Financial statements

Ziwo Holdings Ltd and its subsidiaries

For the period ended 30 September 2015

Company information

Company Registration No.	200800853Z
Registered office in Singapore	6 Battery Road #10-01, Singapore 049909.
Principal place of business	Western Section, Qingmeng Zone Economy and Technology Development Zone, Quanzhou City, Fujian Province, The PRC.
Board of Directors	Mr Ting Chun Yuen (Executive Chairman and CEO) 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
Company Secretary	Ms Shirley Tan Sey Liy (ACIS)
Share registrar	Boardroom Corporate & Advisory
Principal bankers	Quanzhou City Commercial Bank, Jinjiang Branch, the PRC Industrial Bank Co., Ltd, Quanzhou Xinmen Branch, the PRC
Independent auditor	RT LLP Public Accountants and Chartered Accountants 1 Raffles Places #17-02 One Raffles Place Singapore 048616 Partner-in-charge: Su Chun Keat

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Ziwo Holdings Ltd
and its subsidiaries
(Company Registration No. 200800853Z)
(Incorporated In the Republic of Singapore)

Statement by the Directors
For the financial period ended 30 September 2015

In the opinion of the directors:

(a) the statement of financial position of the Company and the consolidated financial statements of the Group as set out on pages 4 to 45 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 30 September 2015 and the financial performance, changes in equity and cash flows of the Group for the financial period then ended; and

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

On behalf the Board of Directors,

.....
TING CHUN YUEN
Director

.....
ZHUANG QINGQUAN
Director

11 March 2016

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 4 to 45, which comprise the statements of financial position of the Group and the financial position of the Company as at 30 September 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 period 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.

RT LLP
Chartered Accountants
1 Raffles Place
#17-02 One Raffles Place
Singapore 048616
Telephone : +65 6226 0080
Facsimile : +65 6226 3345
Website : www.rt-ca.com
Enquiries : info@rt-ca.com
UEN : T08LL0811J

ONE FACE ACROSS ASEAN

Independent auditor's report to the members of Ziwo Holdings Ltd (Cont'd)

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 30 September 2015 and the financial performance, changes in equity and cash flows of the Group for the financial period ended on that date.

RT LLP

RT LLP
Public Accountants and Chartered Accountants

Partner in charge of audit: Su Chun Keat

Singapore, 11 March 2016

Ziwo Holdings Ltd
and its subsidiaries
(Company Registration No. 200800853Z)
(Incorporated In the Republic of Singapore)

Consolidated statement of comprehensive income

For the financial period ended 30 September 2015

	Note	9 months ended 30/09/2015 RMB'000	9 months ended 30/09/2014 RMB'000 (Unaudited)
Continuing operations			
Revenue	4	57,507	100,837
Cost of sales		(49,766)	(81,534)
Gross profit		7,741	19,303
Other income	5	693	634
Selling and distribution expenses		(8,624)	(5,862)
Administrative expenses		(11,166)	(7,711)
Other operating expenses		(51,495)	(105)
(Loss)/profit before taxation	6	(62,851)	6,259
Income tax expense	7	(154)	(2,564)
(Loss)/profit from continuing operation, net of tax		(63,005)	3,695
Discontinued operation			
Loss from discontinued operations, net of tax	8	(204,368)	(236)
(Loss)/profit for the period, representing total comprehensive (loss)/income for the period		(267,373)	3,459
Basic and diluted (loss)/earnings per share (RMB cents)	**9**	**(72.44)**	**(1.04)**
- From continuing operations (RMB cents per share)		(17.07)	1.11
- From discontinued operation (RMB cents per share)		(55.37)	(0.07)

The accompanying notes form an integral part of these financial statements

Ziwo Holdings Ltd
and its subsidiaries
(Company Registration No. 200800853Z)
(Incorporated In the Republic of Singapore)

