

# OUR JOURNEY AHEAD

ANNUAL REPORT 2015



ZIWO HOLDINGS LTD.



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# Corporate Profile



Founded in 2003, Ziwo Holdings Ltd. is a leading PRC raw material producer and supplier of import substitution products, namely Styrene Butadiene Rubber (“SBR”) and other foamed materials (Comprising foamed SBR, foamed Ethylene Vinyl Acetate (“foamed EVA”) and high foamed Polyethylene (“high foamed PE”)), 30D terylene filament yarn (“30D TFY”) and sandwich mesh fabric (“SMF”), which are used mainly as raw materials in the production of lifestyle consumer products, furniture upholstery and automobile interior lining.

Our products are sold to over 600 customers in Fujian, Guangdong, Shandong and Zhejiang Provinces, as well as Shanghai and Tianjin municipalities, via an established sales and marketing network. In a joint survey by China Market Monitoring Centre and China Market Research Centre, we were named as one of the top sellers of foamed SBR and drawn textured single TFY (30D TFY being a type of drawn textured single TFY) in the PRC since 2007.

Our production plant is strategically located in Quanzhou City, Fujian Province, which is one of the major sports wear, sports accessories, bags and luggage producing regions in the PRC. This close proximity to our customers enables us to lower transportation and storage costs, and provides us with easy access to raw materials. With stringent quality control measures in place at every stage of our production process, our production plant is ISO-9001 quality management system and ISO-14001 environmental management system certified. To ensure the competitiveness of our products, the Group places strong emphasis on continual product research and development. To date, the Group has submitted 18 patent applications to the relevant authorities and 16 have been successfully registered with the State Intellectual Property Office of the PRC.



## Chairman's Message



We will remain on the lookout for suitable opportunities that will better position the Group for the future.

Ting Chun Yuen  
*Executive Chairman and CEO*

### Dear Valued Shareholders,

On the behalf of the Board, I am pleased to present our Annual Report for the Financial Year Ended 31 December 2015 ("FY2015").

It has been a difficult year for Ziwo, due to a weakening global economy which led to faltering global and domestic demand. This has also translated into a persistent slowdown in China's manufacturing sector in which we operate. China has seen its weakest quarterly growth since the global recession in 2009, dropping to 6.9% in December due in part to the transition to consumer-led growth policies as set by the central PRC government.

### YEAR IN REVIEW

It has been a testing time for the Group as we had to contend with the challenges arising from weaker demand and the loss of a major product that was made obsolete due to competing materials. Our product segments are divided into three main categories. The first is 30D terylene filament yarn while the second is sandwich mesh fabric and the third is styrene butadiene rubber ("SBR") and other foamed material. All three are mainly used as raw materials in the production of lifestyle consumer products, furniture upholstery and automobile interior lining. As such, the performance of these segments are closely linked to the demand for the aforementioned.

Our revenue for the year under review was 49.3% lower at RMB94.5 million compared with RMB186.3 million in FY2014. This was largely due to the termination of our 30D filament yarn product which was rendered obsolete by warped yarn. We ceased production in June 2015 and the segment's contribution to total revenue drastically declined, falling 59.0% to RMB20.1 million for FY2015 as compared to FY2014's RMB49.0 million.

Due to weaker consumer sentiment, revenue for our sandwich mesh fabric also fell, dropping by 51.1% from RMB27.2 million in FY2014 to RMB13.3 million in FY2015. Our third and largest segment, which manufactures SBR and other foamed materials, also declined significantly, shrinking by 44.4% from RMB110.1 million in FY2014 to RMB61.2 million in FY2015.

# Chairman's Message

Against the backdrop of lower revenue, cost of sales fell by 42.8% from RMB152.8 million the year before to RMB87.4 million in FY2015. Overall gross profit margin decreased by 10.5 percentage points from 18.0% in FY2014 to 7.5% in FY2015. Key factors behind the reduction include a one-time sale of remaining stock of 30D terylene filament yarn at below cost due to the cessation of the line. The softer consumer sentiment also affected the gross profit margins of the other two segments. Overall gross profit for the year was lower by 78.8% at RMB7.1 million as compared to RMB33.5 million the year before.

Deterioration in business conditions was further aggravated by increase in operating expenses this year, particularly related to product defect claims totalling RMB134.2 million and late delivery compensation amounting to RMB 4.7 million. As stated in our earlier announcements, the Group has entered into separate compensation settlements with 4 companies over the sale of defective filament yarn materials. Operating expenses have also been impacted by increases in allowance for impairment of trade receivables due to longer payment cycles amid the weakening business climate in China. Similarly, higher amounts of bad debts were incurred as the sharp slowdown in the manufacturing sector perpetuates and likelihood of collection becomes improbable.

Taking into account all the factors above, the Group recorded a net loss of RMB282 million for FY2015.

## MARKET OUTLOOK AND STRATEGY

As we look to FY2016, the Group expects market conditions in China to remain difficult. The People's Bank of China forecasts softer growth for the upcoming year, dipping to 6.8% due to weak external demand and cooling domestic investments<sup>i</sup>. The International Monetary Fund ("IMF") has also adopted a cautious stance and anticipates that China will grow by 6.3%<sup>ii</sup>. We anticipate that existing headwinds will have continued impact on Group revenue and gross profit margins. Nonetheless, we will focus on building resilience to tide us through. Efforts are already ongoing to strengthen and refine our existing business segments. We will prioritise a more prudent approach to spending and seek avenues to improve productivity. The Group will remain proactive and agile to adapt and surmount any challenges that may arise.

Moving forward, we believe that diversification, viable ventures or collaborative opportunities are the best approaches to expand our revenue base. We will remain on the lookout for suitable opportunities that will better position the Group for the future.

Aside to the above issues, we are also working on the appropriate responses to comply with SGX's Minimum Trading Price (MTP) requirement. We had been placed under the SGX watch-list due to the MTP Entry Criterion with effect from 3 March 2016. The Group will update the shareholders of any corporate actions to be undertaken.

## OUR SINCERE APPRECIATION

I would like to thank my fellow directors for their advice and contributions for the year under review. On behalf of the Board, I would like to thank the management and staff for the hard work and effort put in throughout the year, and to our loyal customers for valuing us with your ongoing support.

I would also like to take this opportunity to thank our shareholders for their continued faith and support. I look forward to working together with everyone to unlock greater value for all stakeholders in the coming financial year.

Thank you.

**Ting Chun Yuen**  
Executive Chairman and CEO

i. <http://www.reuters.com/article/us-china-economy-forecasts-idUSKBN0TZ10P20151216>

ii. <https://www.imf.org/external/pubs/ft/weo/2016/update/01/>

## 董事长致辞

尊敬的各位股东，

我很荣幸代表董事会介绍我们截止至2015年12月31日的财政年度（“2015财年”）年报。

由于全球经济疲软导致国际和国内需求下降，过去一年对至和控股来说是困难的一年。中国制造业发展也表现出持续放缓的态势。中国经济遭遇了自2009年全球经济衰退以来最乏力的一次季度增长，2015年12月经济增速降到6.9%，部分原因是中国中央政府转向消费主导型经济增长政策

### 年度回顾

我们不得不应对需求下降带来的挑战，以及由于竞争材料的出现导致了我们的主要产品被淘汰而造成损失，因此过去一年是对集团的一次严峻考验。我们的产品细分为三大类：第一类是30D涤纶丝纱，第二类是三明治网眼布，第三类是丁苯橡胶（“SBR”）以及其它泡沫材料。所有三个产品类别主要用作生产生活消费品、家具装饰和汽车内装饰衬的原材料。因此，它们的业绩与上述产品的市场需求有密切联系。

回顾2015财年，我们的年度收入为人民币9450万元，较2014财年的人民币1.863亿元降低了49.3%。这主要是因为我们停产了被经纱淘汰的30D长丝产品。在2015年6月停产后，该产品类别对我们2015财年总收入的贡献率急剧下降，仅有人民币2010万元，比2014财年的人民币4900万元下降了59.0%。

由于消费者信心走弱，我们的三明治网眼布收入也下降了51.1%，从2014财年的人民币2720万元下降至2015财年的人民币1330万元。我们的第三个，也是最大一个的产品类别，即SBR和其它泡沫材料的生产也显著下降44.4%，从2014财年的人民币1.101亿元萎缩至2015财年的人民币6120万元。

在收入降低的背景下，销售费用从前年的人民币1.528亿元减少至2015财年的人民币8740万元，降低了42.8%。整体毛利率由2014财年的18.0%下降至2015财年的7.5%，减少了10.5个百分点。减少背后的关键因素包括因产品线淘汰以低于成本的价格一次性销售了剩余的30D涤纶长丝库存。消费者信心不足也影响了其它两个产品类别的毛利率。去年的整体毛利与前年相比，从人民币3350万元减少至人民币710万元，下降了78.8%。

今年由于经营费用增加进一步加剧企业经营状况恶化，特别是涉及产品缺陷的索赔共计人民币1.342亿元，以及延迟交货赔偿金额人民币470万元。正如我们先前公布的情况，集团已经与4家公司就销售有缺陷的长丝材料已分别达成补偿和解。由于中国商业景气指数下降导致付款周期延长，经营费用也受到应收款项减值准备金增加的影响。同样，由于制造业持续大幅放缓以及部分款项难以收回，造成坏账金额不断增加。

鉴于上述所有因素，本集团报告显示，2015财年净亏损人民币2.82亿元。

# 董事长致辞

## 市场展望及策略

展望2016财年，集团预计中国市场状况依然困难重重。中国人民银行预测，由于外部需求疲软和国内投资趋冷，来年经济增长更加乏力，增速降至6.8%<sup>i</sup>。国际货币基金组织（“IMF”）也持谨慎态度，预期中国经济增速将不超过6.3%<sup>ii</sup>。我们预计，现有的不利因素将继续影响集团的收入和毛利率。尽管如此，我们将重点恢复企业元气，渡过难关。我们已经在持续加强和优化我们现有的业务领域。我们将优先采取更谨慎的支出方式，同时千方百计提高生产力。集团将继续积极、灵活地适应和克服可能出现的任何挑战。

展望未来，我们认为，多元化、有发展力的企业或合作机会是扩大我们营收的最佳途径。我们将继续寻找合适的机会，改善集团未来发展的基础。

除了上述问题，我们也正在努力做出适当回应，以遵守新交所的最低交易价(MTP)要求。由于MTP准入标准自2016年3月3日生效，因此我们已被列入新交所的观察名单。集团将会向股东通报将要采取的所有公司行动。

