	376
Depreciation of property, plant and equipment (Note 12)	3,283	9,248
Directors' fee – directors of the Company	503	558
Gain on disposal of investment properties and land use rights	–	(32,555)
(Gain)/loss on disposal of property, plant and equipment, net	(105)	88
Net foreign exchange loss	50	47
Impairment of property, plant and equipment (Note 12)	–	17,468
Provision for compensation claims (Note 24)	470,475	–
Staff costs (Note 8)	10,466	11,940

8. Staff costs

	Group	
	2015 RMB'000	2014 RMB'000
Directors' remuneration other than fee		
– salaries and related cost	750	960
– equity-settled share-based payment expense	69	69
– employer's contribution to defined contribution plan	76	118
	895	1,147
Key management personnel (other than directors)		
– salaries and related cost	561	608
– employer's contribution to defined contribution plan	41	42
	602	650
Other than directors and key management personnel		
– salaries and related cost	6,717	7,702
– employer's contribution to defined contribution plan	2,252	2,441
	8,969	10,143
	10,466	11,940

9. Income tax expense

	Group	
	2015 RMB'000	2014 RMB'000
Current tax expense	757	7,558
Underprovision in prior years	–	249
	757	7,807

The tax expense on the results of the financial year differs from the amount of income tax determined by applying the statutory income tax rates of the respective countries to profit before income tax as a result of the following:

	Group	
	2015 RMB'000	2014 RMB'000
(Loss) / profit before income tax	(463,740)	9,791
Tax at the domestic tax rates applicable to profits in the country where the Group operates	(115,935)	2,448
Add/(less):		
– Effect of non-deductible expenses	117,619	5,111
– Under provision in prior years	–	249
– Utilisation of previously unrecognised deferred tax benefits	(927)	–
– Others	–	(1)
Total tax expense	757	7,807

The unutilised tax losses carried forward by the PRC subsidiary is RMB3,468,000 (2014: RMB7,176,191).

Deferred tax asset is not recognised in the statement of financial position as it is not probable that future taxable profit will be available against which the subsidiary can utilise the benefits.

The Company ("China Fibretech Ltd") and its subsidiary, Simwa Holding Ltd ("Simwa Holding") are incorporated in Bermuda and The British Virgin Islands respectively and are exempted from tax in their country of jurisdiction.

The Group's subsidiaries, Shishi Simwa Knitting and Dyeing Co., Ltd ("Shishi Simwa") and Xiamen Sunny Dyeing and Printing Co., Ltd ("Xiamen Sunny") in the PRC are subject to the PRC corporate income tax on their taxable profits.

The tax rates are applicable to the following companies in the PRC as follows:

	Rate
Shishi Simwa	25.0%
Xiamen Sunny	24.0%

Xiamen Sunny was taxed at a preferential rate of 22%, now revised to 24%, for financial year beginning 1 January 2011 as it is located in Xiamen which is one of the Special Economic Zone ("SEZ") in the PRC as designated by the Chinese government.

Shishi Simwa has resumed standard corporate income tax rate of 25% for the financial year beginning 1 January 2012 as the entity had ended their tax holiday period in the financial year ended 31 December 2011.

10. Earnings per share

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Group	
	2015 RMB'000	2014 RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share for the year attributable to the Company	(464,497)	1,984

	Group	
	2015 No. of shares '000	2014 No. of shares Restated* '000
Number of shares		
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	8,978	8,971

Earnings per share (RMB)

	2015	2014 Restated*
Earnings for the purposes of basic and diluted earnings per share from continuing operations	(51.73)	0.22

* *comparative figures for earnings per share have been adjusted for the share consolidation exercise to consolidate every fifty ordinary shares into one ordinary share.*

11. Intangible assets

Group	Trademark RMB'000	Computer software RMB'000	Total RMB'000
Cost			
At 1 January 2014, 31 December 2014 and 2015	60	222	282
Accumulated amortisation			
At 1 January 2014, 31 December 2014 and 2015	60	222	282
Carrying amount			
At 31 December 2014 and 2015	–	–	–

12. Property, plant and equipment

Group	Buildings on leasehold land RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Renovation RMB'000	Construction-in-progress [1] RMB'000	Total RMB'000
2015						
Cost						
Balance at 1 January 2015	12,608	102,956	681	8,246	8,869	133,360
Additions	–	8,547	26	–	–	8,573
Disposals	–	(4,231)	–	–	–	(4,231)
Written off	–	–	(170)	–	–	(170)
Balance at 31 December 2015	12,608	107,272	537	8,246	8,869	137,532
Accumulated depreciation						
Balance at 1 January 2015	5,470	71,976	566	8,246	–	95,127
Depreciation	435	2,781	67	–	–	3,283
Disposals	–	(2,577)	–	–	–	(2,577)
Written off	–	–	(170)	–	–	(170)
Balance at 31 December 2015	5,905	72,180	463	8,246	–	95,663
Impairment						
Balance at 1 January 2015	–	17,468	–	–	8,869	26,337
Disposal	–	(1,654)	–	–	–	(1,654)
Balance at 31 December 2015	–	15,814	–	–	8,869	24,683
Carrying amount						
Balance at 31 December 2015	6,703	19,278	74	–	–	26,055

12. Property, plant and equipment (Continued)

Group	Buildings on leasehold land RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Renovation RMB'000	Construction-in-progress [1] RMB'000	Total RMB'000
2014						
Cost						
Balance at 1 January 2014	12,608	98,295	617	8,246	8,869	128,635
Additions	–	4,908	64	–	–	4,972
Disposals	–	(247)	–	–	–	(247)
Balance at 31 December 2014	12,608	102,956	681	8,246	8,869	133,360
Accumulated depreciation						
Balance at 1 January 2014	5,036	64,509	501	7,106	–	77,152
Depreciation	434	7,609	65	1,140	–	9,248
Disposals	–	(142)	–	–	–	(142)
Balance at 31 December 2014	5,470	71,976	566	8,246	–	86,258
Impairment						
Balance at 1 January 2015	–				8,869	8,869
Impairment loss recognised during the year	–	17,468	–	–	–	17,468
Balance at 31 December 2014	–	17,468	–	–	8,869	26,337
Carrying amount						
Balance at 31 December 2014	7,138	13,512	115	–	–	20,765

[1] This represents construction costs incurred for a piece of land in Wubao Industrial Zone, Shishi City, The PRC with land area totalling 16,235 sq m.