Statements of financial position

As at 30 September 2015

	Note	Group		Company	
		30/09/2015	31/12/2014	30/09/2015	31/12/2014
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-Current Assets					
Land use rights	10	49,180	49,606	-	-
Property, plant and equipment	11	98,132	152,496	-	-
Subsidiaries	12	-	-	138,458	138,458
		147,312	202,102	138,458	138,458
Current Assets					
Inventories	13	11,169	13,422	-	-
Trade and other receivables	14	82,173	181,334	41,252	53,882
Other current assets	15	347	8,677	-	-
Cash and cash equivalents	16	31,325	133,361	52	61
		125,014	336,794	41,304	53,943
Total Assets		272,326	538,896	179,762	192,401
EQUITY AND LIABILITIES					
Equity					
Share capital	17	185,637	183,268	185,638	183,268
Statutory reserve	18	42,794	42,794	-	-
Retained earnings/(Accumulated losses)		27,173	294,546	(23,382)	(6,698)
		255,604	520,608	162,256	176,570
Non-Current Liabilities					
Deferred tax liabilities	19	2,291	2,291	1,240	1,240
Current Liabilities					
Trade and other payables	20	14,145	14,116	16,266	14,591
Current tax payable		286	1,881	-	-
		14,431	15,997	16,266	14,591
Total Liabilities		16,722	18,288	17,506	15,831
Total Equity and Liabilities		272,326	538,896	179,762	192,401

The accompanying notes form an integral part of these financial statements

Ziwo Holdings Ltd
and its subsidiaries
(Company Registration No. 200800853Z)
(Incorporated In the Republic of Singapore)

Consolidated statements of changes in equity

For the financial period ended 30 September 2015

	Attributable to equity holders of the Company			
	Share capital RMB'000	Statutory reserve RMB'000 (Note 18)	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2014 (Audited)	149,593	41,785	289,422	480,800
Profit for the period, representing total comprehensive profit for the period	-	-	3,459	3,459
Issue of new shares	33,675	-	-	33,675
Transfer to statutory reserve	-	667	(667)	-
Balance at 30 September 2014 (Unaudited)	183,268	42,452	292,214	517,934
Profit for the period and total comprehensive profit for the period	-	-	2,674	2,674
Transfer to statutory reserve	-	342	(342)	-
Balance at 31 December 2014 (Audited)	183,268	42,794	294,546	520,608
Balance at 1 January 2015 (Audited)	183,268	42,794	294,546	520,608
Loss for the period, representing total comprehensive loss for the period	-	-	(267,373)	(267,373)
Issue of shares under Share Award Scheme	2,369	-	-	2,369
Balance at 30 September 2015 (Audited)	185,637	42,794	27,173	255,604

The accompanying notes form an integral part of these financial statements

Ziwo Holdings Ltd
and its subsidiaries
(Company Registration No. 200800853Z)
(Incorporated In the Republic of Singapore)

Consolidated statement of cash flows

For the financial period ended 30 September 2015

	9 months ended 30/09/2015 RMB'000	9 months ended 30/09/2014 RMB'000 (Unaudited)
Cash Flows from Operating Activities		
(Loss)/profit before tax from continuing operations	(62,851)	6,259
Loss before tax from discontinued operation	(204,313)	(151)
(Loss)/profit before tax, total	(267,164)	6,108
Adjustments for:		
Interest income	(706)	(601)
Depreciation of property, plant and equipment	7,614	8,085
Share award expenses	2,369	-
Amortisation of land use rights	426	414
Know-how written off	8,500	-
Allowance for impairment of property, plant and equipment	48,961	-
Write-down of inventories	2,848	-
Allowance for impairment loss of trade and other receivables	12,908	98
Operating cash (outflows)/inflows before working capital changes	(184,244)	14,104
Changes in working capital		
Inventories	(595)	(136)
Trade and other receivables	(22,247)	(106,016)
Other current assets	8,330	(94)
Trade and other payables	29	(2,239)
Cash used in operations	(198,727)	(94,381)
Interest received	706	601
Income tax paid	(1,804)	(2,902)
Net cash flows used in operating activities	(199,825)	(96,682)
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(2,211)	(7,419)
Refund of deposit for purchase of investment	100,000	-
Net cash flows generated from/(used in) investing activities	97,789	(7,419)
Cash Flows from Financing Activity		
Proceeds from share issuance	-	33,675
Net cash flows generated from financing activity	-	33,675
Net decrease in cash and cash equivalents	(102,036)	(70,426)
Cash and cash equivalents at beginning of period	133,361	195,745
Cash and cash equivalents at end of period	31,325	125,319