## 衷心感谢

我要感谢其他董事为本年度回顾提出的建议和意见。我代表董事会感谢管理层和员工在过去一年的辛勤工作和努力，以及我们的忠实客户给予我们的一贯支持。

我也想借此机会感谢股东对我们持续的信赖和支持。我期待着与大家携手并肩，在未来财年为所有股东创造更大的价值。

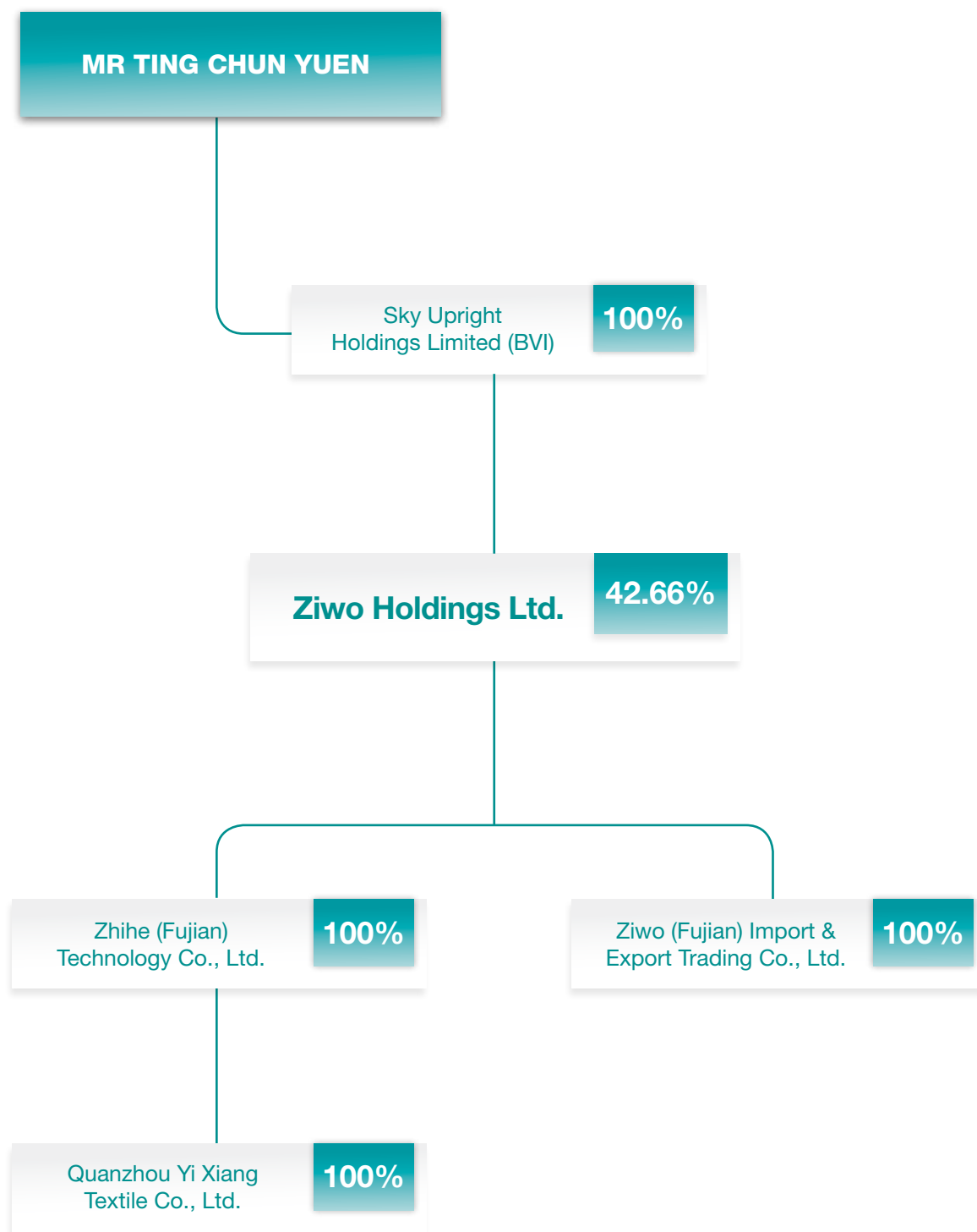
谢谢。

丁振远  
执行董事长兼首席执行官

i. <http://www.reuters.com/article/us-china-economy-forecasts-idUSKBN0TZ10P20151216>

ii. <https://www.imf.org/external/pubs/ft/weo/2016/update/01/>

## Group Structure





# Corporate Information

## BOARD OF DIRECTORS

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

Mr Zhuang Qingquan  
*(Executive Director)*

Mr Soh Beng Keng  
*(Lead Independent Director)*

Mr Lim Heng Chong Benny  
*(Independent Director)*

Mr Ngan See Juan  
*(Independent Director)*

## AUDIT COMMITTEE

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

## NOMINATING COMMITTEE

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

## REMUNERATION COMMITTEE

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

## COMPANY SECRETARY

Ms Shirley Tan Sey Liy (ACIS)

## REGISTERED OFFICE

Six Battery Road #10-01  
Singapore 049909

## SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte Ltd  
50 Raffles Place  
Singapore Land Tower #32-01  
Singapore 048623

## PRINCIPAL PLACE OF BUSINESS

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

## AUDITORS

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

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

## PRINCIPAL BANKERS

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

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

# Operations and Financial Review

## INCOME STATEMENT

RMB'000	2015 RMB'000	2014 RMB'000	Change %
<b>Continuing operations</b>			
Revenue	74,473	137,313	(45.8)
Cost of sales	(68,637)	(109,714)	(37.4)
Gross profit	5,836	27,599	(78.9)
Other income	788	980	(19.6)
Selling and distribution expenses	(13,416)	(7,766)	72.8
Administrative expenses	(11,760)	(10,349)	13.6
Other operating expenses	(63,979)	(511)	12,420.4
(Loss)/Profit before taxation	(82,531)	9,953	(929.2)
Income tax expense	1,535	(3,216)	(147.7)
(Loss)/Profit from continuing operation, net of tax	(80,996)	6,737	(1,302.3)
<b>Discontinued operation</b>			
Loss from discontinued operations, net of tax	(200,757)	(604)	33,137.9
(Loss)/profit for the year, representing total comprehensive (loss)/income for the year	(281,753)	6,133	(4,694.0)
<b>Basic and diluted (loss)/earnings per share (RMB cents)</b>			
- From continuing operations (RMB cents per share)	(76.10)	1.81	
- From discontinued operation (RMB cents per share)	(21.88)	1.99	
- From discontinued operation (RMB cents per share)	(54.22)	(0.18)	

## REVENUE

For the year ended 31 December 2015 ("FY2015"), the Group's revenue from continuing operations decreased by approximately RMB 62.8 million or 45.8% from RMB 137.3 million in the previous corresponding year ended 31 December 2014 ("FY2014") to RMB 74.5 million in FY2015. Total revenue from continuing and discontinued operations decreased by approximately RMB 91.8 million or 49.3% from RMB 186.3 million in FY2014 to RMB 94.5 million in FY2015.

### Breakdown of Revenue by Products

RMB (million)	FY2015	FY2014	Change %
High foamed PE	12.4	21.8	(43.1)
Foamed SBR	29.7	55.5	(46.5)
Foamed EVA	19.1	32.8	(41.8)
SBR and other foamed materials	61.2	110.1	(44.4)
30D terylene filament yarn	20.1	49.0	(59.0)
Sandwich mesh fabric	13.3	24.7	(46.2)
Others	-	2.5	(100)
Total	94.6	186.3	(49.2)

The overall decline in revenue was largely attributed to the cessation of the 30D Filament Yarn production line as well as general decline in demand for the other business segments as a result of slower growth in the PRC.

# Operations and Financial Review

## PROFITABILITY

### Gross Profit Margin by Product Segments

%	FY2015	FY2014	Change pts
SBR and other foamed materials	11.4	20.2	(8.8)
30D terylene filament yarn	6.3	12.1	(5.8)
Sandwich mesh fabric	(8.5)	19.6	(28.1)
Overall	7.5	18.0	(10.5)

In FY2015, the Group's gross profit from continuing operations decreased by RMB 21.8 million or 78.9% from RMB 27.6 million in FY2014 to RMB 5.8 million. Overall gross profit margin has also decreased by 10.5 percentage points from 18.0% in FY2014 to 7.5% in FY2015.

Gross margin for 30D terylene filament yarn declined by 5.8 percentage points mainly due to a one-time sale in FY2015 of remaining stock of 30D terylene filament yarn at below cost with the cessation of the production line in June 2015. Gross margin for sandwich mesh fabric declined by 28.1 percentage points as demand was severely affected amid weakening market sentiments. In spite of efforts to streamline production operations with the acquisition of new equipment for SBR and other foamed materials, gross profit margins declined by 8.8 percentage points.

### OTHER INCOME

Other income comprises mainly income from sale of scrap materials and interest income from bank deposits. In FY2015, other income from continuing operations decreased by RMB 192,000 or 19.6% from RMB 980,000 in FY2014 to RMB 788,000 in FY2015 largely due to decrease in sale of scrap material, which was offset by slight increase in average interest income from bank deposits.

### SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses from continuing operations comprise mainly transportation costs, salaries, entertainment expenses, advertisement expenses, sales related tax, R&D expenses, travelling expenses and depreciation expenses. In FY2015, selling and distribution expenses from continuing operations increased by approximately RMB 5.7 million or 72.8% from RMB 7.8 million in FY2014 to

RMB 13.4 million in FY2015 largely due to increase in R&D expenses and partially offset by decrease in transportation cost, staff welfare and sales related tax. The increase in R&D expenses mainly pertains to an amount of approximately RMB 8.0 million incurred in purchasing know-how relating to the development of SBR and other foamed materials.

### ADMINISTRATIVE EXPENSES

Administrative expenses from continuing operations comprise mainly salaries, staff welfare, share award expenses, general office expenses, insurance, professional fees, travelling expenses and depreciation expenses. Administrative expenses from continuing operations increased by RMB 1.4 million or 13.6% from RMB 10.3 million in FY2014 to RMB 11.8 million in FY2015. The increase in administrative expenses was largely attributed to share award expenses and partially offset by reduction in professional fees and staff welfare.

### OTHER OPERATING EXPENSES

Other operating expenses from continuing and discontinued operations comprise mainly allowance for impairment of trade receivables, impairment of PPE, write-down of inventory, bad debts expenses, prepaid know-how written off, product defect claims and tax penalty. In FY2015, operating expenses from continuing operations increased by RMB 63.5 million due to allowance for impairment of trade receivables, bad debts written off, impairment of PPE, allowance for stock obsolescence and tax penalty. Allowance for impairment of trade receivables amounting to RMB 18,006 million increased in FY2015 due to longer payment cycles amid weakening business climate in China. Similarly, bad debts amounting to RMB 3.7 million were incurred as the sharp slowdown in the manufacturing sector perpetuates and likelihood of collection becomes improbable.

# Operations and Financial Review

## STATEMENT OF FINANCIAL POSITION – THE GROUP

RMB ('000)	31/12/2015	31/12/2014
<b>Assets</b>		
Non-current	143,706	202,102
Current	112,237	336,794
<b>Total assets</b>	<b>255,943</b>	<b>538,896</b>
<b>Equity and liabilities</b>		
<b>Capital and reserves</b>		
Share capital	185,637	183,268
Statutory reserve	42,794	42,794
Retained earnings	12,793	294,546
<b>Total equity</b>	<b>241,224</b>	<b>520,608</b>
Non-current	-	2,291
Current	14,719	15,997
<b>Total equity and liabilities</b>	<b>255,943</b>	<b>538,896</b>

## PER SHARE DATA

Based on the weighted average number of shares derived from approximately 370,247,000 ordinary shares in issue during FY2015, the Group recorded loss per share of 76.10 RMB cents, with loss per share of 54.22 RMB cents arising from discontinued operation in FY2015.

## TOTAL ASSETS

Our non-current assets comprise mainly property, plant and equipment ("PPE") and land use rights. Net book value of PPE decreased by approximately RMB 57.8 million from RMB 152.5 million as at 31 December 2014 to RMB 94.7 million as at 31 December 2015 mainly due to the depreciation charge incurred during the period as well as impairment relating to slow down of sandwich mesh business unit and cessation of the filament yarn business unit. Land use rights amounted to RMB 49.0 million as at 31 December 2015 after amortization charge.

Our current assets comprise mainly inventories, trade and other receivables, other current assets and cash and cash equivalent. Current assets reduced by RMB 224.6 million from RMB 336.8 million as at 31 December 2014 to RMB 112.2 million as at 31 December 2015.

## TOTAL LIABILITIES

Current liabilities amounted to RMB 14.7 million as at 31 December 2015, a decrease of approximately RMB 1.3 million from RMB 16.0 million as at 31 December 2014. This decrease is mainly attributed to decrease in income tax payable.

# Operations and Financial Review

## STATEMENT OF CASH FLOW

RMB ('000)	Financial Year Ended 31 December 2015	Financial Year Ended 31 December 2014
Net cash (used in) generated from operating activities	(195,580)	12,367
Net cash generated from/(used in) investing activities	98,099	(108,426)
Net cash flows generated from in financing activities	-	33,675
Net decrease in cash and cash equivalents	(97,481)	(62,384)
Cash and cash equivalents at beginning of year	133,361	195,745
Cash and cash equivalents at end of year	35,880	133,361

In FY2015, cash used in operating activities amounted to RMB 195.6 million compared to cash generated from operating activities of RMB 12.4 million in FY2014. This is due to net loss for FY2015 largely attributable to product defect claims and tax penalty during the year, which had impacted operating cash flows.

Net cash used in investing activities in FY2015 was for the purchase of PPE amounting to RMB 2.2 million. Additional cash generated from investing activities during this period was the refund of deposit for the purchase of investment amounting to RMB 100 million.

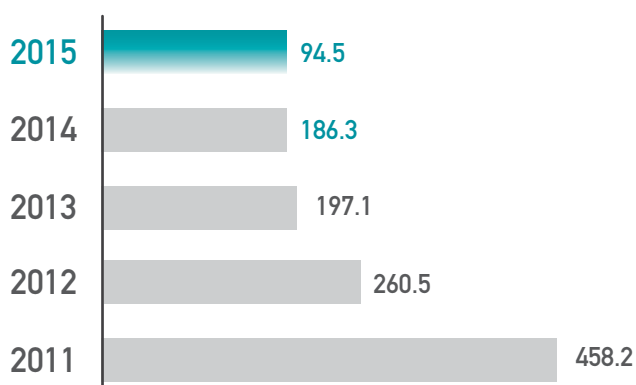
As at 31 December 2015, the Group's cash and cash equivalents decreased by RMB97.5 million to RMB 35.9 million from RMB 133.4. million as at 31 December 2014.