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

Bank borrowings are secured on buildings on leasehold land of the Group with carrying amounts of RMB6,703,000 (2014: RMB7,138,000) (Note 25).

During the financial year ended 31 December 2015 and in consistent with the last financial year, depreciation expenses for plant and machineries amounting to RMB1,033,000 (2014: RMB3,207,000) was recognised as unallocated overhead in view of the decrease in demand of the Group's dyeing and post processing treatment services as compared to prior years. These unallocated overhead was recognised in other operating expenses.

In 2014, the Group carried out a review of the recoverable amount of its property, plant and equipement. An impairment loss of RMB17,468,000 was provided for plant and machinery due to significant decrease in demand of the Group's dyeing and post processing treatment services.

13. Land use rights

	Group RMB'000
Cost	
At 1 January 2014	14,954
Disposal	(11,899)
At 31 December 2014 and 2015	3,055
Accumulated amortisation	
At 1 January 2014	3,726
Amortisation for the year	253
Disposal	(3,351)
At 31 December 2014	628
Amortisation for the year	61
At 31 December 2015	689
Carrying amount	
At 31 December 2015	2,366
At 31 December 2014	2,427

The Group has land use rights over this plot of land located in:

Location	Description	Area (sq. metres)	Tenure expiry date	Carrying amount RMB'000
Wubao Industrial Zone, Shishi City (I-III) 石狮市鸿山镇伍堡污染工业区 (I- III)	Land for industrial use	15,534.51	31/12/2056	2,366

The land use rights (Note 19) are held on leases for 50 years.

Bank borrowings are secured on the land use rights of the Group with carrying amounts of RMB2,366,000 (2014: RMB2,427,000) (Note 25).

14. Investment properties

	Group RMB'000
Cost	
At 1 January 2014	13,101
Disposal	(13,101)
At 31 December 2014 and 2015	–
Accumulated depreciation	
At 1 January 2014	5,137
Depreciation for the year	376
Disposal	(5,513)
At 31 December 2014 and 2015	–
Carrying amount	
At 31 December 2015	–
At 31 December 2014	–

The investment properties, all held by a wholly-owned subsidiary, comprise:

Location	Description	Area (sq. metres)	Tenure expiry date
No. 37 Xindong Road, Xinglin District, Xiamen City	Industrial building (converted for commercial use)	26,894.68	–

The investment properties were disposed in the last financial year.

The following amounts were recognised in the profit or loss:

	Group	
	2015 RMB'000	2014 RMB'000
Rental income	–	617
Management fees from tenants	–	329
Direct operating expenses arising from investment properties that generated rental income	–	268
Gain in disposal of investment properties and land use rights	–	32,555

15. Investment in subsidiaries

	Company	
	2015 RMB'000	2014 RMB'000
Unquoted equity shares, at cost	102,370	102,370
Allowance for impairment loss	(102,370)	–
	–	102,370
Movements in allowance for impairment loss are as follows:		
At 1 January	–	–
Charge for the financial year	102,370	–
At 31 December	102,370	–

The details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation/ operation	Cost of investment		Effective equity interest held by the Company		Principal activities
		2015 RMB'000	2014 RMB'000	2015 %	2014 %	
Held by the Company						
Simwa Holdings Ltd[1]	The British Virgin Islands	102,370	102,370	100%	100%	Investment holding
Held by Simwa Holdings Ltd						
Shishi Simwa Knitting & Dyeing Co., Ltd[1] 石狮市新华针织漂染有限公司	The People's Republic of China	20,000	20,000	100%	100%	Processing, dyeing and finishing of fabrics
Xiamen Sunny Dyeing and Printing Co., Ltd[1] 厦门新立印染有限公司	The People's Republic of China	10,000	10,000	100%	100%	Dormant

(1) All subsidiaries are audited by RT LLP for the purpose of expressing an opinion on the consolidated financial statements.

The recoverable amount of the investment in subsidiaries was based on fair value less costs of disposal. The Group had used the market approach where the expected selling price of the subsidiary was based on its estimated net assets at the end of the financial year. The key assumption for which the valuation was most sensitive was the estimation of the provision for compensation claim to certain customers (see dislosure below). The fair value is categorised under level 3 of the fair value hierarchy.

The allowance for impairment loss of investment in subsidiaries of RMB102,370,000 (2014: RMBNil) were recognised during the financial year. Allowances for impairment loss was made in respect of three customers which filed notices of claims and requested compensation against the Company. As the subsidiaries of the Company were in a negative net tangible assets position due to the provision of compensation claim of approximately RMB470,475,000 recorded in the financial year ended 31 December 2015 made to three customers on 28 September 2016 as disclosed in Note 32(a), management has impaired the entire balance of investment in subsidiaries.

16. Amount due from/(to) a subsidiary

	Company	
	2015 RMB'000	2014 RMB'000
Long-term loan account		
– Amount due from a subsidiary	79,898	79,898
Allowances for impairment loss	(79,898)	–
	–	79,898
Current loan account		
– Amount due from a subsidiary	15,339	16,735
Allowance for impairment loss	(10,543)	–
	4,796	16,735
– Amount due to a subsidiary	(4,796)	(4,481)

The amounts due from/(to) a subsidiary are denominated in Renminbi.

As in the last financial year, the amount due from a subsidiary on long-term loan account is an extension of the Company's net investment in the subsidiary. This is unsecured, interest-free and is not expected to be repaid within one year. As the Board views this as a net investment, with indeterminable repayments accordingly, management is of the view that fair valuation is not appropriate.

The amounts due from/(to) a subsidiary are unsecured, interest free and repayable on demand. These amounts approximate their fair values. As at the end of the reporting period, management has assess the recoverability of the amount due from a subsidiary which amount to approximately RMB15.3 million (2014: RMB16.7 million).

The allowances for impairment loss of long-term loan due from a subsidiary and current loan due from a subsidiary approximately RMB79,898,000 (2014: RMBNil) and RMB10,543,000 (2014: RMBNil) respectively were recognised during the financial year. Allowances for impairment loss was made in respect of three customers which filed notices of claims and requested compensation against the Company. As the subsidiaries of the Company were in a negative net tangible assets position due to the provision of compensation claim of approximately RMB470,475,000 recorded in the financial year ended 31 December 2015 as a result of the payment of compensation made to three customers on 28 September 2016 as disclosed in Note 32(a), management has impaired the entire balance of investment in subsidiaries.