The accompanying notes form an integral part of these financial statements

Notes to the financial statements

For the financial period ended 30 September 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 period.

The financial statements of the Company and of the Group for the period ended 30 September 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.

2 Summary Significant Accounting Policies (cont'd)

(a) Basis of Preparation (cont'd)

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 period.

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 period or prior year.

(c) FRS Issued But Not Yet Effective

The following are the new and amended Standard and Interpretations that are applicable to the Group for the accounting periods beginning on or after 1 October 2015 and which the Group has not early adopted:

FRS 115 – *Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018)*

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.

2 Summary Significant Accounting Policies (cont'd)

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

FRS 109 – *Financial Instruments (effective for annual periods beginning on or after 1 January 2018)*

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.

FRS 16 and FRS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation *(effective for annual periods beginning on or after 1 January 2016)*

The amendment to FRS 16 clarifies that depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate.

The amendment to FRS 38 establishes a rebuttable presumption that amortisation of an intangible asset based on revenue generated by using the asset is inappropriate. The presumption may only be rebutted in certain limited circumstances. These are:

- Where the intangible asset is expressed as a measure of revenue; or
- Where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

FRS 105 – *Non-current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after 1 January 2016)*

The amendment clarifies that, when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution', or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. This means that the asset (or disposal group) does not need to be reinstated in the financial statements as if it had never been classified as 'held for sale' or 'held for distribution' simply because the manner of disposal has changed. The amendment also rectifies an omission in the standard by explaining that the guidance on changes in a plan of sale should be applied to an asset (or disposal group) which ceases to be held for distribution but is not reclassified as 'held for sale'.

2 Summary Significant Accounting Policies (cont'd)

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

FRS 19 – *Employee Benefits (effective for annual periods beginning on or after 1 January 2016)*

The amendment clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used. The amendment is retrospective but limited to the beginning of the earliest period presented.

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

(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 period. 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 period 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.

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

(d) Consolidation (cont'd)

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.

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

(d) Consolidation (cont'd)

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

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

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

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

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

(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.

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

(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.

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.

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

(f) Financial Assets (cont'd)

Effective interest method

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

(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.

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.

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

(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.

(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.

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

(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.

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.

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

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

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.

(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.

2 Summary Significant Accounting Policies (cont'd)

(s) Foreign Currencies (cont'd)

Transactions and balances (cont'd)

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

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

(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.

(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.

2 Summary Significant Accounting Policies (cont'd)

(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.

(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 30 September 2015 are approximately RMB 98,132,000 (2014: RMB 152,496,000) and RMB 49,180,000 (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.

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

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

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 period 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 30 September 2015, the carrying amount of the Group's property, plant and equipment and land use right amounted to RMB 98,132,000 (2014: RMB 152,496,000) and RMB 49,180,000 (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 30 September 2015, the carrying amount of the Company's investments in subsidiaries amounted to RMB 138,458,000 (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 8,459,000 (2014: RMB 8,459,000).

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

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

Impairment of investment in subsidiaries (cont'd)

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 30 September 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.

During the financial period ended 30 September 2015, the Group recognised write-down of inventories of approximately RMB 2,848,000 (2014: RMB Nil). The carrying amount of inventories of the Group as at 30 September 2015 was RMB 11,169,000 (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 period ended 30 September 2015, the Group recognised allowances for impairment of trade and other receivables of approximately RMB 12,908,000 (2014: RMB 98,000). The carrying amount of trade and other receivables of the Group as at 30 September 2015 is approximately RMB 82,173,000 (2014: RMB 181,334,000) (Note 14).