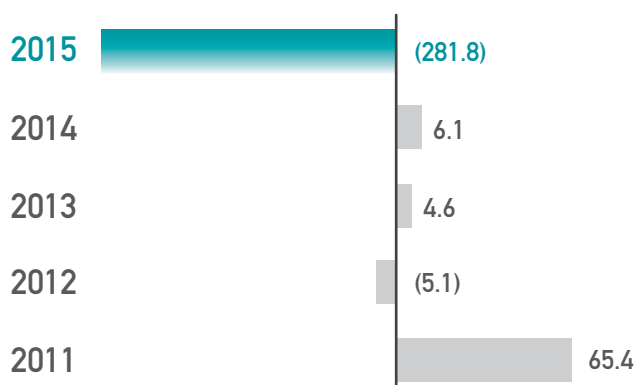


# Financial Highlights

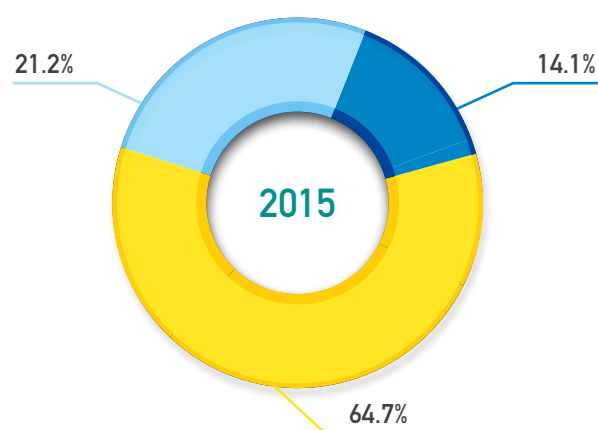
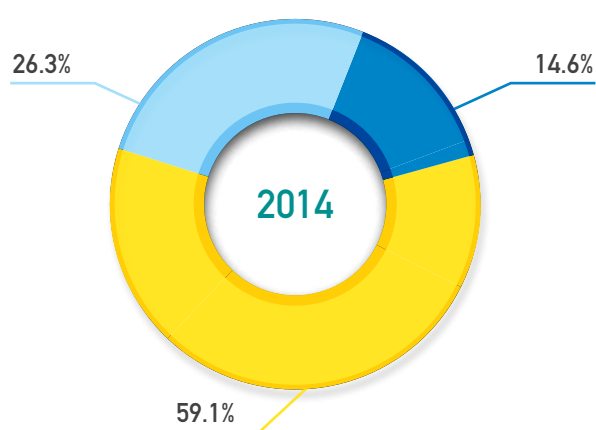
REVENUE (RMB 'M)



NET PROFIT/(LOSS) (RMB 'M)



REVENUE BREAKDOWN BY PRODUCT SEGMENTS (PERCENTAGE)

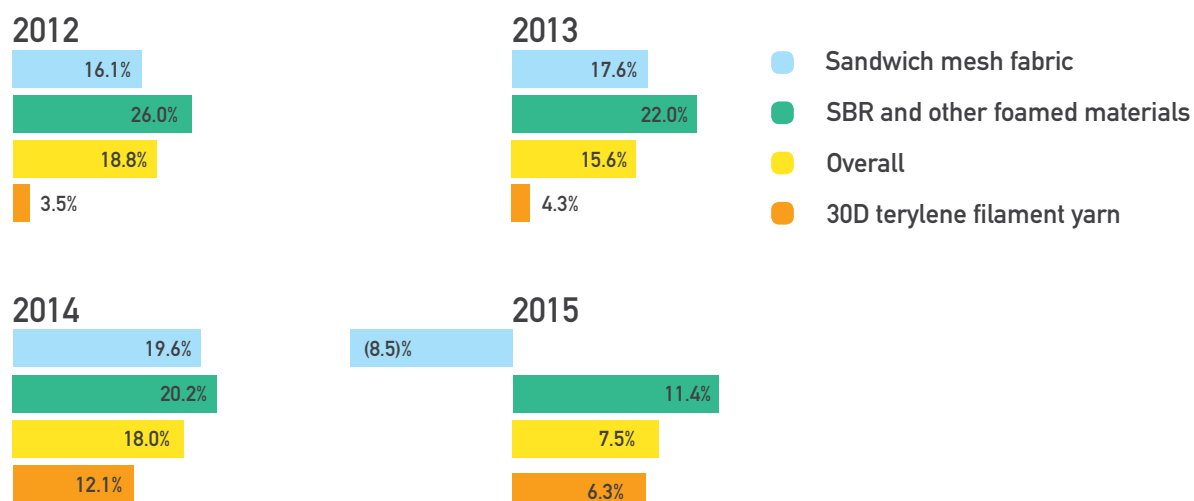


- 30D Terylene Filament Yarn
- Sandwich Mesh Fabric

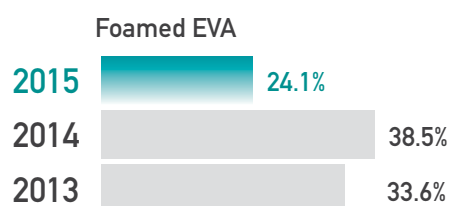
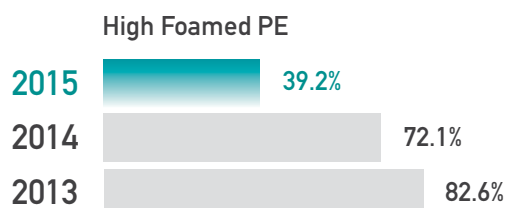
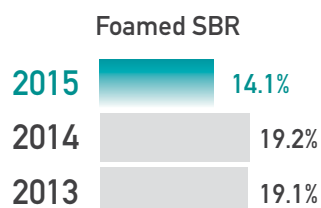
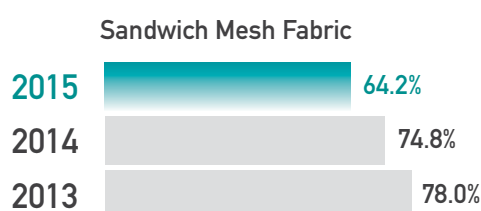
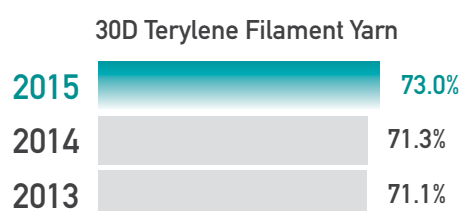
- SBR and Other Foamed Materials

# Financial Highlights

## GROSS PROFIT MARGINS (PERCENTAGE)



## UTILISATION RATES (PERCENTAGE)



## Board of Directors



### Mr Ting Chun Yuen

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



### Mr Zhuang Qingquan

Mr Zhuang Qingquan (“Mr Zhuang”) is our Executive Director and Head of Sales and Marketing and was appointed to our Board on 25 August 2009. Mr Zhuang joined our Group in January 2006 and is responsible for overseeing our Group’s general sales plans, marketing positioning strategies and products promotion activities. Prior to joining our Group, Mr Zhuang was a director in Fujian Jinjiang Junsheng Real Estate Co., Ltd., from June 2002 to January 2006, where he was in charge of strategic planning. From 1999 to 2002, Mr Zhuang was the sales and marketing manager of Ocean Master International Trading Co., Ltd.. He obtained his diploma from Fujian Jinjiang Vocational Technical Secondary School.



### Mr Soh Beng Keng

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

## Board of Directors



### Mr Lim Heng Chong Benny

Mr Lim Heng Chong Benny ("Mr Lim") is our Independent Director and was appointed to our Board on 25 August 2009. Mr Lim is presently a partner at ChrisChong & CT Ho Partnership, where he focuses his practice on fund management and investment advisory matters, financial services regulatory compliance, and the structuring and establishment of Singapore and offshore funds. His other main areas of practice include corporate finance, mergers and acquisitions, cross-border joint ventures and investments, and regulatory compliance for listed companies and registered charities. Mr Lim obtained a Bachelor of Laws and a Master of Laws, both from the National University of Singapore, in 1996 and 2000, respectively.



### Mr Ngan See Juan

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

## Senior Management

### Vincent Lim

#### *Chief Financial Officer*

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

### Sheng Chunping

#### *Production Manager*

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

### Lei Mingbo

#### *Administration Manager*

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



# FINANCIAL CONTENTS

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# Corporate Governance Report

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

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

This report describes the Company’s corporate governance processes and structures that were in place for the financial year ended 31 December 2015 (“**FY2015**”), with specific reference made to the principles and guidelines of the Code which forms part of the Continuing Obligations of the Singapore Exchange Securities Trading Limited’s (the “**SGX-ST**”) Listing Manual.

The Board of Directors (the “**Board**”) is pleased to report on the Company efforts to adhere to the principles and guidelines as set out in the Code for FY2015.

## (A) BOARD MATTERS

### Board’s Conduct of Its Affairs

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

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

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

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

In line with the recent changes of the Companies Act, all references to the Memorandum and Articles of Association will be superseded with Constitution and Regulation.

During FY2015, the Board has met four times to review and evaluate the Company’s operations and performance, and address key policy matters. Ad-hoc meetings will be convened when circumstances so require. The schedule of all the Board and Board Committees meetings for the calendar year is usually given to all the Directors well in advance. Ad-hoc meetings are convened at such other times as may be necessary to address any specific significant matters that may arise. Important matters concerning the Group are also put to the Board for its decision by way of written resolutions. The frequency of meetings and attendance of each Director at every Board and Board Committees meeting are disclosed in this Report. The Regulation of the Company allow for participation in Board meetings via audio or video conferencing.

# Corporate Governance Report

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

Name of Director	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of meetings Held	No. of meetings Attended	No. of meetings Held	No. of meetings Attended	No. of meetings Held	No. of meetings Attended	No. of meetings Held	No. of meetings Attended
Ting Chun Yuen	4	4	4	4 <sup>(1)</sup>	2	2	3	3 <sup>(1)</sup>
Zhuang Qingquan	4	1	4	1 <sup>(1)</sup>	2	1 <sup>(1)</sup>	3	1 <sup>(1)</sup>
Soh Beng Keng	4	4	4	4	2	2	3	3
Lim Heng Chong Benny	4	4	4	4	2	2	3	3
Ngan See Juan	4	3	4	3	2	1	3	2

(1) By invitation

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

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

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

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

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

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

# Corporate Governance Report

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

## Board Composition and Guidance

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

Presently, the Board comprises two (2) Executive Directors and three (3) Independent Directors:-

Name of Director	Board	Audit Committee	Nominating Committee	Remuneration Committee
Mr Ting Chun Yuen	Executive Chairman and Chief Executive Officer ("CEO")	–	Member	–
Mr Zhuang Qingquan	Executive Director	–	–	–
Mr Soh Beng Keng	Lead Independent Director	Chairman	Member	Member
Mr Lim Heng Chong Benny	Independent Director	Member	Chairman	Member
Mr Ngan See Juan	Independent Director	Member	Member	Chairman

There is presently a strong and independent element on the Board as more than half of the Board comprises Independent Directors and the independence of each Director are reviewed by the NC. The criteria for independence are determined based on the definition as provided in the Code and the independence of each Director is reviewed annually by the NC. The Board considers an Independent Director as one who has no relationship with the Company, its related companies or its Officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent judgement of the Group's affairs. The NC has reviewed the independence of each Independent Director and is of the view that these Directors are independent.

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

## Board Size

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

## Board Experience

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

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

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

# Corporate Governance Report

Profiles of the Board are set out in pages 14 to 15 “**Board of Directors**” section of this Annual Report.

## Chairman and CEO

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

Mr Ting Chun Yuen, the Executive Chairman and CEO, is also the controlling shareholder of the Company, takes an active role in the management of the Group.

The responsibilities of the Chairman include:

- (1) Scheduling of meetings to enable the Board to perform its duties responsibly while not interfering with the flow of the Group’s operations;
- (2) Ensuring that Directors receive accurate, timely and clear information, and ensuring effective communication with shareholders;
- (3) Ensuring the Group’s compliance with the Code; and
- (4) Acting in the best interest of the Group and of the shareholders.