17. Inventories

	Group	
	2015 RMB'000	2014 RMB'000
Raw materials, at cost	816	697

18. Trade and other receivables

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Trade receivables				
– Third parties	15,175	14,188	–	–
Other receivables	225	2,000	–	–
Total trade and other receivables	15,400	16,188	–	–

The average credit period on sale of goods is 71 days (2014: 82 days).

Trade and other receivables are denominated in Renminbi.

No allowances for impairment loss of trade receivables was made in respect of three customers which filed notices of claims against the Company ("Claimants") as the amount due from Claimants were subsequently settled by netting off against the compensation claim made to Claimants on 28 September 2016 (Note 24).

The carrying amount of the Group's trade receivables due from the Claimants as at 31 December 2015 amounted to RMB4,477,000.

19. Prepayments

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Prepayments	20,462	20,486	120	143

Included in prepayments is a payment of land use right over a plot of land measuring 16,235 sq. metres for industrial use located in Wubao Industrial Zone, Shishi City (2003-1-4) 石狮市鸿山镇伍堡污染工业区 (2003-1-4) (Note 13).

As at 31 December 2015, the certificate of land use right for the plot of land paid in 2008 with carrying value of approximately RMB20,343,000 (2014: RMB20,343,000) had not been obtained from relevant authorities since 2008.

On 19 August 2016, the Company announced on the Singapore Exchange that the prepayment of RMB20,243,000 will be refunded in due course based on recent contract with the Land Bureau.

20. Cash and cash equivalents

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Cash balances	2	1	–	–
Bank balances	250,125	456,148	23	143
Fixed deposits	200,000	–	–	–
	450,127	456,149	23	143

The effective interest rate of the cash and bank balances of the Group and the Company is 0.6% (2014: 0.33%) per annum. Interest rates reprice at intervals of one to three months.

The fixed deposits earned interest at 1.35% (2014: Nil) per annum have maturity of 3 months (2014: Nil).

The currency profiles of the Group's and Company's cash and cash equivalents as at 31 December are as follows:

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Renminbi	450,078	455,963	–	–
Hong Kong dollar	22	39	–	–
Singapore dollar	27	147	23	143
	450,127	456,149	23	143

Cash and cash equivalents of RMB450,078,000 (2014: RMB455,963,000) held in People's Republic of China are subject to local exchange control regulation. These regulations places restriction on the amount of currency being exported other than through dividends.

21. Share capital

	Group and Company			
	2015	2014	2015	2014
	Number of ordinary shares with no par value		RMB'000	RMB'000
	'000	'000		
Authorised:				
At 1 January (US$100,000,000)	2,500,000	2,500,000	615,347	615,347
Share consolidation	(2,450,000)	–	–	–
At 31 December (US$100,000,000)	50,000	2,500,000	615,347	615,347
			2015 USD'000	2014 USD'000
Issued and paid up:				
At 1 January	448,710	448,430	17,948	17,937
Issue of new ordinary shares pursuant to the equity-settled transactions	280	280	11	11
Share consolidation	(440,010)	–	–	–
At 31 December	8,980	448,710	17,959	17,948
Equivalent to RMB'000			135,773	135,704

Fully paid ordinary shares carry one vote per share and carry a right to receive dividends as and when declared by the Company.

During the financial year, the Company issued 280,000 (2014: 280,000) ordinary shares, free of payment, to an eligible director who has since resigned on 8 May 2015 as incentives pursuant to the Company's equity-settled transactions. The newly issued shares rank pari passu in all respects with the previously issued shares.

On 29 May 2015, the Company has completed a share consolidation exercise to consolidate every fifty ordinary shares in the capital of the Company held by the shareholders into one ordinary share, as to comply with the Minimum Trading Price ("MTP") requirement as implemented by the SGX-ST as an additional continuing listing requirement. The issued share capital of the Company as at 31 December 2015 comprises 8,979,791 consolidated shares, after disregarding any fraction of consolidated shares arising from the share consolidation exercise.

The holders of ordinary shares are entitled to receive dividends as and when declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

As at 31 December 2015, the number of shares issuable under the FY2015 equity-settled transactions is Nil (2014: 280,000).

22. Treasury shares

	Group and Company			
	2015	2014	2015	2014
	Number of ordinary shares'000		USD'000	USD'000
Paid up:				
At 1 January	200	100	6	3
Repurchased during the year	–	100	–	3
Share consolidation	(196)	–	–	–
At 31 December	4	200	6	6
Equivalent to RMB'000			35	35

On 29 May 2015, the Company completed its share consolidation exercise to consolidate every fifty ordinary shares in the capital of the Company held by the shareholders into one ordinary share, as to comply with the Minimum Trading Price ("MTP") requirement as implemented by the SGX-ST as an additional continuing listing requirement. The issued share capital of the Company as at 31 December 2015 comprises 8,979,791 consolidated shares, after disregarding any fraction of consolidated shares arising from the share consolidation exercise.

The Company acquired 100,000 of its own shares through purchases on SGX in 2012 and in 2014. The total amount paid to acquire the shares was RMB35,000 and has been deducted from shareholders' equity.

23. Other reserves

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Share premium	79,908	79,908	79,908	79,908
Share-based payment reserve	–	69	–	69
Capital reserve	4,403	4,403	–	–
Statutory reserve	15,000	15,000	–	–
Merger reserve	(102,287)	(102,287)	–	–
	(2,976)	(2,907)	79,908	79,977

(i) Share premium

The share premium represents the excess of issue price over the par value of the shares issued, net of share issue expenses.

(ii) Share-based payment reserve

Share-based payment reserve represents the equity-settled transactions awarded to employees. The reserve comprises the cumulative value of services received from employees recorded on grant of share awards, and would be reduced by issue of shares to employees.

(iii) Capital reserve

The capital reserve represents the premium arising from the issue of shares prior to 31 December 2003.

23. Other reserves (Continued)

(iv) Statutory reserve

In accordance with the relevant laws and regulations of the PRC, the subsidiaries of the Company established in the PRC are required to transfer 10% of its profits after income taxes prepared in accordance with the accounting regulation of the PRC to the statutory reserve until the reserve balance reaches 50% of the respective registered capital. Such reserve may be used to offset accumulated losses or increase the registered capital of these subsidiaries, subject to the approval from the PRC relevant authority, and are not available for dividend distribution to the shareholders.