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

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

Income tax

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

The Group has recognised income tax expense of approximately RMB 209,000 (2014: RMB 2,649,000) for the financial period ended 30 September 2015. The carrying amounts of the Group's current income tax liabilities and deferred tax liabilities as at 30 September 2015 are approximately RMB 286,000 (2014: RMB 11,881,000) and RMB 2,291,000 (2014: RMB2,291,000) respectively.

4 Revenue

	Group	
	9 months ended 30/09/2015 RMB'000	9 months ended 30/09/2014 RMB'000 (Unaudited)
Sale of goods	57,507	100,837

5 Other Income

	Group	
	9 months ended 30/09/2015 RMB'000	9 months ended 30/09/2014 RMB'000 (Unaudited)
Sale of scrap materials	167	192
Interest income	526	442
	693	634

6 (Loss)/Profit before Taxation from continuing operations

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

	Group	
	9 months ended 30/09/2015 RMB'000	9 months ended 30/09/2014 RMB'000 (Unaudited)
Included in cost of sales:		
- cost of inventories sold	38,227	55,197
- depreciation of property, plant and equipment	3,403	3,870
Included in selling and distribution expenses:		
- depreciation of property, plant and equipment	145	104
- other research and development expenses	7,397	1,258
- operating lease expense	47	47
- transportation fees	1,246	1,575
Included in administrative expenses:		
- depreciation of property, plant and equipment	1,194	912
- amortisation of land use rights	325	313
- audit fees - Company's auditors	579	452
- audit fees - Other auditors	68	104
- fees paid to director's related firms	-	87
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	5,397	98
- write-down of inventories	1,552	-
- tax penalty	29,088	-
- product defect claims and related expenses	-	-
- late delivery compensation	4,687	-
- prepaid know-how written off	4,000	-
Staff costs (including directors' remuneration):		
- Directors' fees	312	336
- Salaries, defined contribution plan and other related costs		
- Directors	996	746
- Key management personnel (other than directors)	156	108
- Other than directors and key management personnel	6,728	8,503

There were no non-audit fees paid to the Company's external auditors for the financial period ended 30 September 2015 and 30 September 2014.

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

7 Income Tax Expense

	Group	
	9 months ended 30/09/2015 RMB'000	9 months ended 30/09/2014 RMB'000 (Unaudited)
Current income tax on profit arising from operations in the PRC		
- From continuing operations	-	2,355
Underprovision of income tax in prior financial period		
- From continuing operations	154	209
- From discontinued operation	55	85
	209	294
Total income tax expense	209	2,649

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 2,291,000 (2014: RMB 2,291,000) (see Note 19) despite the loss for current period, PRC subsidiaries will be able to declare dividend for prior years subject for approval from the authority. Accordingly, no reversal 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 period ended 30 September were as follows:

	Group	
	9 months ended 30/09/2015 RMB'000	9 months ended 30/09/2014 RMB'000 (Unaudited)
(Loss)/profit before income tax from:		
Continuing operations	(62,851)	6,259
Discontinued operation	(204,313)	(151)
	(267,164)	6,108
Tax at applicable income tax rate	(66,791)	1,527
Non-deductible expenses	9,993	126
Effect of unutilised tax losses not recognised as deferred tax assets	56,663	569
Effect of different tax rate	135	133
Underprovision of income tax in prior financial year	209	294
	209	2,649

7 Income Tax Expense (cont'd)

The PRC subsidiaries are taxed on 25% (2014: 25%) for the financial period ended 30 September 2015. The corporate income tax rate applicable to the Company is 17% (2014: 17%) for the financial period ended 30 September 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 225,506,000 (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 56,377,000 (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 period.