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

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

## Lead Independent Director

The Company is in compliance with the Guideline 3.3 of the Code where Mr Soh Beng Keng, Chairman of the AC, is the Lead Independent Director. Where a situation arises that may involve conflict of interests between the roles of Chairman and CEO, it is the Lead Independent Director’s responsibility, together with the other Independent Directors, to ensure that shareholders’ rights are protected.

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

## Board Membership

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

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



# Corporate Governance Report

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

## **Nominating Committee**

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

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

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

## **Process for Selection, Appointment and Re-appointment of Directors**

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

The NC, in considering the re-appointment of any Director, had considered but not limited to attendance record at meetings of the Board and Board Committees, intensity of participation at meetings, and the quality of contributions to the development of strategy, the degree of preparedness, industry and business knowledge and experience each Director possess which are crucial to the Group's business.

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

The NC has recommended to the Board that Mr Ting Chun Yuen and Mr Soh Beng Keng be nominated for re-election ("**Retiring Directors**") at the forthcoming AGM. The Board had accepted the NC's recommendation and the Retiring Directors will be offering themselves for re-election.

Each of Mr Ting Chun Yuen and Mr Soh Beng Keng, being a member of NC who is retiring at the AGM abstained from voting on the resolution in respect to his re-nomination as Director.

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

There is no alternate director being appointed to the Board.

# Corporate Governance Report

## **Directors' Independence Review**

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

## **Directors' Time Commitment and Multiple Directorships**

Despite some of the Directors having other Board representations, the NC is satisfied that these Directors are able to and have adequately carried out their duties as Directors of the Company. Currently, the Board has not determined the maximum number of listed Board representations which any Director may hold. The NC and the Board will review the requirement to determine the maximum number of listed Board representations as and when it deemed fits.

The key information regarding Directors such as academic and professional qualifications, Board Committees served, directorships or chairmanships both present and past held over the preceding three years in other listed companies and other major appointments, whether the appointment is executive or non-executive are set out in page 36 of the Annual Report.

## **Board Performance**

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

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

The Board and Board Committees have implemented a process for assessing the effectiveness of the Board as a whole and each Board Committee respectively. Each Director was required to complete the board evaluation forms adopted by the NC and the Board Committees' evaluation forms adopted by the AC, NC and RC, which will be collated by the Chairman for review or discussion. The NC focuses on a set of performance criteria which includes the evaluation of the size and composition of the Board and its Board Committees, the access to information, processes and accountability, performance in relation to discharging its principal responsibilities and the Directors' standards of conduct in assessing the Board's performance as a whole. Following the review, the Board is of the view that the Board and its Board Committees operate effectively and each Director is contributing to the overall effectiveness of the Board. No external facilitator was used during the evaluation process in FY2015.

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

Although the Directors are not evaluated individually, the factors taken into consideration with regards to the re-nomination of Directors for FY2015 are based on their attendance and contributions made at the Board and Board Committees meetings.

## **Access to Information**

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

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

# Corporate Governance Report

## Company Secretary

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

## Independent Professional Advice

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

## **(B) REMUNERATION MATTERS**

### **Procedures for Developing Remuneration Policies**

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

The RC comprises three (3) Independent Directors as follows:

### Remuneration Committee

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

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

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

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

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

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

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

# Corporate Governance Report

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

## Level and Mix of Remuneration

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

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

The Executive Directors' and key Senior Management remuneration on packages are based on service agreements and their remuneration is determined by having regard to the performance of the individuals, the Group and industry benchmarks. The remuneration package for the Executive Directors and key Senior Management staff are made up of both fixed and variable components. The variable component is determined based on the performance of the individual employee as well as the Group's performance. The service agreements of the Executive Directors have been renewed for a further period of 3 years with effect from 26 September 2015 and can be terminated by either party giving not less than six months' notice in writing. The Executive Directors do not receive Directors' fees.

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

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

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

## Disclosure on Remuneration

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

Breakdown of each individual Director's remuneration, in percentage terms showing the level and mix for FY2015, are as follows:

Name of Directors	Salary	Bonus	Directors' fees	Total
	%	%	%	%
<b>Below S\$250,000</b>				
Mr Ting Chun Yuen	100	—	—	100
Mr Zhuang Qingquan	100	—	—	100
Mr Soh Beng Keng	—	—	100	100
Mr Lim Heng Chong Benny	—	—	100	100
Mr Ngan See Juan	—	—	100	100

# Corporate Governance Report

Details of remuneration paid to top five key management personnel of the Group (who are not Directors or CEO) for FY2015 are set out below:

Name of Key Management Personnel	Salary	Bonus	Total
	%	%	%
<b><u>Below S\$250,000</u></b>			
Mr Vincent Lim	100	–	100
Mr Sheng Chunping	94	6	100
Madam Wong Kim Chu	92	8	100
Mr Wang Jianhong	92	8	100
Mr Lei Mingbo	92	8	100

For FY2015, the aggregate total remuneration paid to the key management personnel (who are not Directors or the CEO) amounted to RMB 822,429.

There were no termination, retirement or post-employment benefits granted to Directors and key management personnel other than the standard contractual notice period termination payment in lieu of service for FY2015.

## Immediate Family Members of Directors

The employees who are immediate family members of the Directors are as follows, and whose remuneration does not exceeds S\$50,000 for FY2015:

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

Save for the above disclosure, the Company does not have any employee who is an immediate family member of a Director or the CEO whose remuneration during FY2015 exceeded S\$50,000.

In view of confidentiality of remuneration matters, the Board is of the opinion that it is in the best interests of the Group not to disclose the exact remuneration of the Directors and key management personnel in the annual report.

## (C) ACCOUNTABILITY AND AUDIT

### Accountability

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

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

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



# Corporate Governance Report

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

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

## RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

### Risk management

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

- ERM policies and procedures

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

- Risk Appetite of the company

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

- Risk assessment and monitoring

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

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

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

# Corporate Governance Report

## Internal controls

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

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

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

## Statement on adequacy of internal controls

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors (to the extent as required by them to form an audit opinion on the statutory financial statements), and relevant reviews performed by the Management, the Board, with the concurrence of the AC, is of the opinion that the Group's risk management and internal controls systems, addressing financial, operational, compliance and information technology risks, were adequate and effective as at 31 December 2015.

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

- (a) The financial records have been properly maintained and the financial statements for the financial year ended 31 December 2015 give a true and fair view in all material respects, of the Company's operations and finances; and
- (b) The Group's internal controls and risk management systems are operating effectively in all material respects given its current business environment.

## Board Risk Committee

The Board has set up the BRC whose its members comprise the Management of the Company. The BRC will assist the Board in carrying out its responsibility of overseeing the Company's risk management framework and policies. The CFO carries out the role of Chief Risk Officer and the risk report will be provided to the AC at least on a half yearly basis.

## Audit Committee

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

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

### Audit Committee

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

# Corporate Governance Report

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

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

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

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

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

# Corporate Governance Report

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

The AC has recommended to the Board that RT LLP be nominated for reappointment as external auditors at the forthcoming AGM of the Company. The Company confirmed that Rule 712, Rule 715 and Rule 716 of the Listing Manual of the SGX-ST had been complied.

The AC meets with the external auditors and internal auditors without the presence of the Management at least once a year. The AC conducted a review of all non-audit services provided by the external auditors and is satisfied that the nature and extent of such services does not prejudice the independence and objectivity of the external auditors. For FY2015, the fees that are charged to the Group by the external auditors for audit services were approximately S\$155,000. There were no non-audit fees paid to the external auditors.

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

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

- (i) independent investigations are carried out in an appropriate and timely manner;
- (ii) appropriate action is taken to correct the weakness in internal controls and policies which allowed the perpetration of fraud and/or misconduct and to prevent a recurrence; and
- (iii) administrative, disciplinary, civil and/or criminal actions that are initiated following the completion of investigations are appropriate, balance and fair, while providing reassurance that employees will be protected from reprisals or victimisation for whistle-blowing in good faith and without malice.

The AC is kept updated annually or from time to time on any changes to the accounting and financial reporting standards by the external auditors. No former partner or Director of the Company's existing auditing firm has acted as a member of 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 Group has outsourced its internal audit functions and has appointed a professional firm, Pan-China Singapore PAC, as an Internal Auditor ("IA").

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

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

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

# Corporate Governance Report

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

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

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

## (D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

### SHAREHOLDER RIGHTS

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

The Company does not practice selective disclosure. In line with the continuous obligations of the Company under the Listing Manual of the SGX-ST and the Companies Act, Chapter 50, the Board's policy is that all shareholders should equally and on a timely basis be informed of all major developments that impact the Group.

All shareholders are entitled to attend the general meetings and are provided the opportunity to participate in the general meetings. If any shareholder is unable to attend, he/she is allowed to appoint up to two proxies to vote on his/ her behalf at the general meeting through proxy forms sent in advance. Currently, the Company's Constitution does not include the nominee or custodial services to appoint more than two proxies.

On 3 January 2016, the legislation has amended, among others things to allow certain members, defined as "Relevant Intermediary" to attend and participate in general meetings without being constrained by the two-proxy requirement. Relevant Intermediary includes corporation holding licences in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors.

### COMMUNICATION WITH SHAREHOLDERS

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

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

- annual reports that are prepared and sent to all shareholders. The Board ensures that the annual report includes all relevant information about the Company and the Group, including future developments and other disclosures required by the Companies Act, Chapter 50 and Singapore Financial Reporting Standards;
- quarterly announcements containing a summary of the financial information and affairs of the Group for that period; and
- notices of explanatory memoranda for AGMs and Extraordinary General Meetings ("EGMs"). The notice of AGMs and EGMs are also advertised in a national newspaper.

The Company does not practice selective disclosure. Price sensitive information is first publicly released through SGXNet, either before the Company meets with any investors or analysts. All shareholders of the Company will receive the annual report with notice of AGM by post and published in the newspapers within the mandatory period, which is held within four months after the close of the financial year.

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate. Dividends were not declared or paid for FY2015 as the Company made losses.

# Corporate Governance Report

## CONDUCT OF SHAREHOLDER MEETING

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

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

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

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

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

The Company acknowledges that voting by poll in all its general meetings is integral in the enhancement of corporate governance. The Company adheres to the requirements of the Listing Manual of the SG-ST and the Code, all resolutions at the Company's general meetings held on or after 1 August 2015, if any, are put to vote by poll. The detailed results of each resolution are announced via SGXNet after the general meetings.

## (E) DEALINGS IN COMPANY'S SECURITIES

In compliance with Rule 1207(19) of the Listing Manual of the SGX-ST, 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 advised not to deal in the Company's shares during the period commencing two weeks before the announcement of Company's quarterly results and one month before the announcement of the Company's full year results, or if they are in possession of unpublished price-sensitive information of the Company. In addition, Directors and officers are also expected to observe insider-trading laws at all times even when dealing in securities within the permitted trading period and they are not to deal in the Company's securities on short-term considerations.

The Group has complied with the Best Practices on dealing in the Company's securities issued by the SGX-ST.

## (F) MATERIAL CONTRACTS

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

## (G) INTERESTED PERSON TRANSACTIONS

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

# Risk Management Report

As a leading People Republic of China (“**PRC**”) raw material producer and supplier of import substitution products, the Company’s earnings are subject to certain risk factors, including general economic and business conditions; development plans such as capacity expansion; raw material costs and availability; competition; industry trends; and changes in government and environmental regulations.

We ascribe great importance to risk management and constantly review the risks that the Group faces. The Group’s exposure to these risks is managed through various initiatives, including:

- Development and execution of a realistic strategic business plan;
- Increasing production capacity to achieve economies of scale;
- Continuous emphasis on product innovation, quality and competitiveness;
- Continuous implementation of good environmental practices; and
- Close monitoring and compliance of changes in legislation and government regulations, affecting the Group’s business

Some of the key risks identified by the Group include:

## Business Risk

We are a leading PRC raw material producer and supplier of import substitution products, namely Styrene Butadiene Rubber (“**SBR**”) and other foamed materials (comprising foamed SBR, foamed Ethylene Vinyl Acetate (“**EVA**”) and high foamed Polyethylene (“**PE**”),) and sandwich mesh fabric (“**SMF**”), which are used mainly as raw materials in the production of lifestyle consumer products, furniture upholstery and automobile interior lining.

As our products are primarily used in the manufacture of sportswear and sports accessories, bags and luggage, automobile and furniture in the PRC, we are dependent on the market conditions of such industries in the PRC and to an extent the international market conditions. Our business is, therefore, subject to competition from existing competitors and new market entrants. They include both PRC and overseas companies that may have access to greater financial and other resources than we do.