(v) Merger reserve

The merger reserve represents the difference between the nominal value of shares issued by the Company in exchange for the nominal value of shares and capital reserve of subsidiaries acquired which is accounted for using the pooling-of-interest method.

24. Trade and other payables Provision for compensation

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Trade payables				
– Third parties	2,202	2,173	–	–
– A related party	133	125	–	–
	2,335	2,298	–	–
Value added tax payable	277	457	–	–
Accrued operating expenses	5,785	5,828	874	846
Other payables	31	48	412	–
Total trade and other payables	8,428	8,631	1,286	846
Add: Provision for compensation claims	470,475	–	–	–
	478,903	8,631	1,286	846
Add: Borrowings (Note 25)	12,900	12,900	–	–
Less: Provision for compensation claims	(470,475)	–	–	–
Financial liabilities at amortised cost	21,328	21,531	1,286	846

The amounts due to a related party are unsecured, interest-free and repayable on demand.

The average credit period on purchases of goods is 41 days (2014: 41 days).

No interest is charged on the trade and other payables.

As announced on 29 September 2016, and as disclosed in Note 32(a), the Group paid a total compensation amount of RMB465,998,097 to the Claimants namely晋江市滨浪制衣织造有限公司, 石狮市爱利奴服饰有限公司 and 石狮市金太屋纺织服饰有限公司 on 28 September 2016.

24. Trade and other payables
Provision for compensation (Continued)

Arising from these payments, the Group has provided a provision for compensation claims amounting to RMB470,475,000 as at 31 December 2015. The estimates provision for compensation claims was based on the demand notice received from the claimants and testing on products processed by the Company. It is noted that the alleged de-colouring issue is existed according to the testing report about re-conducting the testing on products processed by the Company and assessment report in relation to the Claim issued by a professional firm. The settlement and compensation were settled subsequently by netting off against the compensation claim made to Claimants on 28 September 2016.

Movement in provision for compensation claims are as follows:

	Group	
	2015 RMB'000	2014 RMB'000
Balance at beginning of financial year	–	–
Add : Provision for compensation claims	470,475	–
Balance at end of the financial year #	470,475	–

The currency profiles of the Group's and Company's trade and other payables as at 31 December are as follows:

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Renminbi	477,692	7,886	75	100
Singapore dollar	1,211	745	1,211	746
	478,903	8,631	1,286	846

The carrying amounts of accruals and other payables approximate their fair values.

25. Bank borrowings

	Group	
	2015 RMB'000	2014 RMB'000
Secured bank loans – #1 Rural Commercial Bank of Shishi 石狮市石狮农村商业银行	7,900	7,900
– #2 Agricultural Bank of China 中国农业银行石狮市支行鸿山分理处	5,000	5,000
	12,900	12,900
Amount due for settlement within 12 months	12,900	12,900

The Group's bank loans are secured by the Group's buildings on leasehold land, land use rights (Note 12 and 13).

The average effective borrowing rates range from 6.33% to 6.69% (2014: 6.30% to 9.00%) per annum. The carrying amounts of the Group's and Company's borrowings approximate their fair values.

The bank loans are denominated in Renminbi.

(a) The bank loans #1 of RMB4,400,000 and RMB3,500,000 granted to the Group matures on 14 September 2016 and 17 August 2016 respectively (2014: 16 September 2015). Interests are charged at 6.33% and 6.47% respectively (2014: 7.50%) per annum.

(b) The bank loan #2 of RMB5,000,000 granted to the Group matures on 1 April 2016 (2014: 3 July 2015). Interest is charged at 7.50% (2014: 7.50%) per annum.

26. Significant related party transactions

A related party is defined as follows:

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

(b) An entity is related to the Group and the Company if any of the following conditions applies:
  (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  (iii) Both entities are joint ventures of the same third party.
  (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company is itself such a plan, the sponsoring employers are also related to the Company.
  (vi) The entity is controlled or jointly controlled by a person identified in (a);
  (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

The effect of the Group's and Company's transactions and arrangements are with related parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

26. Significant related party transactions (Continued)

During the year, the Group entered into the following transactions with related parties:

	Group	
	2015 RMB'000	2014 RMB'000
Related party		
Purchases of packaging materials	1,176	1,207
Wastewater treatment services	2,130	1,015

Compensation of directors and key management personnel remuneration

The remuneration of directors and other members of key management during the financial year are as follows:

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Short-term employee benefits	1,428	1,728	381	428
Share-based payments	69	69	69	69
	1,497	1,797	450	497

Included in the key management personnel's remuneration are costs of defined contribution plans for the Group amounting to RMB118,000 (2014: RMB160,000).

27. Operating segments

Business segment

As the Group operates principally in a single business segment which is the provision of dyeing and post-processing treatment services for fabrics, no reporting by business operations is presented.

Geographical segment

As the business of the Group is engaged entirely in the PRC, no reporting by geographical location of operations is presented.

28. Financial instruments

(a) Categories of financial instruments

Financial instruments at their carrying amounts at the end of the reporting period are as follows:

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Financial assets				
Loan and receivables	465,527	472,337	4,819	16,878
Financial liabilities				
At amortised cost	21,328	21,531	6,082	5,327

(b) Financial risk management

The Group's activities expose it to credit risks, market risks (including foreign currency risks and interest rate risks) and liquidity risks. The Group's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

There have been no changes to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

Credit risks

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group performs ongoing credit evaluation of its counterparties' financial condition and generally does not require a collateral.

The Group's trade receivables comprise 10 debtors (2014: 7 debtors) that represented more than 87% (2014: 40%) of the total trade receivables.

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

Bank deposits are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no other significant concentration of credit risk, with exposure spread over a number of counterparties and customers. The Group's concentration of credit risk by geographical locations is mainly at the PRC, which account for 100% (2014: 100%) of the total trade receivables as at year end.

Trade and other receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group.

28. Financial instruments (Continued)

(b) Financial risk management (Continued)

Credit risks (Continued)

The age analysis of trade receivables is as follows:

	Group	
	2015 RMB'000	2014 RMB'000
Not past due	12,397	14,188
Past due over 30 days	1,141	–
Past due over 60 days	1,637	–
	15,175	14,188

Market risks

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Foreign currency risks

The Group transacts business in various foreign currencies, including Hong Kong dollar and Singapore dollar, other than the respective functional currency of the Group entities, and hence is exposed to foreign currency risks.