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	
	9 months ended 30/09/2015	9 months ended 30/09/2014 (Unaudited)
Revenue	19,642	36,322
Cost of sales	(17,829)	(31,963)
Segment results	1,813	4,359
Income and expenses allocated between segment	(206,126)	(4,510)
Loss before tax from discontinued operation	(204,313)	(151)
Tax allocated between segment	(55)	(85)
Loss after tax from discontinued operation	(204,368)	(236)

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.

8 Discontinued operation (cont'd)

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

	Group	
	9 months ended 30/09/2015	9 months ended 30/09/2014 (Unaudited)
Operating activity	(199,825)	(26,348)
Investing activity	97,789	-
Financing activity	-	8,918
Net cash outflows	(102,036)	(17,430)

9 Earnings per Share

	Group	
	9 months ended 30/09/2015	9 months ended 30/09/2014 (Unaudited)
Continuing operations		
Net loss/(profit) for the financial period attributable to equity holders of the Company (RMB'000)	(63,005)	3,695
Weighted average number of ordinary shares in issue during the financial period for the computation of basic earnings per share and diluted earnings per share (in'000)	369,078	332,530
Basic and diluted earnings per share (RMB cents)	(17.07)	1.11
Discontinued operation		
Net loss for the financial period attributable to equity holders of the Company (RMB'000)	(204,368)	(236)
Weighted average number of ordinary shares in issue during the financial period for the computation of basic earnings per share and diluted earnings per share (in'000)	369,078	332,530
Basic and diluted earnings per share (RMB cents)	(55.37)	(0.07)
Total basic and diluted earnings per share	**(72.44)**	**1.04**

(a) Basic earnings per share

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

(b) Diluted earnings per share

The Group did not have any dilutive potential shares for the financial period ended 30 September 2015 and 2014.

10 Land Use Rights

	Land use rights RMB'000
Group	
Cost	
At 1 January 2014, 31 December 2014 and 30 September 2015	51,390
Accumulated amortisation	
At 1 January 2014	1,231
Amortisation charge	553
At 31 December 2014	1,784
Amortisation charge	426
At 30 September 2015	2,210
Net book value	
At 30 September 2015	49,180
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 (2013: 40 to 46 years) as at 30 September 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.

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
Group						
Cost						
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
At 30 September 2015	80,303	131,889	742	2,744	-	215,678
Accumulated depreciation and impairment losses						
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	2,167	5,087	36	324	-	7,614
Impairment	-	48,961	-	-	-	48,961
At 30 September 2015	13,676	101,092	640	2,138	-	117,546
Net book value						
As at 30 September 2015	66,627	30,797	102	606	-	98,132
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 30 September 2015 and 31 December 2014.

12 Subsidiaries

	Company	
	30/09/2015	31/12/2014
	RMB'000	RMB'000
Unquoted equity investments, at cost	140,178	140,178
Impairment losses (Note 3)	(1,720)	(1,720)
	138,458	138,458

Details of the Company's subsidiaries as at 30 September 2015 are as follows:

Name of subsidiary	Place of incorporation and operation	Principal activities	Percentage of equity held	
			2015	2014
			%	%
Directly held:				
Zhihe (Fujian) Technology Co., Ltd. [1]	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.[2]	PRC	Trading in foamed materials, textile, sports and sports accessories, garments and footwears	100	100
Indirectly held by Zhihe (Fujian) Technology Co., Ltd.:				
Quanzhou Yixiang Textile Co., Ltd. [3]	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.

(2) 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.

(3) 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.

13 Inventories

	Group	
	30/09/2015	31/12/2014
	RMB'000	RMB'000
At cost;		
Raw materials	4,599	3,517
Work-in-progress	310	488
Finished goods	4,265	8,665
	9,174	12,670
At net realisable value;		
Finished goods	1,995	752
	11,169	13,422

During the financial period ended 30 September 2015, the Group recognised write-down of inventories of approximately RMB 2,848,000 (2014: RMB Nil).