In order to maintain our competitiveness and grow our customer base and market share, we are always looking at ways to continually manufacture products that meet our customers’ demands and changing needs. This can be achieved via technological innovation or capitalising on advances in technology, and improvements in our product development and production, so that we can introduce new products or enhance existing products in a timely manner in response to changing market conditions or customers’ requirements.

As the cost of our products is a significant consideration for our customers, we also ensure that we manufacture and deliver products of high quality at competitive prices to our customers. We are always looking at ways to manage the fluctuation of raw material prices, by balancing our supply and demand so that we have sufficient quality raw materials at competitive prices.

From a macroeconomic perspective, the manufacturing sector is directly linked to the world’s economy and any economic downturns such as those brought about by the uncertainty in the global market would affect our customers’ demand.



# Risk Management Report

## Intellectual Property Risk

Our ability to compete successfully and achieve future growth in revenues depends, in part, on our ability to protect our intellectual property, trade secrets and/or technical know-how relating to our manufacturing processes, and also on our ability to protect our brand name and trademarks. Where possible, we have applied for the registration of patent and trademarks which are material to our business.

To date, we have submitted 18 patent applications to the relevant authorities, among which 16 have been successfully registered on the patents register of the State Intellectual Property Office of the PRC.

These patents are valid for 10 years and form a core part of our research and development (“R&D”) strategy to ensure our ability to generate new products and product applications that will enable us to further tap the import substitution market for raw materials in the PRC. In addition, our R&D efforts help to enhance our product quality and lower production costs.

Although the protection of our intellectual property rights is governed by law, we cannot rule out entirely the possibility of infringement. To date, we are not aware of any infringement that would materially affect our business or earning potential.

On the other hand, there may be risks that our products and manufacturing process may infringe the patents, copyrights or other intellectual property rights held by third parties. We do not, as a matter of policy, infringe on third party intellectual property and have not been involved in any such legal disputes to date.

In respect of our trade secrets and technical know-how, we have entered into service agreements with certain Directors, which include certain confidentiality undertakings, in addition to confidentiality agreements with our key employees, such as our key manufacturing personnel, who have access to trade and business sensitive information, to protect our trade secrets and proprietary information.

## Product Risk

Although we have a track record of developing several new products and introducing them into the market successfully, there remains a risk of mis-match in business-customer expectations. Should we fail to successfully implement our business plans for any of our new products and grow the revenue from these new product segments, our financial performance and profitability will be adversely affected.

To mitigate this risk, we have a team of competent and committed Management team, who have the experience and knowledge of the industry, are committed to the development of our business, and have established an extensive customer base which will ensure a ready target audience for our products.

In terms of product quality, we adhere strictly to the PRC’s Product Quality Law by ensuring our products undergo laboratory tests to ensure that they are free from toxic or harmful substances. In fact, some of our products – such as foamed SBR – are non-toxic and recyclable. With increasing consumer awareness and demand for non-toxic and environment-friendly products and product safety, many manufacturers of consumer products are switching to foamed SBR as a raw material for their products. Nonetheless, there can be no assurance that our products will not cause irritation, health complications or any other allergic reactions when used by consumers. A product liability claim, even one without merit, could distract our management from the running of our business.

# Risk Management Report

## Manpower Risk

One of the key factors to our success is the continued services of our key employees and skilled workers. They are responsible for quality control, R&D, production and the maintenance of our production facilities and we rely on our skilled workers to maintain the quality of our products and operation efficiency. Any shortage of such skilled workers may require us to pay higher wages to attract and retain sufficient and capable skilled workers. While we currently do not face a major problem compared to other more labour intensive companies, this issue will intensify in time to come as we compete for the limited pool of skilled workers in the PRC for our new production facilities.

In the short term, we intend to mitigate this issue by offering higher wages to retain and attract better quality staff; improve overall staff welfare system including better living quarters, food and other benefits; and offer more training to upgrade their skill sets. For the medium to long term, we intend to look into our current production process and seek ways to reduce reliance on manpower. This might include automation and upgrading of production facilities.

We also believe in providing our staff with the necessary training to ensure that they are equipped with the right skills set for proper job performance. We place great emphasis on improving and upgrading our staff's technical knowledge and skills in their respective fields. As such, staff training is conducted in accordance with the varying requirement of each department. We also intend to utilise our internally generated fund to recruit additional experienced and skilled R&D personnel including a qualified candidate to spearhead our R&D efforts to the next level.

## Credit Risk

The main financial risks for our business relate mainly to the credit we give our customers of our products. Our financial position, profitability and cash flow are dependent to a large extent on the credit worthiness of our customers and their ability to pay us on a timely basis. Further, as our customer base grows, we will be exposed to credit risks from new customers. If our customers experience cash flow difficulties or deterioration in their business performance, they may default on their payment to us.

We generally extend credit terms of between 30 to 90 days. Following a thorough review of trade receivables outstanding as at 31 December 2015, we had made an allowance for impairment loss of trade and other receivables amounted to RMB14,668,000 (FY2014: RMB98,000) due to the challenging market conditions and slowdown in our trade receivables collection.

## Financing Risk

The Group monitors our liquidity risk and maintains a level of cash and cash equivalents, deemed adequate by the management, to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

In the event that significant capital expenditure is needed in future, we may seek additional financing, which may take the form of equity issues, debt issues or loans from banks or other lenders.

**PARTICULARS OF DIRECTORS PURSUANT TO THE CODE OF CORPORATE GOVERNANCE**

<b>Name of Director</b>	<b>Academic/ Professional Qualifications</b>	<b>Board Appointment Executive/ Non-executive</b>	<b>Board Committees as Chairman or Member</b>	<b>Directorship Date First Appointed</b>	<b>Date of Last Re-election</b>	<b>Directorships in other listed companies and other major appointments</b>	<b>Past directorships in other listed companies and other major appointments over the preceding 3 years</b>
Mr Ting Chun Yuen	High School Diploma from Jinjiang City Chendai Mingzu School	Executive Chairman and CEO	Board Chairman and Member of NC	10 January 2008	24 April 2012	NIL	NIL
Mr Zhuang Qingquan	Diploma from Fujian Jinjiang Vocational Technical Secondary School	Executive Director	Board Member	25 August 2009	24 April 2014	NIL	NIL
Mr Soh Beng Keng	Bachelor of Commerce (Accountancy) and he is a member of the Singapore Institute of Directors and a fellow member of the Institute of Singapore Chartered Accountants	Independent Director	Board Member, Chairman of AC and Member of NC and RC	25 August 2009	29 April 2013	<ul style="list-style-type: none"> <li>ISDN Holdings Limited</li> <li>China Haida Ltd</li> <li>Sino Grandness Food Industry Group Limited</li> </ul>	<ul style="list-style-type: none"> <li>Yamada Green Resources Limited</li> </ul>
Mr Lim Heng Chong Benny	Bachelor of Laws and Master of Laws	Independent Director	Board Member, Chairman of NC and Member of AC and RC	25 August 2009	30 April 2015	<ul style="list-style-type: none"> <li>China Sunsine Chemical Holdings Limited</li> </ul>	<ul style="list-style-type: none"> <li>Sysma Holdings Limited</li> </ul>
Mr Ngan See Juan	Diploma in Best Administration and he is a member of Institute of Singapore Chartered Accountants, and fellow member of Association of Chartered Certified Accountants (ACCA)	Independent Director	Board Member, Chairman of RC and Member of AC and NC	31 March 2015	30 April 2015	<ul style="list-style-type: none"> <li>China Taisan Technology Group Holdings Limited</li> <li>USP Group Limited</li> </ul>	<ul style="list-style-type: none"> <li>Unionmeat (Singapore) Limited</li> </ul>

# Statement by the Directors

In the opinion of the directors:

the statement of financial position of the Company and the consolidated financial statements of the Group as set out on pages 39 to 72 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group for the financial year then ended; and

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

On behalf the Board of Directors,

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TING CHUN YUEN  
Director

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ZHUANG QINGQUAN  
Director

6 May 2016

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# Independent Auditor's Report

To the Members of Ziwo Holdings Ltd

## **Report on the Consolidated Financial Statements**

We have audited the accompanying financial statements of Ziwo Holdings Ltd (the "Company") and its subsidiaries ("Group") as set out on pages 39 to 72, which comprise the statements of financial position of the Group and the financial position of the Company as at 31 December 2015, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and 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 the financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and 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.

## **Auditors' Responsibility**

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

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

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

## **Opinion**

In our opinion, the statement of financial position of the Company and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

## **RT LLP**

Public Accountants and Chartered Accountants

Partner in charge of audit: Su Chun Keat

Singapore, 6 May 2016

# Consolidated Statement of Comprehensive Income

For the Financial Year Ended 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
<b>Continuing operations</b>			
Revenue	4	74,473	137,313
Cost of sales		(68,637)	(109,714)
Gross profit		5,836	27,599
Other income	5	788	980
Selling and distribution expenses		(13,416)	(7,766)
Administrative expenses		(11,760)	(10,349)
Other operating expenses		(63,979)	(511)
(Loss)/Profit before taxation	6	(82,531)	9,953
Income tax expense	7	1,535	(3,216)
(Loss)/Profit from continuing operation, net of tax		(80,996)	6,737
<b>Discontinued operation</b>			
Loss from discontinued operations, net of tax	8	(200,757)	(604)
(Loss)/Profit for the year, representing total comprehensive (loss)/income for the year		(281,753)	6,133
<b>Basic and diluted (loss)/earnings per share (RMB cents)</b>	9	(76.10)	1.81
- From continuing operations (RMB cents per share)		(21.88)	1.99
- From discontinued operation (RMB cents per share)		(54.22)	(0.18)

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

# Statements of Financial Position

As at 31 December 2015

		Group		Company	
	Note	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Land use rights	10	49,029	49,606	—	—
Property, plant and equipment	11	94,677	152,496	—	—
Subsidiaries	12	—	—	137,078	138,458
		143,706	202,102	137,078	138,458
<b>Current Assets</b>					
Inventories	13	9,259	13,422	—	—
Trade and other receivables	14	66,923	181,334	36,251	53,882
Other current assets	15	175	8,677	—	—
Cash and cash equivalents	16	35,880	133,361	346	61
		112,237	336,794	36,597	53,943
<b>Total Assets</b>		255,943	538,896	173,675	192,401
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share capital	17	185,637	183,268	185,637	183,268
Statutory reserve	18	42,794	42,794	—	—
Retained earnings/(Accumulated losses)		12,793	294,546	(29,838)	(6,698)
		241,224	520,608	155,799	176,570
<b>Non-Current Liabilities</b>					
Deferred tax liabilities	19	—	2,291	—	1,240
<b>Current Liabilities</b>					
Trade and other payables	20	14,433	14,116	17,876	14,591
Current tax payable		286	1,881	—	—
		14,719	15,997	17,876	14,591
<b>Total Liabilities</b>		14,719	18,288	17,876	15,831
<b>Total Equity and Liabilities</b>		255,943	538,896	173,675	192,401

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



# Consolidated Statements of Changes in Equity

For the Financial Year Ended 31 December 2015

	Attributable to equity holders of the Company			Total equity RMB'000
	Share capital RMB'000	Statutory reserve RMB'000 (Note 18)	Retained earnings RMB'000	
Balance at 1 January 2014	149,593	41,785	289,422	480,800
Profit for the year, representing total comprehensive income for the year	–	–	6,133	6,133
Issue of new shares	33,675	–	–	33,675
Transfer to statutory reserve	–	1,009	(1,009)	–
Balance at 31 December 2014	183,268	42,794	294,546	520,608
Balance at 1 January 2015	183,268	42,794	294,546	520,608
Loss for the year, representing total comprehensive loss for the year	–	–	(281,753)	(281,753)
Issue of shares under Share Award Scheme	2,369	–	–	2,369
Balance at 31 December 2015	185,637	42,794	12,793	241,224

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

# Consolidated Statement of Cash Flows

For the Financial Year Ended 31 December 2015

	2015 RMB'000	2014 RMB'000
<b>Cash Flows from Operating Activities</b>		
(Loss)/Profit before tax from continuing operations	(82,531)	9,953
(Loss)/Profit before tax from discontinued operation	(201,304)	711
(Loss)/Profit before tax, total	(283,835)	10,664
Adjustments for:		
Interest income	(745)	(731)
Depreciation of property, plant and equipment	9,443	11,167
Share award expenses	2,369	–
Amortisation of land use rights	577	553
Know-how written off	8,500	–
Allowance for impairment of property, plant and equipment	48,961	–
Write-down of inventories	1,283	405
Bad debts	3,719	–
Loss on disposal of property, plant and equipment	1,316	–
Allowance for impairment loss of trade and other receivables	18,104	98
Operating cash (outflows)/inflows before working capital changes	(190,308)	22,156
Changes in working capital		
Inventories	2,880	1,835
Trade and other receivables	(15,912)	(7,089)
Other current assets	8,502	(7)
Trade and other payables	317	(996)
<b>Cash (used in)/ generated from operations</b>	(194,521)	15,899
Interest received	745	731
Income tax paid	(1,804)	(4,263)
<b>Net cash flows (used in)/ generated from operating activities</b>	(195,580)	12,367
<b>Cash Flows from Investing Activities</b>		
Purchase of property, plant and equipment	(2,211)	(8,426)
Refund/ (payment) of deposit for purchase of investment	100,000	(100,000)
Proceed from disposal of property, plant and equipment	310	–
<b>Net cash flows generated from/(used in) investing activities</b>	98,099	(108,426)
<b>Cash Flows from Financing Activity</b>		
Proceeds from share issuance	–	33,675
<b>Net cash flows generated from financing activity</b>	–	33,675
<b>Net decrease in cash and cash equivalents</b>	(97,481)	(62,384)
<b>Cash and cash equivalents at beginning of year</b>	133,361	195,745
<b>Cash and cash equivalents at end of year</b>	35,880	133,361

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

# Notes to The Financial Statements

31 December 2015

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

## 1 General

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

The Company is domiciled in the Republic of Singapore and its registered office is located at 6 Battery Road #10-01, Singapore 049909. The principal place of business of the Company is located at Western Section, Qingmeng Zone, Economy and Technology Development Zone, Quanzhou City, Fujian Province, the People's Republic of China (the "PRC").