At present, the Group does not have any formal policy for hedging against exchange exposure.

Currently, the PRC government imposes control over foreign currencies. RMB, the official currency of PRC is not freely convertible. Enterprises operating in the PRC can enter into exchange transactions through authorised financial institutions.

The carrying amounts of the Group's and Company's foreign currency denominated monetary assets and monetary liabilities as at the end of the financial year are as follows:

	Group		Company	
	Hong Kong dollar RMB'000	Singapore dollar RMB'000	Hong Kong dollar RMB'000	Singapore dollar RMB'000
2015				
Cash and cash equivalents	22	27	–	23
Trade and other payables	–	(1,211)	–	(1,211)
	22	(1,184)	–	(1,188)
2014				
Cash and cash equivalents	39	147	–	143
Trade and other payables	–	(745)	–	(746)
	39	(598)	–	(603)

28. Financial instruments (Continued)

(b) Financial risk management (Continued)

Market risks (Continued)

Foreign currency sensitivity analysis

The Group is mainly exposed to Singapore dollar (SGD).

The following table details the Group's sensitivity to a 10% change in SGD against the respective functional currencies of the Group entities. The sensitivity analysis assumes an instantaneous 10% change in the foreign currency exchange rates from the end of the financial year, with all variables held constant.

	Increase/(Decrease)			
	Group		Company	
	Profit/(Loss) before tax			
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
SGD				
Strengthens against RMB	(118)	(60)	(119)	(60)
Weakens against RMB	118	60	119	60

Interest rate risks

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risks relate to interest bearing liabilities and interest bearing assets.

The Group's policy is to maintain an efficient and optimal interest cost structure using a combination of fixed and variable rate debts, and long and short term borrowings.

The Group's interest rate risks arise primarily from the fixed rate borrowings which are repriced every 3 months and fixed deposits with financial institutions.

The Group does not expect any significant effect on the Group's profit or loss arising from the effects of reasonably possible changes to interest rates on interest bearing financial instruments at the end of the financial year.

28. Financial instruments (Continued)

(b) Financial risk management (Continued)

Liquidity risks

Liquidity risks refer to the risks in which the Group encounters difficulties in meeting its short-term obligations. Liquidity risks are managed by matching the payment and receipt cycle.

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

	Less than 1 year RMB'000
Group	
Undiscounted Financial Assets	
Cash and bank balances	450,127
Trade and other receivables	15,400
As at 31 December 2015	465,527
Cash and bank balances	456,149
Trade and other receivables	16,188
As at 31 December 2014	472,337
Undiscounted Financial Liabilities	
Trade and other payables	8,151
Bank borrowings	12,900
As at 31 December 2015	21,051
Trade and other payables	8,174
Bank borrowings	12,900
As at 31 December 2014	21,074

28. Financial instruments (Continued)

Liquidity risks (Continued)

	Less than 1 year RMB'000
Company	
Undiscounted Financial Assets	
Cash and bank balances	23
Amount due from a subsidiary	4,796
As at 31 December 2015	4,819
Cash and bank balances	143
Amount due from a subsidiary	16,735
As at 31 December 2014	16,878
Undiscounted Financial Liabilities	
Trade and other payables	1,286
Amount due to a subsidiary	4,796
As at 31 December 2015	6,082
Trade and other payables	846
Amount due to a subsidiary	4,481
As at 31 December 2014	5,327

As of 31 December 2015, the Group and Company was in net current liability position of RMB5,175,000 (2014: net current asset of RMB464,551,000) and RMB1,143,000 (2014: net current asset of RMB11,694,000). Management is of the view that the liquidity risk is limited as the Group and Company could raise funds through issuance of capital or through additional bank borrowings if necessary.

29. Fair value of assets and liabilities

The carrying amounts of the assets and liabilities, including cash and cash equivalents, trade and other receivables and payables, approximate their respective fair values. The fair values of other classes of assets and liabilities are disclosed in the respective notes to the financial statements.

Fair value hierarchy

The Group does not hold assets nor liabilities carried at valuation. Accordingly, the disclosure requirements of the fair value hierarchy (Level 1, 2 and 3) under FRS 107 *Financial Instruments*: *Disclosures* does not apply.

30. Capital management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern and maintains an optimal capital structure so as to maximise shareholder value.

The Group's management reviews the capital structure on an annual basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. Upon review, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged from 2014.

The capital structure of the Group consists of debts, which includes the borrowings disclosed in Note 25 and equity attributable to owners of the company, comprising of issued capital, reserves as disclosed in Notes 21, 22 and 23.

As disclosed in Note 23, a subsidiary of the Group is required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities.

The review of the Group's capital risk management policies and objectives is conducted by the Audit Committee and the Board of Directors.

The Group and the Company are in compliance with externally imposed capital requirements for the financial years ended 31 December 2015 and 2014.

The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings plus trade and other payables, provision for compensation and amount due to a subsidiary less cash and cash equivalents and amount due from a subsidiary.

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Net debt	41,676	(434,618)	1,263	(91,449)
Total equity	23,246	487,743	(1,143)	193,962
Gearing ratio	179%	(89%)	(110%)	(47%)

31. Capital commitments

	Group	
	2015 RMB'000	2014 RMB'000
Capital expenditure contracted but not provided for		
– Commitment for the installation and reconstruction of a boiler system	–	8,000

32. Events occurring after the reporting period

(a) Payment of compensation claims

On 30 November 2015, the Board of Directors ("the Board") announced that the Company's wholly-owned subsidiary, Shishi Simwa Knitting & Dyeing Co., Ltd (石狮新华针织漂染有限公司) has received notices from three customers on 25 November 2015 and 26 November 2015 alleging that they have suffered substantial damages and financial losses due to the products processed by the Company's subsidiary not meeting the specific requirements, resulting in de-colouring in their end-products. These claims were only brought to the attention of the Management recently for products delivered in 2014 and early 2015.