14 Trade and Other Receivables

	Group		Company	
	30/09/2015	31/12/2014	30/09/2015	31/12/2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	55,987	78,893	-	-
Other receivables	1,788	102,031	-	-
Advances to suppliers	24,398	410	-	-
Amount due from subsidiary	-	-	41,252	53,882
	82,173	181,334	41,252	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 goods.

Dividend receivable amounting to RMB25,000,000 (2014: RMB 25,000,000)

15 Other Current Assets

	Group	
	30/09/2015	31/12/2014
	RMB'000	RMB'000
Prepayments	347	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 period 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

16 Cash and Cash Equivalents

	Group		Company	
	30/09/2015	31/12/2014	30/09/2015	31/12/2014
	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand	72	93	-	-
Cash at bank	31,253	133,268	52	61
Cash and cash equivalents	31,325	133,361	52	61

The cash at bank bears effective interest rate from 0.35% to 0.44% (2014: 0.38% to 0.50%) per annum during the financial period.

Included in the cash and cash equivalents are currency denominated in Renminbi amounting to approximately RMB 31,273,000 (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	
	30/09/2015	31/12/2014	30/09/2015	31/12/2014
	RMB'000	RMB'000	RMB'000	RMB'000
United States dollar	18	18	18	18
Singapore dollar	35	43	34	43
Renminbi	31,272	133,300	-	-
	31,325	133,361	52	61

17 Share Capital

	Group and Company			
	30/09/2015		31/12/2014	
	Number of shares	Share Capital RMB'000	Number of shares	Share Capital RMB'000
Balance at beginning of the period/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 period/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 30 September 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.

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	
	30/09/2015 RMB'000	31/12/2014 RMB'000	30/09/2015 RMB'000	31/12/2014 RMB'000
Balance at beginning and end of financial year	2,291	2,291	1,240	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	
	30/09/2015	31/12/2014	30/09/2015	31/12/2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	-	566	-	-
Other payables	3,652	2,940	2,017	1,772
Amount due to a subsidiary	-	-	12,572	12,082
Amount due to a director	1,678	737	1,678	737
Accrued operating expenses	8,815	9,873	-	-
	14,145	14,116	16,267	14,591

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

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	
	30/09/2015	31/12/2014
	RMB'000	RMB'000
Within one year	-	14
Between one to five years	-	70
	-	84

(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	
	30/09/2015	31/12/2014
	RMB'000	RMB'000
Within one year	15,200	-
Between one to five years	2,220	-
	17,420	-

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.

22 Segments Information (cont'd)

	30D Terylene filament yarn (Discontinued)		Sandwich mesh fabric and others		SBR and other foamed material		Total	
	9 months ended 2015 RMB'000	9 months ended 2014 RMB'000	9 months ended 2015 RMB'000	9 months ended 2014 RMB'000	9 months ended 2015 RMB'000	9 months ended 2014 RMB'000	9 months ended 2015 RMB'000	9 months ended 2014 RMB'000
Revenue								
External sales	19,642	36,322	10,116	19,799	47,391	81,038	77,149	137,159
Segment results	1,813	4,359	(256)	4,425	7,997	14,878	9,554	23,662
Interest income							706	601
Other income							224	262
Unallocated expense							(277,648)	(18,417)
Profit before taxation							(267,164)	6,108
Income tax expense							(209)	(2,649)
Profit after tax							(267,373)	3,459
Other information								
Capital expenditure	-	-	-	376	1,845	6,967	1,845	7,343
Depreciation of property, plant and equipment	2,415	2,832	775	506	3,612	4,063	6,802	7,401
Amortisation of land use rights	53	52	40	39	143	139	236	230
Allowance for impairment of trade receivables	7,511	-	2,525	-	2,872	98	12,908	98
Write-down of inventories	1,296	-	843	-	560	-	2,699	-
Late delivery compensation	-	-	-	-	4,687	-	4,687	-
Product defect claims and related expenses	134,180	-	-	-	-	-	134,180	-
Know-how written off	4,500	-	-	-	4,000	-	8,500	-
Allowance for impairment loss of property, plant and equipment	42,152	-	6,809	-	-	-	48,961	-
Unallocated:								
Capital expenditure							366	76
Depreciation of property, plant and equipment							812	684
Write-down of inventories							149	-
Amortisation of land use rights							190	184