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

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

The 30D Terylene filament yarn business segment was discontinued during the financial year.

The financial statements of the Company and of the Group for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on the date of the Statement By Directors.

## 2 Summary Significant Accounting Policies

### (a) Basis of Preparation

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

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

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

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

On 1 January 2015, the Group adopted the new or amended FRS and interpretation of FRS ("INT FRS") that are mandatory for application for the financial year.

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

# Notes to The Financial Statements

31 December 2015

## 2 Summary Significant Accounting Policies (cont'd)

### (c) FRS Issued But Not Yet Effective

The following are the new and amended Standard and Interpretations that are applicable to the Group for the accounting periods beginning on or after 1 January 2016 and which the Group has not early adopted:

#### **Effective for annual periods beginning on or after 1 January 2016**

- Amendments to FRS 1 Presentation of Financial Statements: Disclosure Initiative
- Amendments to FRS 16 and FRS 38 Clarification of Acceptable Methods of Depreciation and Amortisation
- Improvements to FRSs (November 2014)

#### **Effective for annual periods beginning on or after 1 January 2017**

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

#### **Effective for annual periods beginning on or after 1 January 2018**

- FRS 115 - Revenue from Contracts with Customers
- FRS 109 - Financial Instruments

#### *FRS 115 – Revenue from Contracts with Customers*

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

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

#### *FRS 109 – Financial Instruments*

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

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

# Notes to The Financial Statements

31 December 2015

## 2 Summary Significant Accounting Policies (cont'd)

### (d) Consolidation

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

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

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

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

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

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

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

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

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

# Notes to The Financial Statements

31 December 2015

## 2 Summary Significant Accounting Policies (cont'd)

### (d) Consolidation (cont'd)

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

### (e) Property, Plant and Equipment and Depreciation

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

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

No depreciation is provided on properties under construction.

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

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

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

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

### (f) Financial Assets

#### Initial measurement

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

#### Classification

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

# Notes to The Financial Statements

31 December 2015

## 2 Summary Significant Accounting Policies (cont'd)

### (f) Financial Assets (cont'd)

#### Recognition and derecognition

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

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

#### Subsequent measurement

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

#### Impairment

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

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

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

#### Effective interest method

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

### (g) Financial Liabilities

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

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



# Notes to The Financial Statements

31 December 2015

## 2 Summary Significant Accounting Policies (cont'd)

### (g) Financial Liabilities (cont'd)

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

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

### (h) Subsidiaries

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

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

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

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

### (i) Inventories

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

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

### (j) Share Capital

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

### (k) Cash and Cash Equivalents

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

### (l) Dividends

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

# Notes to The Financial Statements

31 December 2015

## 2 Summary Significant Accounting Policies (cont'd)

### (m) Provisions

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

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

### (n) Income Taxes

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

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

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

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

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the date of the financial position; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the date of the financial position, to recover or settle the carrying amounts of its assets and liabilities.

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

### (o) Employee Benefits

#### Retirement benefits scheme

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

# Notes to The Financial Statements

31 December 2015

## 2 Summary Significant Accounting Policies (cont'd)

### (o) Employee Benefits (cont'd)

#### Share-based payment

Equity-settled share-based payments are measured at fair value of the equity instruments 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. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

### (p) Impairment of Non-Financial Assets

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

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

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

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

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

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

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

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

### (q) Segments Reporting

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

# Notes to The Financial Statements

31 December 2015

## 2 Summary Significant Accounting Policies (cont'd)

### (r) Revenue Recognition

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

Dividend income from investments is recognised gross when the right to receive the dividend has been established.

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

### (s) Foreign Currencies

#### Functional and presentation currency

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

#### Transactions and balances

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

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

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

### (t) Land Use Rights

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

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

# Notes to The Financial Statements

31 December 2015

## 2 Summary Significant Accounting Policies (cont'd)

### (u) Research and Development

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

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

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

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

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

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

- i) represents a separate major line of business or geographical area of operations;
- ii) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- iii) is a subsidiary acquired exclusively with a view to resale.

## 3 Critical accounting judgements and key sources of estimation uncertainty

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

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

# Notes to The Financial Statements

31 December 2015

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

### (a) *Key sources of estimation uncertainty*

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

Property, plant and equipment and land use rights are depreciated/amortised on a straight-line basis over their estimated useful lives. Management estimates the useful lives of property, plant and equipment and land use rights to be within 5 to 30 years and 41 to 47 years respectively. The carrying amount of the Group's property, plant and equipment, excluding construction in-progress and the land use rights as at 31 December 2015 are approximately RMB 94,677,000 (2014: RMB 152,496,000) and RMB 49,029,000 (2014: RMB 49,606,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation/amortisation charges could be revised.

#### Carrying amount of prepaid know-how

Management has assessed at the date of the statements of financial position whether there is any objective evidence that the prepaid know-how may be impaired. Allowances are applied whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such indication exists, the recoverable amount (i.e. higher of the fair value less costs to sell and value-in-use) of the assets is estimated to determine the impairment loss.

Prepaid know-how of 30D filament yarn of RMB 4,500,000 (2014: Nil) and SBR of RMB 4,000,000 (2014: Nil) have been full written off during the financial year as management is of the opinion that it is improbable that future economic benefits will arise from the prepaid know-how for the foreseeable future. The carrying amounts of the Group's prepaid know-how at the end of the reporting period are RMB Nil (2014: RMB 8,500,000).

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

As at 31 December 2015, the carrying amount of the Group's property, plant and equipment and land use right amounted to RMB 94,677,000 (2014: RMB 152,496,000) and RMB 49,029,000 (2014: RMB 49,606,000) respectively.

The recoverable amounts of the property, plant and equipment and land use rights can be affected by factors which are largely beyond the control of the Group, for example; stability of the industry and market demand; technical, technological, commercial and other types of obsolescence; actions by competitors or potential competitors; and changes in the legal and other regulatory framework. Management is of the view that the incremental economic benefit of the Group's property, plant and equipment and the land use rights is not less than their carrying amounts.

#### Impairment of investment in subsidiaries

As at 31 December 2015, the carrying amount of the Company's investments in subsidiaries amounted to RMB 137,078,000 (2014: RMB 138,458,000). Included in the Company's investments in subsidiaries is the Company's investment in Ziwo (Fujian) Import & Export Trading Co., Ltd amounting to RMB 7,078,000 (2014: RMB 8,459,000).

An impairment loss of RMB 3,100,000 (2014: RMB 1,720,000) was recognised as at 31 December 2015 to write down this subsidiary to its recoverable amount. The estimates of the recoverable amount of the investment have been determined by management based on the net realisable value of the net assets of this subsidiary as at 31 December 2015, which approximates the recoverable amount of the investment in this subsidiary. The impairment loss had no impact on the Group's consolidated financial statements.

#### Write-down of inventories

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

# Notes to The Financial Statements

31 December 2015

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

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

#### Write-down of inventories (cont'd)

During the financial year ended 31 December 2015, the Group recognised write-down of inventories of approximately RMB 1,283,000 (2014: RMB 405,000). The carrying amount of inventories of the Group as at 31 December 2015 was RMB 9,259,000 (2014: RMB 13,422,000) (Note 13).

#### Impairment of trade and other receivables

Allowance for impairment of trade and other receivables are based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgment and estimates. Where the expected outcome is different from the original estimate, such difference will impact the carrying value of trade and other receivables and allowance for impairment loss in the period in which such estimate has been changed. During the financial year ended 31 December 2015, the Group recognised allowances for impairment of trade and other receivables of approximately RMB 18,104,000 (2014: RMB 98,000). The carrying amount of trade and other receivables of the Group as at 31 December 2015 is approximately RMB 66,923,000 (2014: RMB 181,334,000) (Note 14).

#### Income tax

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

The Group has recognised income tax credit of approximately RMB 2,082,000 and income tax expense of approximately RMB 4,531,000 for the financial years ended 31 December 2015 and 31 December 2014 respectively. The carrying amounts of the Group's current income tax liabilities and deferred tax liabilities as at 31 December 2015 are approximately RMB 286,000 (2014: RMB 1,881,000) and RMB Nil (2014: RMB 2,291,000) respectively.

## 4 Revenue

	Group	
	2015 RMB'000	2014 RMB'000
Sale of goods	<b>74,473</b>	137,313

## 5 Other Income

	Group	
	2015 RMB'000	2014 RMB'000
Sale of scrap materials	<b>201</b>	440
Interest income	<b>587</b>	540
	<b>788</b>	980



# Notes to The Financial Statements

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## 6 (Loss)/Profit before Taxation from continuing operations

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

	Group	
	2015	2014
	RMB'000	RMB'000
Included in cost of sales:		
- cost of inventories sold	54,194	84,894
- depreciation of property, plant and equipment	4,314	5,046
Included in selling and distribution expenses:		
- depreciation of property, plant and equipment	193	172
- other research and development expenses	8,350	1,708
- operating lease expense	66	62
- transportation fees	1,658	2,146
Included in administrative expenses:		
- depreciation of property, plant and equipment	1,519	1,456
- amortisation of land use rights	450	419
- audit fees - Company's auditors	608	452
- audit fees - Other auditors	90	104
Included in other operating expenses:		
- allowance for impairment loss of property, plant and equipment	6,809	—
- allowance for impairment loss of trade and other receivables	14,668	98
- write-down of inventories	1,103	405
- tax penalty	30,738	—
- product defect claims and related expenses	—	—
- late delivery compensation	4,687	—
- prepaid know-how written off	4,000	—
- bad debts	699	—
- loss on disposal of property, plant and equipment	1,316	—
Staff costs (including directors' remuneration):		
- Directors' fees	444	444
- Salaries, defined contribution plan and other related costs		
- Directors	1,320	997
- Key management personnel (other than directors)	542	511
- Other than directors and key management personnel	8,633	11,504

There were no non-audit fees paid to the Company's external auditors for the financial years ended 31 December 2015 and 31 December 2014.

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

# Notes to The Financial Statements

31 December 2015

## 7 Income Tax (Credit)/Expense

	Group	
	2015	2014
	RMB'000	RMB'000
Current income tax on profit arising from operations in the PRC		
- From continuing operations	-	1,230
- From discontinued operation	-	3,007
	-	4,237
Deferred tax liability		
- From continuing operations	(1,689)	-
- From discontinued operation	(602)	-
	(2,291)	-
Underprovision of income tax in prior financial year		
- From continuing operations	154	209
- From discontinued operation	55	85
	209	294
Total income tax credit/(expense)	(2,082)	4,531

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

The Group is liable to withholding tax on dividends distributed from the Group's PRC subsidiary in respect of their profits generated on or after 1 January 2008. Deferred tax liability that has been recognised amounted to approximately RMB Nil (2014: RMB 2,291,000) (see Note 19). During the financial year ended 31 December 2015, a reversal of RMB 2,291,000 has been made in to financial statement.