Subsequently, on 08 April 2016, the Board made an announcement to provide an update on these potential claims by customers that the Company had met up with the Claimants once in early December 2015 after receiving the written notice on the claims for products delivered in 2014 and early 2015. The Company and the Claimants have agreed to conduct an investigation into the claims and an independent test on products processed by the Company is to be carried out to verify the allegation. With the presence of both the Company and the Claimants, samples of required colours have been selected and sent to independent third parties, CNTAC Testing Center (中国纺织工业联合会检测中心) and SGS-CSTC Standards Technical Services Co.,Ltd. (SGS通标标准技术服务有限公司) for testing on 21 March 2016. To-date, the Claimants have not indicated the amount of their losses, have not quantified their claims (either in volume or value) and no physical or documentary evidence have been provided by the Claimants to the Company.

On 19 July 2016, the Board announced that the Company had received further notices from three customers on 18 July 2016. It is noted that the alleged economic loss incurred from the Claimants, 晋江市滨浪制衣织造有限公司, 石狮市爱利奴服饰有限公司 and 石狮市金太屋纺织服饰有限公司 are RMB205,346,020.00 based on 418,220 items of clothing, RMB132,362,307.00 based on 269,577 items of clothing and RMB128,339,053.00 based on 261,383 items of clothing respectively, in which the total compensation amount is RMB 466,047,380.00, as stated in the said notices. Each of the Claimants have requested the Company to settle the compensation claims by 31 July 2016. The Management stated they will be engaging a reputable law firm to handle the claim and establish the facts surrounding their allegations and take steps to verify their claims. The Management will report to the Board on the status and development of the claims and will not admit liability nor agree to any form of compensation before consulting and seeking the Board's approval.

On 5 August 2016, the Company announced that no payment is made to Claimants in relation to the potential claims announced on 30 November 2015 and 19 July 2016, in which each of the Claimants have requested the Company to settle the compensation claims by 31 July 2016.

On 28 September 2016, the Board announced an update on the potential claims by customers. The Board announced that the Company had received further notices from three customers on 26 September 2016. It is noted that each of the Claimants have requested the Company to settle the compensation claims by 28 September 2016. Subsequent to receiving notices from the Claimants on 18 July 2016, the Company and the Claimants have agreed to conduct another testing on products processed by the Company. It is noted that the alleged de-colouring issue is existed according to the testing report about re-conducting the testing on products processed by the Company and assessment report in relation to the Claim issued by a professional firm. If compensation payment is not made by 28 September 2016, the Company shall pay the alleged economic loss incurred by the Claimants and interest expenses on outstanding amounts owing to the Claimants.

32. Events occurring after the reporting period (Continued)

(a) Payment of compensation claims (Continued)

On 29 September 2016, the Board made announcement on the update on the potential claims by customers. The Board announced that the finance manager, Zhang Dufang, of the Company's wholly-owned subsidiary, Shishi Simwa Knitting & Dyeing Co., Ltd (石狮市新华针织漂染有限公司) informed the senior finance manager, Mr. Mak Chi Shing ("Mr. Mak") via email on 29 September 2016 morning that the payment of compensation has been made to the Claimants on 28 September 2016 afternoon. It is noted the Claimants have requested the Company to settle the compensation claims by 28 September 2016, which was highlighted by Mr. Wu to the independent director, Mr. Low Wai Cheong ("Mr. Low") and Mr. Mak during a teleconference on 27 September 2016. It is noted that the said payment was approved by Mr. Wu and the non-executive and non-independent director, Mr. Wu Dezhi in order to avoid further compensation and interest claimed by the Claimants. This was done without the knowledge of Mr. Mak and without the knowledge or approval of Mr. Low.

Mr. Low and Mr. Mak would like to highlight that the resolution of abovementioned payment to the Claimants was not proposed to the Board for voting and the abovementioned payment was not approved during the teleconference on 27 September 2016.

During the said teleconference on 27 September 2016, Mr. Low and Mr. Mak have requested the executive chairman and CEO of the Company, Mr. Wu Xinhua ("Mr. Wu") to engage a reputable law firm to handle the claim and establish the facts surrounding their allegations and take steps to verify their claims. The independent director and the senior finance manager have also requested the executive chairman and CEO of the Company not to admit liability nor agree to any form of compensation before consulting and seeking the Board's approval.

On 29 September 2016, the Group paid a total compensation amount of RMB465,998,097 after netting off against the trade receivables amounting to RMB4,476,733 to the Claimants namely, 晋江市滨浪制衣织造有限公司, 石狮市爱利奴服饰有限公司 and 石狮市金太屋纺织服饰有限公司.

(b) Auditors' Findings

i) Customers' Claims

On 8 April 2016, the Board has made an announcement on the audit findings by its auditors. The Auditors had requested the management to provide all the supporting documents or correspondence to demonstrate that the Company is in the midst of conducting investigation in relation to the customers' claims. This is in view that Management had on 1 December 2015 represented to the Auditors that Management is currently busy with gathering relevant supporting documents in relation to the customer's claim to the extend that the Auditors are not advised to carry out their interim audit as originally planned on 6 December 2015 due to inadequate manpower for the interim audit. However, to-date, the Auditors were still unable to obtain any supporting documents from the Company's management and no names and designations of personnel involved in the on-going investigation had been furnished by Management to the Auditors, despite several reminders.

ii) Bank Confirmation

The Auditors have reported to the IDs who are members of the AC that the Auditors have been unable to obtain bank confirmation on the spot at the Company's principal banker, The Agriculture Bank of China, Shishi Hong Shan Sub-Branch (the "**Bank**") despite two attempts to do so. It was represented to the Auditors by the staff at the Bank that bank confirmations will not be given on the spot but that it would need clearance from its higher authority and be processed by another Sub-Branch at Shishi city before it will stamp and return the bank confirmation to the Auditors, which the Auditors will need to come back to the Bank to collect in 3 to 7 days time. This has been the same procedure when the previous auditors requested for such bank confirmation as represented by both the staff of the Bank and the Management.

As part of additional comfort, the Auditors had requested for random print out of monthly bank statements, which the staff at the Bank had rejected upon verbal instructions from the Management.

32. Events occurring after the reporting period (Continued)

(c) Resignation of Audit Committee Chairman

As announce on 27 January 2016, Mr. Lim Yoke Hean has resigned as Independent Director and Audit Committee Chairman of the Company. The reasons for the resignation is due to management took issue with an objection to Audit Committee Chairman for having an Audit Committee Conference call with the us on 26 January 2016, without prior consultation and discussion with Management and excluding the Company's senior finance manager from our call. In addition, he also concern over outstanding director fee and air-ticket reimbursement since second quarter of 2015.