	30/09/2015	31/12/2014	30/09/2015	31/12/2014	30/09/2015	31/12/2014	30/09/2015	31/12/2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	20,361	86,218	16,983	34,071	137,790	137,837	175,134	258,126
Property, plant and equipment	-	53,415	389	9,541	85,262	76,629	85,651	139,585
Land use rights	6,138	6,191	4,603	4,643	16,494	16,638	27,235	27,472
Inventories	893	3,390	2,309	2,937	3,059	5,849	6,261	12,176
Trade receivables	13,330	23,222	9,682	16,950	32,975	38,721	55,987	78,893
Unallocated corporate assets:								
Other current assets							347	8,677
Cash and cash equivalents							31,325	133,361
Other receivables							26,186	102,441
Inventories							4,908	1,246
Land use rights							21,945	22,134
Property, plant and equipment							12,481	12,911
Total assets							272,326	538,896
Segment liabilities	-	33	-	-	-	533	-	566
Unallocated corporate liabilities								
Income tax payable							286	1,881
Other payables							14,145	13,550
Deferred tax liabilities							2,291	2,291
Total liabilities							16,722	18,288

22 Segments Information (cont'd)

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.

	Group	
	30/09/2015	31/12/2014
	RMB'000	RMB'000
Segment assets		
Unallocated:		
Other current assets	347	8,677
Cash and cash equivalents	31,325	133,361
Other receivables	26,186	102,441
Inventories	4,908	1,246
Land use rights	21,945	22,134
Property, plant and equipment	12,481	12,911
	97,192	280,770

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	
	30/09/2015	31/12/2014
	RMB'000	RMB'000
Segment liabilities		
Unallocated:		
Income tax payable	286	1,881
Other payables	14,145	13,550
Deferred tax liabilities	2,2,91	2,291
	16,722	17,722

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.

(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 30 September 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 (RMB1,982,000) and RMB18,000 respectively (2014: (RMB1,729,000) and RMB18,000 respectively).

24 **Financial Risk Management** (cont'd)

(i) Market risk – currency risk (cont'd)

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 26% (2014: 18%), comprising 5 (2014: 5) customers as at 30 September 2015.

24 Financial Risk Management (cont'd)

(iii) Credit risk (cont'd)

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.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired amounting to approximately RMB 45,958,000 (2014: RMB 40,172,000) 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	
	30/09/2015	31/12/2014
	RMB'000	RMB'000
Past due within 30 days	5,903	13,717
Past due 31 to 90 days	16,810	14,623
Past due over 90 days	13,503	257
	36,216	28,597

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.

24 Financial Risk Management (cont'd)

(iii) Credit risk (cont'd)

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	
	30/09/2015	31/12/2014
	RMB'000	RMB'000
Trade and other receivables-nominal amounts	12,908	3,210
Less: Allowance for impairment	(12,908)	(3,210)
	-	-
Movement in allowance accounts:		
As at beginning of the period/year	1,408	4,618
Charge/(Written off) for the period/year	12,908	(3,210)
As at end of the period/year	14,316	1,408

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

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

(iv) Liquidity risk

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

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

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 period ended 30 September 2015 and financial year ended 31 December 2014. The Group is not subject to any other externally imposed capital requirement for the financial period ended 30 September 2015 and financial year ended 31 December 2014.

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	
	30/09/2015	31/12/2014
	RMB'000	RMB'000
Trade and other payables	14,145	14,116
Less: Cash and cash equivalents (Note 16)	(31,325)	(133,361)
Net debt	(17,180)	(119,245)
Equity attributable to owners of the Company	255,604	520,608

As the Group is in a net cash position as at 30 September 2015 and 31 December 2014, the disclosure on net debt-to-equity ratio is not meaningful.

27 Subsequent event after the financial period

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