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

	Group	
	2015	2014
	RMB'000	RMB'000
(Loss)/profit before income tax from:		
Continuing operations	(82,531)	9,953
Discontinued operation	(201,304)	711
	(283,835)	10,664
Tax at applicable income tax rate	(70,959)	2,666
Non-deductible expenses	9,931	168
Effect of unutilised tax losses not recognised as deferred tax assets	60,788	1,155
Effect of different tax rate	240	248
Reversal of deferred tax liability	(2,291)	-
Underprovision of income tax in prior financial year	209	294
	(2,082)	4,531

# Notes to The Financial Statements

31 December 2015

## 7 Income Tax Expense (cont'd)

The PRC subsidiaries are taxed on 25% (2014: 25%) for the financial year ended 31 December 2015. The corporate income tax rate applicable to the Company is 17% (2014: 17%) for the financial year ended 31 December 2015.

Subject to agreement with the relevant tax authorities, subsidiaries of the Group, Zhihe (Fujian) Technology Co., Ltd, Ziwo (Fujian) Import and Export Trading Co., Ltd and Quanzhou Yi Xiang Textile Co., Ltd have unutilised tax losses of approximately RMB 239,114,000 (2014: RMB 1,702,000) which are available for offset against future taxable profits provided that the provisions of the PRC tax legislation are complied with. The related deferred tax benefits of approximately RMB 59,853,000 (2014: RMB 426,000) arising from the unutilised tax losses have not been recognised in the financial statements in accordance with Note 2(n) to the financial statements.

## 8 Discontinued operation

The 30D Terylene filament yarn business segment was discontinued during the financial year.

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

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

	Group	
	2015	2014
	RMB'000	RMB'000
Revenue	20,074	48,971
Cost of sales	(18,805)	(43,052)
Segment results	1,269	5,919
Income and expenses allocated between segment	(202,573)	(5,208)
Loss before tax from discontinued operation	(201,304)	711
Tax allocated between segment	547	(1,315)
Loss after tax from discontinued operation	(200,757)	(604)

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

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

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

	Group	
	2015	2014
	RMB'000	RMB'000
Operating activity	(199,825)	2,571
Investing activity	97,789	(26,288)
Financing activity	–	8,853
Net cash outflows	(102,036)	(14,864)

# Notes to The Financial Statements

31 December 2015

## 9 Earnings per Share

	Group	
	2015	2014
<u>Continuing operations</u>		
Net loss/(profit) for the financial year attributable to equity holders of the Company (RMB'000)	<u>(80,996)</u>	<u>6,737</u>
Weighted average number of ordinary shares in issue during the financial year for the computation of basic earnings per share and diluted earnings per share (in'000)	<u>370,247</u>	<u>339,156</u>
Basic and diluted earnings per share (RMB cents)	<u>(21.88)</u>	<u>1.99</u>
<u>Discontinued operation</u>		
Net loss for the financial year attributable to equity holders of the Company (RMB'000)	<u>(200,757)</u>	<u>(604)</u>
Weighted average number of ordinary shares in issue during the financial year for the computation of basic earnings per share and diluted earnings per share (in'000)	<u>370,247</u>	<u>339,156</u>
Basic and diluted earnings per share (RMB cents)	<u>(54.22)</u>	<u>(0.18)</u>
<b>Total basic and diluted earnings per share</b>	<b><u>(76.10)</u></b>	<b><u>1.81</u></b>

(a) Basic earnings per share

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

(b) Diluted earnings per share

The Group did not have any dilutive potential shares for the financial year ended 31 December 2015 and 2014.

# Notes to The Financial Statements

31 December 2015

## 10 Land Use Rights

	Land use rights RMB'000
<b>Group</b>	
<u>Cost</u>	
At 1 January 2014, 31 December 2014 and 31 December 2015	51,390
<u>Accumulated amortisation</u>	
At 1 January 2014	1,231
Amortisation charge	553
At 31 December 2014	1,784
Amortisation charge	577
At 31 December 2015	2,361
<u>Net book value</u>	
At 31 December 2015	49,029
At 31 December 2014	49,606

The Group has land use rights over certain plots of land in the PRC. The land use rights are not transferable and have a remaining tenure of 39 to 45 years (2014: 40 to 46 years) as at 31 December 2015.

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

# Notes to The Financial Statements

31 December 2015

## 11 Property, Plant and Equipment

	Building RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in-progress RMB'000	Total RMB'000
<b>Group</b>						
<u>Cost</u>						
At 1 January 2014	79,221	122,104	717	2,327	672	205,041
Additions	410	7,940	12	64	–	8,426
Transfer	672	–	–	–	(672)	–
At 31 December 2014	80,303	130,044	729	2,391	–	213,467
Additions	–	1,845	13	353	–	2,211
Disposals	–	(2,231)	–	(179)	–	(2,410)
At 31 December 2015	80,303	129,658	742	2,565	–	213,268
<u>Accumulated depreciation and impairment losses</u>						
At 1 January 2014	8,642	39,218	551	1,393	–	49,804
Depreciation charge	2,867	7,826	53	421	–	11,167
At 31 December 2014	11,509	47,044	604	1,814	–	60,971
Depreciation charge	2,890	6,103	44	406	–	9,443
Disposals	–	(619)	–	(165)	–	(784)
Impairment	–	48,961	–	–	–	48,961
At 31 December 2015	14,399	101,489	648	2,055	–	118,591
<u>Net book value</u>						
As at 31 December 2015	65,904	28,169	94	510	–	94,677
As at 31 December 2014	68,794	83,000	125	577	–	152,496

Construction-in-progress is transferred to “Building” or “Plant and machinery” when completed.

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

Impairment loss was recognised in respect of the 30D Terylene filament, where there has been no realisable value for the machineries as there is no available market value for such machineries. (Note 8)

The Company does not have any property, plant and equipment as at 31 December 2015 and 31 December 2014.

# Notes to The Financial Statements

31 December 2015

## 12 Subsidiaries

	Company	
	2015 RMB'000	2014 RMB'000
Unquoted equity investments, at cost	140,178	140,178
Impairment losses (Note 3)	(3,100)	(1,720)
	<b>137,078</b>	<b>138,458</b>

Details of the Company's subsidiaries as at 31 December 2015 are as follows:

Name of subsidiary	Place of incorporation and operation	Principal activities	Percentage of equity held	
			2015 %	2014 %
<u>Directly held by:</u>				
Zhihe (Fujian) Technology Co., Ltd. <sup>(1)</sup>	PRC	Research and development, manufacture and sale of 30D terylene filament yarn, sandwich mesh fabric, SBR and other foamed materials	100	100
Ziwo (Fujian) Import & Export Trading Co., Ltd. <sup>(1)</sup>	PRC	Trading in foamed materials, textile, sports and sports accessories, garments and footwears	100	100
<u>Indirectly held by</u>				
Zhihe (Fujian) Technology Co., Ltd.:				
Quanzhou Yixiang Textile Co., Ltd. <sup>(1)</sup>	PRC	Dormant company	100	100

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

- (1) Audited by Xiamen Liangcheng Certified Public Accountants Co., Ltd. for statutory purposes and RT LLP for the purpose of expressing an opinion on the consolidated financial statements.



# Notes to The Financial Statements

31 December 2015

## 13 Inventories

	Group	
	2015 RMB'000	2014 RMB'000
At cost:		
Raw materials	3,342	3,517
Work-in-progress	810	488
Finished goods	1,978	8,665
	<b>6,130</b>	12,670
At net realisable value:		
Finished goods	3,129	752
	<b>9,259</b>	13,422

During the financial year ended 31 December 2015, the Group recognised write-down of inventories of approximately RMB 1,283,000 (2014: RMB 405,000).

## 14 Trade and Other Receivables

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Trade receivables	33,744	78,893	–	–
Other receivables	1,739	102,031	–	–
Advances to suppliers	31,440	410	–	–
Amount due from subsidiary	–	–	36,251	53,882
	<b>66,923</b>	181,334	<b>36,251</b>	53,882

Trade receivables have credit terms of between 30 to 90 (2014: 30 to 90) days.

Included in other receivables is an amount of refundable deposit of RMB Nil (2014: 100,000,000) for an investment. Deposit for purchase of investment has been fully refunded on 31 January 2015.

Advance payment made to suppliers for the purchase of plant and machinery.

## 15 Other Current Assets

	Group	
	2015 RMB'000	2014 RMB'000
Prepayments	175	8,677

Included in prepayments are advance payments for the purchase of know-how amounting to RMB Nil (2014: RMB 8,500,000). Prepaid know-how of 30D filament yarn of RMB 4,500,000 (2014: Nil) and SBR of RMB 4,000,000 (2014: Nil) have been full written off during the financial year as management is of the opinion that it is improbable that future economic benefits will arise from the prepaid know-how for the foreseeable future.

# Notes to The Financial Statements

31 December 2015

## 16 Cash and Cash Equivalents

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Cash on hand	68	93	–	–
Cash at bank	35,812	133,268	346	61
Cash and cash equivalents	35,880	133,361	346	61

The cash at bank bears effective interest rate from 0.31% to 0.44% (2014: 0.38% to 0.50%) per annum during the financial year.

Included in the cash and cash equivalents are currency denominated in Renminbi amounting to approximately RMB 35,534,000 (2014: RMB 133,300,000) held by the PRC subsidiaries, which are not freely remissible for use by the Company because of currency exchange restrictions.

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
United States dollar	18	18	18	18
Singapore dollar	328	43	328	43
Renminbi	35,534	133,300	–	–
	35,880	133,361	346	61

## 17 Share Capital

	Group and Company			
	2015		2014	
	Number of shares	Share Capital RMB'000	Number of shares	Share Capital RMB'000
Balance at beginning of the year	358,817,184	183,268	299,014,320	149,593
Issue of shares	14,900,000	2,369	59,802,864	33,675
Balance at end of the year	373,717,184	185,637	358,817,184	183,268

The Company granted 14,900,000 shares as share awards under its Ziwo Share Award Scheme (The "Scheme") to its employees on 25 March 2015. The Scheme was approved by the Company's shareholders on 24 April 2014, in accordance with the Rule 704(29) of the Listing Manual of the Singapore Exchange Securities Trading Limited. With the issuance of the new shares under the Scheme, total number of ordinary shares stands at 373,717,184 as at 31 December 2015 and share capital has been raised to RMB 185,637,000.

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

# Notes to The Financial Statements

31 December 2015

## 18 Statutory Reserve

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

## 19 Deferred Tax Liabilities

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at beginning and end of financial year	–	2,291	–	1,240

Deferred tax liabilities of the Group and the Company comprise of withholding tax that may arise on the undistributed profits of the PRC subsidiary generated on or after 1 January 2008.

## 20 Trade and Other Payables

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	–	566	–	–
Other payables	3,817	2,940	2,681	1,772
Amount due to a subsidiary	–	–	13,517	12,082
Amount due to a director	1,678	737	1,678	737
Accrued operating expenses	8,938	9,873	–	–
	<b>14,433</b>	<b>14,116</b>	<b>17,876</b>	<b>14,591</b>

Trade payables generally have credit terms ranging from 30 to 90 (2014: 30 to 90) days.