(d) Appointment of independent Director

As announced on 27 January 2016, the Company is in the midst of identifying suitable candidates for the appointment of independent director subsequent to the resignation of a former independent director, Mr. Lim Yoke Hean ("Mr. Lim") on 27 January 2016.

Subsequently announced on 29 September 2016, a potential candidate has been recommended and referred by our independent director, Mr.Low Wai Cheong ("Mr.Low"), to the Company for the Board's consideration. A teleconference call with the potential candidate was held on 5 September 2016.

Executive Chairman and CEO, Mr.Wu Xinhua ("Mr.Wu"), suggests to put the potential candidate's appointment on hold and look for a more suitable candidate until the end of September 2016 as he is of the view that the potential candidate may not be the best candidate to handle the current issues subsequent to the teleconference call on 5 September 2016.

Mr. Low Wai Cheong disagrees with Mr. Wu's assessment of the potential candidate and is of the view that the Company should proceed with the appointment of the potential candidate as soon as possible unless the management is able to identify another suitable candidate before the end of September 2016.

No further update as at date of this report.

(e) Suspended the trading of the Company shares

Due to the uncertainties surrounding the claims from three customers, trading of the Company shares will continue to be suspended until further notice to ensure a fair, orderly and transparent market, stated in the announcement dated 30 November 2015, 2 March 2016, 6 April 2016, 14 April 2016, 30 May 2016, 7 June 2016, 19 July 2016, 1 August 2016, 4 August 2016, 5 August 2016, 19 August 2016, 27 September 2016, and 29 September 2016.

32. Events occurring after the reporting period (Continued)

(f) Update of prepayment in relation to acquisition of land use rights

On 19 August 2016, the Board of Directors of China Fibretech Ltd. announced that a prepayment approximately RMB20,343,000 made to Land Bureau of Shishi Municipal Government in 2008 in relation to acquisition of a land use rights for a piece of land measuring 16,235 square metres located at 石狮市洪山镇伍堡污控区 will be refunded in the coming months based on recent contact with the Land Bureau.

On 22 April 2008, Shishi Simwa Knitting and Dyeing Co., Ltd, a subsidiary of the Company, entered into a land use right purchase agreement with the Land Bureau for the acquisition of a piece of land measuring 16,235 square metres located in Wubao Industrial Zone for a consideration of approximately RMB18,672,000 with other associated costs of approximately RMB1,671,000 charged by the local authorities. On 5 May 2008, Shishi City Government issued an approval for the acquisition of the said land by Shishi Simwa. The certificate of the land use rights has not yet been issued by the Land Bureau since 2008. The land was acquired for the purpose of constructing a new plant and facilities. Owing to the global economic crisis and economic slowdown in China, the construction of new plant was cancelled.

Based on the recent contact with the Land Bureau, the said land will be no longer suitable for constructing a new plant for fabric dyeing operation due to environment protection planning by the local government. Therefore, the Prepayment will be refunded by the Land Bureau in the coming months.

(g) Profit guidance for the second quarter ended 30 June 2016

On 13 August 2016, the Board issued a profit guidance announcement in respect of the financial results of the Company and its subsidiaries. The unaudited financial result of the Group for 2Q2016 and 1H2016 are expected to report a small loss before taxation as compared to profit before taxation for the second quarter ended 30 June 2015 and first half year ended 30 June 2015 respectively. The loss was mainly due to the decrease in demand for the Group's fabric processing services by customers.

Statistics of Shareholdings

AS AT 1 NOVEMBER 2017

SHARE CAPITAL

Number of Issued Shares excluding Treasury Shares	:	8,975,791
Number of Treasury Shares	:	4,000
Class of shares	:	Ordinary shares
Voting rights	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	117	16.62	4,203	0.05
100 – 1,000	254	36.08	146,940	1.64
1,001 – 10,000	275	39.06	980,440	10.92
10,001 – 1,000,000	57	8.10	3,262,604	36.35
1,000,001 and above	1	0.14	4,581,604	51.04
TOTAL	**704**	**100.00**	**8,975,791**	**100.00**

TOP 20 LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1.	PHILLIP SECURITIES PTE LTD	4,581,604	51.04
2.	SOLIGNY BRUNO LUDOVIC	519,004	5.78
3.	RHB SECURITIES SINGAPORE PTE. LTD.	326,675	3.64
4.	CITIBANK NOMINEES SINGAPORE PTE LTD	257,891	2.87
5.	OCBC SECURITIES PRIVATE LIMITED	227,720	2.54
6.	LEE GUAN HUAT	201,800	2.25
7.	PU WEIDONG	109,200	1.22
8.	NA CHING CHING, LINDA (LAN QINGQING,LINDA)	101,202	1.13
9.	WONG POH HWA @ KWAI SENG	90,000	1.00
10.	WONG CHI KWAN BETTY MRS WONG CHI KWAN BETTY	88,980	0.99
11.	GOODMARKS PTE LTD	87,400	0.97
12.	LING KIM CHYE	81,400	0.91
13.	ADDISON GOH SIONG HOON (ADDISON WU XIANGYUN)	63,000	0.70
14.	LAN LONG CHUN	60,540	0.67
15.	JAMES WONG YOW KWONG	53,500	0.60
16.	ESTATE OF TAN KAH SOO, DECEASED	49,040	0.55
17.	UOB KAY HIAN PRIVATE LIMITED	46,000	0.51
18.	TAN WEE KEE	45,000	0.50
19.	GAN YOK LIAN	42,000	0.47
20.	ESTATE OF BOON KOK HUP, DECEASED	41,400	0.46
	TOTAL :	**7,073,356**	**78.80**

Statistics of Shareholdings

AS AT 1 NOVEMBER 2017

SUBSTANTIAL SHAREHODERS

Name	No. of Shares		
	Direct Interests	Deemed Interests	%
Wellgain International Holdings Limited	4,522,093	–	50.38
Wu Xinhua	–	4,522,093	50.38
Soligny Bruno Ludovic	519,004	–	5.78

Note:

Mr Wu Xinhua is the legal and beneficial owner of all the issued and paid-up share capital of Wellgain International Holdings Limited ("Wellgain"). Accordingly, he is deemed interested in the 4,522,093 shares held by Wellgain. Wellgain's interests in the 4,522,093 shares are held by Philip Securities Pte Ltd as nominee.

