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

NOTIFICATION OF PRODUCTS WHICH ARE NOT UP TO CUSTOMERS' SPECIFICATIONS

The Board of Directors of China Taisan Technology Group Holdings Limited (the "**Company**") wishes to inform the shareholders that the Company has recently received some complaints from a customer that certain of the Group's new products have quality issues.

Complaints background:

The Company received complaints from one customer regarding the chemical odour of the fabric based on reports which they obtained from DAkkS (a national accreditation body for the Federal Republic of Germany) and TUV SUD (a testing and certification body). After receiving such complaints, the Company performed its own internal investigations in its own quality control department and the results of such internal investigations and test confirmed that there were issues with the fabric. Other major customers have also since submitted similar complaints to the Company. The summary of issues is: striped fabric flaws and printing flaws; issues with fabric colour, chemical odour; poor elasticity of spandex fabric.

Details of customers that may be experiencing quality issues:

The Company is still conducting internal investigations into the complaints and accordingly is unable to quantify the extent of the volume of fabric which may have quality issues; the Company commenced sales of the new products which may have the quality issues only from March 2014. The sales of such new products were to the following customers for the period March 2014 to September 2014:

Name of customers
Quanzhou Fulihua Light Textile Trade Co., Ltd. 泉州市富丽华轻纺贸易有限公司
Shishi Taishan Textile Development Co., Ltd.石狮市泰山布业发展有限公司
Quanzhou Suixing Weaving Co., Ltd.泉州穗兴纺织有限公司
Quanzhou Tianhong Textile Co., Ltd.泉州天弘轻纺有限公司
Quanzhou Hongyu Light Textile Co., Ltd.泉州宏宇轻纺有限公司

All the above customers have been customers of the Group since 2006.

Whilst the investigation is on-going and the Group is unable to ascertain the extent to which its products are affected, these affected products form a significant portion of the 6,573tonnes products which have been delivered during the financial year ending 31 December 2014 ("**FY2014**").

As this matter only recently came to the Company's attention, the Company is still in the midst of assessing the impact of this incident and accordingly, the Company is not in the position to provide any specifics of the Company's financial position to be recorded in the Company's unaudited results for the Third Quarter ended 30 September 2014 nor determine the impact to the Group's financial position for FY2014.

Settlement with customers

The Company is currently investigating this incident and is working closely together with the affected customers to address their concerns. The Group CEO, Mr Lin Wen Chang and Sales and Marketing Manager Mr Cai Jinding have taken charge of the investigations and is in close discussion on the manner of resolution of the matter with customers, including one-to-one goods exchange for any product which has quality issues and discounts for affected products. The Group is confident of resolving this matter and maintaining its good relationships with these customers.

The Board of Directors wishes to emphasize that at this stage, no dispute or legal action has been contemplated by the affected customers.

Despite of the quality issue above, barring any unforeseen circumstances, the Directors are of the view that the Group will continue to be solvent and able to operate as a going concern.

The Group will continue to keep shareholders updated on this matter.

BY ORDER OF THE BOARD
Lin Wen Chang
Chief Executive Officer

14 November 2014