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

# Notes to The Financial Statements

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## 21 Commitments

### (a) Operating Lease Commitments

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

	Group	
	2015 RMB'000	2014 RMB'000
Within one year	–	14
Between one to five years	–	70
	<u>–</u>	<u>84</u>

### (b) Capital Commitments

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

	Group	
	2015 RMB'000	2014 RMB'000
Within one year	7,340	–
Between one to five years	2,220	–
	<u>9,560</u>	<u>–</u>

## 22 Segments Information

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

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

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

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

# Notes to The Financial Statements

31 December 2015

## 22 Segments Information (cont'd)

[illegible]

# Notes to The Financial Statements

31 December 2015

## 22 Segments Information (cont'd)

	30D Terylene filament yarn (Discontinued)		Sandwich mesh fabric and others		SBR and other foamed material		Total	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
<b>Segment assets</b>	<b>6,380</b>	<b>86,218</b>	<b>16,560</b>	<b>34,071</b>	<b>125,446</b>	<b>137,837</b>	<b>148,386</b>	<b>258,126</b>
Property, plant and equipment	-	53,415	375	9,541	82,260	76,629	82,635	139,585
Land use rights	6,119	6,191	4,589	4,643	16,444	16,638	27,152	27,472
Inventories	-	3,390	2,457	2,937	2,398	5,849	4,855	12,176
Trade receivables	261	23,222	9,139	16,950	24,344	38,721	33,744	78,893
Unallocated corporate assets:								
Other current assets							175	8,677
Cash and cash equivalents							35,880	133,361
Other receivables							33,179	102,441
Inventories							4,404	1,246
Land use rights							21,877	22,134
Property, plant and equipment							12,042	12,911
<b>Total assets</b>							<b>255,943</b>	<b>538,896</b>
<b>Segment liabilities</b>	<b>-</b>	<b>33</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>533</b>	<b>-</b>	<b>566</b>
Unallocated corporate liabilities								
Income tax payable							286	1,881
Other payables							14,433	13,550
Deferred tax liabilities							-	2,291
<b>Total liabilities</b>							<b>14,719</b>	<b>18,288</b>

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

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

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

# Notes to The Financial Statements

31 December 2015

## 22 Segments Information (cont'd)

	Group	
	2015	2014
	RMB'000	RMB'000
Segment assets		
Unallocated:		
Other current assets	175	8,677
Cash and cash equivalents	35,880	133,361
Other receivables	33,179	102,441
Inventories	4,404	1,246
Land use rights	21,877	22,134
Property, plant and equipment	12,042	12,911
	<b>107,557</b>	<b>280,770</b>

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

	Group	
	2015	2014
	RMB'000	RMB'000
Segment liabilities		
Unallocated:		
Income tax payable	286	1,881
Other payables	14,433	13,550
Deferred tax liabilities	–	2,291
	<b>14,719</b>	<b>17,722</b>

## 23 Significant Related Party Transactions

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

## 24 Financial Risk Management

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

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



# Notes to The Financial Statements

31 December 2015

## 24 Financial Risk Management (cont'd)

### (i) Market risk – currency risk

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

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

The Group's currency exposure for the financial year ended 31 December 2015 arises from the cash and cash equivalents and trade and other payables which are denominated in SGD and USD. The currency exposures of the net financial (liabilities)/assets denominated in SGD and USD are approximately (RMB2,354,000) and RMB18,000 respectively (2014: (RMB1,729,000) and RMB18,000 respectively).

#### Sensitivity analysis for currency risk

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

### (ii) Market risk – interest rate risk

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

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

### (iii) Credit risk

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

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

The Group performs on-going credit evaluation of its customers' financial position. The concentration of credit risk from the Group's trade receivables is 22% (2014: 18%), comprising 5 (2014: 5) customers as at 31 December 2015.

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

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

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

# Notes to The Financial Statements

31 December 2015

## 24 Financial Risk Management (cont'd)

### (iii) Credit risk (cont'd)

#### *Financial assets that are neither past due nor impaired*

Trade and other receivables that are neither past due nor impaired amounting to approximately RMB 52,783,000 (2014: RMB 154,289,000) are creditworthy companies with good payment record with the Group. Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit ratings and no history of default.

#### *Financial assets that are past due but not impaired*

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

The age analysis of trade and other receivables past due at the statements of financial position date but not impaired is as follows:

	Group	
	2015	2014
	RMB'000	RMB'000
Past due within 30 days	3,460	13,717
Past due 31 to 90 days	10,680	13,071
Past due over 90 days	–	257
	<b>14,140</b>	<b>27,045</b>

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

The carrying amount of trade and other receivables individually determined to be impaired at the statements of financial position date and the movement in the related allowance for impairment is as follows:

	Group	
	2015	2014
	RMB'000	RMB'000
Trade and other receivables-nominal amounts	19,512	1,408
Less: Allowance for impairment	(19,512)	(1,408)
	<b>–</b>	<b>–</b>
Movement in allowance accounts:		
As at beginning of the year	1,408	4,618
Charge/(Written off) for the year	18,104	(3,210)
As at end of the year	<b>19,512</b>	<b>1,408</b>

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

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

# Notes to The Financial Statements

31 December 2015

## 24 Financial Risk Management (cont'd)

### (iv) Liquidity risk

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

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

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

## 25 Fair Value of Financial Instruments

The carrying amount of financial assets and liabilities with a maturity of less than one year is assumed to approximate their fair values. The Group and the Company do not anticipate that the carrying amounts recorded at financial position date would be significantly different from the values that would eventually be received or settled.

At the reporting period, the Group and the Company do not have any other financial instruments carried at fair value.

## 26 Capital Management

The Group's objectives when managing capital are:

- (a) To safeguard the Group's ability to continue as a going concern;
- (b) To support the Group's stability and growth;
- (c) To provide capital for the purpose of strengthening the Company's risk management capability; and
- (d) To provide an adequate return to shareholders.

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

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

As disclosed in Note 18, the Group's subsidiaries in the PRC are required to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the relevant subsidiaries for the financial year ended 31 December 2015 and financial year ended 31 December 2014. The Group is not subject to any other externally imposed capital requirement for the financial year ended 31 December 2015 and financial year ended 31 December 2014.

# Notes to The Financial Statements

31 December 2015

## 26 Capital Management (cont'd)

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

	Group	
	2015	2014
	RMB'000	RMB'000
Trade and other payables	14,433	14,116
Less: Cash and cash equivalents (Note 16)	(35,880)	(133,361)
Net debt	<u>(21,447)</u>	<u>(119,245)</u>
Equity attributable to owners of the Company	<u>241,224</u>	<u>520,608</u>

As the Group is in a net cash position as at 31 December 2015 and 31 December 2014, the disclosure on net debt-to-equity ratio is not meaningful.

## 27 Subsequent event after the financial year

There were no subsequent events or transactions that required recognition or disclosure in the consolidated financial statements.

# Statistics of Shareholdings

As at 3 May 2016

## DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	0	0.00	0	0.00
100 - 1,000	46	4.35	25,099	0.01
1,001 - 10,000	234	22.12	1,578,800	0.42
10,001 - 1,000,000	744	70.32	60,054,601	16.07
1,000,001 AND ABOVE	34	3.21	312,058,684	83.50
<b>TOTAL</b>	<b>1,058</b>	<b>100.00</b>	<b>373,717,184</b>	<b>100.00</b>

## TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	SKY UPRIGHT HOLDINGS LIMITED	153,079,920	40.96
2	PHILLIP SECURITIES PTE LTD	52,224,864	13.97
3	HONG JIANCHUN	11,791,200	3.16
4	UOB KAY HIAN PRIVATE LIMITED	11,483,600	3.07
5	LIAO JIAN QIN	10,415,800	2.79
6	CHUA SOO HUAN LINDA	6,000,000	1.61
7	YONG HENG CHOE	4,801,000	1.28
8	AU-YEUNG TIN WAH	4,760,000	1.27
9	OCBC SECURITIES PRIVATE LIMITED	4,055,400	1.09
10	BOON SU YIN MARIE	3,983,000	1.07
11	RAFFLES NOMINEES (PTE) LIMITED	3,916,000	1.05
12	TAY AH KEE	3,800,000	1.02
13	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	3,690,000	0.99
14	GOH SOO SIAH	3,361,000	0.90
15	MAYBANK KIM ENG SECURITIES PTE. LTD.	2,671,000	0.71
16	CHANG LIJUN	2,404,000	0.64
17	TAN SOON ENG	2,350,000	0.63
18	HONG LEONG FINANCE NOMINEES PTE LTD	2,277,700	0.61
19	KHOO BOO KOK	2,112,200	0.57
20	LIM VINCENT	2,000,000	0.54
<b>TOTAL</b>		<b>291,176,684</b>	<b>77.93</b>

# Statistics of Shareholdings

As at 3 May 2016

## SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

No.	Name	Direct Interest		Deemed Interests	
		No. of shares held	%	No. of shares held	%
1.	Sky Upright Holdings Limited	153,079,920	40.96	–	–
2.	Ting Chun Yuen <sup>(1)</sup>	850,000	0.23	153,079,920	40.96
3.	Hoi Cheng Pan <sup>(2)</sup>	–	–	49,802,864	13.33

Notes:

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

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

## PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

As at 3 May 2016, 44.84% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST which requires 10% of the equity securities (excluding preference shares and convertible equity securities) in a class that is listed to be in the hands of the public.

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Ziwo Holdings Ltd (the “**Company**”) will be held at Meeting Room 330, Level 3 Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593 on Monday, 30 May 2016 at 3.00 p.m. for the following purposes:

## AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2015 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To approve the payment of Directors’ fees of S\$125,000 for the financial year ending 31 December 2016, to be paid quarterly in arrears. (2015: S\$125,000) **(Resolution 2)**
3. To re-elect the following Directors of the Company retiring pursuant to Regulation 91 of the Constitution of the Company:  
  
Mr Ting Chun Yuen **(Resolution 3)**  
Mr Soh Beng Keng **(Resolution 4)**  
  
[See Explanatory Note (i)]
4. To re-appoint Messrs RT LLP, Public Accountants and Chartered Accountants, as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 5)**
5. To transact any other ordinary business which may properly 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 any modifications:

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

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

- (a)
  - (i) issue shares in the Company (“**shares**”) whether by way of rights, bonus or otherwise; and/or
  - (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and
- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force,

(the “**Share Issue Mandate**”)

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate



# Notice of Annual General Meeting

number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued shares and Instruments shall be based on the number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
  - (a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;
  - (b) new shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of this Resolution; and
  - (c) any subsequent consolidation or subdivision of shares;
- (3) in exercising the Share Issue Mandate conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force (i) until the conclusion of the next Annual General Meeting ("**AGM**") of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.

[See Explanatory Note (ii)]

(Resolution 6)

## 7. Authority to grant awards and issue shares under the Ziwo Share Award Scheme

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

[See Explanatory Note (iii)]

(Resolution 7)

By Order of the Board

Shirley Tan Sey Liy  
Company Secretary

Singapore, 13 May 2016

# Notice of Annual General Meeting

## Explanatory Notes:

- (i) Mr Ting Chun Yuen will, upon re-election as a Director of the Company, remain as a member of the Nominating Committee.

Mr Soh Beng Keng will, upon re-election as a Director of the Company, remain as the Chairman of the Audit Committee, a member of the Nominating Committee and Remuneration Committee, and will be considered independent pursuant to Rule 704(8) of the Listing Manual of the SGX-ST.

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

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

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

## Notes:

1. A Member of the Company (other than a Relevant Intermediary\*) entitled to attend and vote at the AGM (the “Meeting”) is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.
2. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified.)
3. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at Six Battery Road #10-01 Singapore 049909 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

\* A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act (Chapter 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

## PERSONAL DATA PRIVACY

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

# ZIWO HOLDINGS LTD.

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

## ANNUAL GENERAL MEETING PROXY FORM

(Please see notes overleaf before completing this Form)

### IMPORTANT:

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, \_\_\_\_\_ (Name) \_\_\_\_\_ (NRIC/Passport No.)

of \_\_\_\_\_ (Address)

being a member/members of **Ziwo Holdings Ltd.** (the "**Company**"), hereby appoint:

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

and/or (delete as appropriate)

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

as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Annual General Meeting (the "**Meeting**") of the Company to be held at Meeting Room 330, Level 3 Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593 on Monday, 30 May 2016 at 3.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

No.	Resolutions relating to:	No. of votes 'For'*	No. of votes 'Against'*
<b>Ordinary Business</b>			
1	Audited Financial Statements for the financial year ended 31 December 2015		
2	Approval of Directors' fees amounting to S\$125,000 for the financial year ending 31 December 2016, to be paid quarterly in arrears		
3	Re-election of Mr Ting Chun Yuen as a Director		
4	Re-election of Mr Soh Beng Keng as a Director		
5	Re-appointment of Messrs RT LLP as Auditors and authority to Directors to fix remuneration		
<b>Special Business</b>			
6	Authority to issue shares		
7	Authority to grant awards and issue shares under the Ziwo Share Award Scheme		

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

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2016

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

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

\*Delete where inapplicable

**IMPORTANT: PLEASE READ NOTES OVERLEAF**



**Notes:**

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company (other than a Relevant Intermediary\*), entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member (other than a Relevant Intermediary\*) appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).
5. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at Six Battery Road #10-01 Singapore 049909 not less than forty-eight (48) hours before the time appointed for the Meeting.
7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorized in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorized. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
8. A corporation which is a member may authorize by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.
9. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investors**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

\* A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act (Chapter 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

**GENERAL:**

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

**PERSONAL DATA PRIVACY:**

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 13 May 2016.



Ziwo Holdings Ltd.

Company Registration Number: 200800853Z