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 1 November 2017, 43.73% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual is complied with.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of China Fibretech Ltd. (the "Company") will be held at Orchid Country Club – Sapphire Room 3 on 28th November 2017, Tuesday at 9.30 a.m for the following purposes:

AS ORDINARY BUSINESS

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

2. To approve the payment of Directors' fees of S$60,000.00 for the financial year ended 31 December 2016 (2015: S$116,000.00). **(Resolution 2)**

3. To re-elect Mr Low Wai Cheong, who retires by rotation pursuant to the Bye-law 86 of the Company and who, being eligible, will offer himself for re-election.

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

4. To re-elect the following Directors retiring pursuant to the Bye-law 85(6) of the Company and who, being eligible, will offer themselves for re-election:

   i. Mr Choo Han Kiat, Eric **(Resolution 4)**
   ii. Mr Leow Yong Kin *[See Explanatory Note (ii)]* **(Resolution 5)**
   iii. Mr Toh Tiong San *[See Explanatory Note (iii)]* **(Resolution 6)**

5. To re-appoint Messrs RT LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 7)**

6. To transact any other ordinary business that may properly be transacted at an annual general meeting.

AS SPECIAL BUSINESS

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

7. **Authority to issue shares and convertible securities** **(Resolution 8)**

   "That in accordance with Rule 806 of the Listing Manual of the SGX-ST, approval be and is given to the Directors to issue:

   (a) shares in the Company (whether by way of bonus, rights or otherwise); or

   (b) convertible securities; or

   (c) additional convertible securities arising from adjustments made to the number of convertible securities previously issued in the events of rights, bonus or capitalization issues; or

   (d) shares arising from the conversion of convertible securities,

   at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that:

   (i) the aggregate number of shares and convertible securities that may be issued shall not be more than 50% of the issued share capital of the Company excluding treasury shares or such other limit as may be prescribed by the SGX-ST as at the date the general mandate is passed;

   (ii) the aggregate number of shares and convertible securities to be issued other than on a pro-rata basis to existing shareholders shall not be more than 20% of the issued share capital of the Company excluding treasury shares or such other limit as may be prescribed by the SGX-ST as at the date the general mandate is passed;

(iii) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraphs (i) and (ii) above, the percentage of issued share capital of the Company excluding treasury shares is based on the issued share capital of the Company excluding treasury shares as at the date the general mandate is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or employee stock options in issue as at the date the general mandate is passed and any subsequent bonus issue consolidation or subdivision of the Company's shares;

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

(v) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."

[See Explanatory Note (iv)]

8. **China Fibretech Share Award Scheme** **(Resolution 9)**

That the Directors of the Company be and are hereby authorised to grant awards of fully-paid ordinary shares in the capital of the Company ("**Awards**") in accordance with the provisions of the China Fibretech Share Award Scheme set out in the Company's Circular to Shareholders dated 9 April 2009 (the "**Scheme**"), and to allot, issue, transfer and/or deliver from time to time such number of fully-paid ordinary shares in the capital of the Company as may be required to be issued or delivered pursuant to the vesting of Awards under the Scheme, provided that the aggregate number of shares to be issued or delivered pursuant to the Scheme and pursuant to all other share option or other share schemes of the Company shall not exceed fifteen per cent. (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company at any time and from time to time.

[See Explanatory Note (v)]

BY ORDER OF THE BOARD

Lee Wei Hsiung
Company Secretary
Singapore, 13 November 2017

Notice of Annual General Meeting

Explanatory Notes:

(i) Mr Low Wai Cheong will, upon re-election as a Director of the Company, remain as Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

(ii) Mr Leow Yong Kin will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

(iii) Mr Toh Tiong San will, upon re-election as a Director of the Company, remain as Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

The Directors who have offered themselves for re-election have each confirmed that, they do not have any relationship (including immediate family relationships) with the other Directors, the Company or its 10% shareholders. The current directorships in other listed company (if any) and details of other principal commitments held by each of these Directors are set out on pages 6 and 7 of this Annual Report.

(iv) The Ordinary Resolution 8, if passed, will authorise the Directors of the Company from the date of this Annual General Meeting until the date of the next annual general meeting of the Company, or the date by which the next annual general meeting 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 cent. (50%) of the issued shares (excluding treasury shares) in the capital of the Company, of which up to twenty per cent. (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 total number of issued shares in the capital of the Company will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or the vesting of share awards which are outstanding or subsisting at the time when this Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

(v) The Ordinary Resolution 9, if passed, will authorise the Directors of the Company from the date of this Annual General Meeting until the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law to be held to grant Awards in accordance with the provisions of the Scheme and to allot and issue shares under the Scheme , provided that the aggregate number of shares to be issued or delivered pursuant to the Scheme and pursuant to all other share option or other share schemes of the Company shall not exceed fifteen per cent. (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company at any time and from time to time.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM 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 or service providers) for the purpose of processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) 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 or service providers), 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 or service providers) 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.

Notice of Annual General Meeting

Note:

1. A registered Shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.

2. If a registered Shareholder is unable to attend the Annual General Meeting and wishes to appoint a proxy to attend and vote at the Annual General Meeting in his stead, then he should complete and sign the relevant Member Proxy Form and deposit the duly completed Member Proxy Form at the office of the Company's Share Transfer Agent in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not later than 48 hours before the time appointed for the Annual General Meeting.

3. A depositor registered and holding Shares through The Central Depository (Pte) Limited ("**CDP**") who/which is (i) an individual but is unable to attend the Annual General Meeting personally and wishes to appoint a nominee to attend and vote; or (ii) a corporation, must complete, sign and return the Depositor Proxy Form and deposit the duly completed Depositor Proxy Form at the office of the Company's Share Transfer Agent in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not later than 48 hours before the time appointed for the Annual General Meeting.

4. If a Shareholder who has Shares entered against his name in the Depository Register and Shares registered in his name in the Register of Members is unable to attend the Annual General Meeting and wishes to appoint a proxy, he should use the Depositor Proxy Form and the Member Proxy Form for, respectively, the Shares entered against his name in the Depository Register and Shares registered in his name in the Register of Members.

5. A Depositor who is an individual and who wishes to attend the Annual General Meeting in person need not take any further action and can attend and vote at the Annual General Meeting as CDP's proxy without the lodgement of any proxy form.



中国纤科集团有限公司

2015年年度报告

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