



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

RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON THE RESULTS ANNOUNCEMENT FOR THE FIRST QUARTER ENDED 31 MARCH 2017

The Board of Directors (the “**Board**”) of China Taisan Technology Group Holdings Limited (the “**Company**”) refers to the Company’s results announcement for the first quarter ended 31 March 2017 released on 17 July 2017. The Board would like to respond to the following queries raised by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 28 July 2017 (each, a “**SGX Query**”) as follows:

SGX Query 1

In the Company’s response to SGX query 1, the Company disclosed the breakdown of trade and other receivables, including the following:-

Trade and other receivable	31 March 2017 RMB ‘000
Deposit for build a new boiler	4,400
Deposit for re-construction of factory by compiling with environmental regulations	6,500

- (i) Please provide a status update on the construction of the new boiler, the rationale for the construction of the new boiler and the impact of the new boiler on the Company’s production facility/capacity when completed.
- (ii) Please disclose the milestones when the new boiler will be ready for use.
- (iii) Please disclose if the RMB 4,400,000 deposit is refundable and please clarify the total cost required to build the new boiler.
- (iv) Please explain why the deposit of the new boiler is so significant and provide justification to substantiate how is this significant amount reasonable.
- (v) With respect to the RMB 6,500,000 deposit for re-construction of the factory, please clarify the total cost required to re-construct the factory. Please provide details of the re-construction involved.
- (vi) When is the factory expected to be operational and how will the cost of construction be financed.

Company’s Response to SGX Query 1

1. The new boiler and re-construction of factory is expected to be completed in 3rd quarter 2017. The reason for upgrading the new boiler and reconstruction of factory is to meet the government requirement for reducing the air and water pollution. There is no impact on the production capacity.

For detailed environment control policy and impact on the industry, please refer to the link below.



泉州共有137家企业被列入2017年重点监控污染源名单

<http://www.qzcns.com/qznews/2017/0403/481393.html>

(Quanzhou government have issued the high pollution factory in order to control the water and air pollution)

行业关注 | 环保督察组4月进驻福建省，督察一个月、整改三个月！泉州23家纺织、化纤企业已列入“年度重点监控污染源名单”！

<https://freewechat.com/a/MjM5NTEwNTY5OA==/2659255100/2?rss>

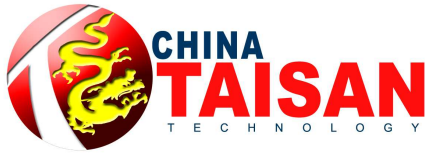
(Our subsidiary – Jinjiang Lianjie was in the listed issued by Quanzhou Government and requested to upgrade the factory pollution control system)

2. The boiler and re-construction factory must be complied with the standard of the reduction pollution for air and water requirement issued by government. There is no specification dates that the above must be completed. However, as mentioned in point 1, we expect to complete in 3rd quarter 2017.
3. There is no refundable for both boiler and reconstruction of factory. The cost for boiler and re-construction is RMB 4.4 million and RMB 6.5 million respectively.
4. The Company has been working with 河南开封得胜锅炉有限公司 since 2010. The supplier namely “河南开封得胜锅炉有限公司” has good reputation in this market. The management also did researches for this boiler and believes that the construction cost of the new boiler is reasonable.
5. For total cost refer reply item 3. Re-construction of factory including two parts: a) cost of control of water pollution is RMB 2 million; b) cost of detective air pollution system is RMB 4.5 million.
6. The factory is still in operation as subsidiary currently using existing boiler to produce the water gas for manufacturing. The cost will be funded by the subsidiary working capital.

SGX Query 2

In the Company’s response to SGX query 1, the Company disclosed the aging of trade receivables of more than 180 days as RMB 38,467,000 as at 31 March 2017.

- (i) **Please provide details as to how significantly overdue are these amounts and the identity of the debtors. Please explain why did these trade debtors not pay the Company for the sales rendered to them for so long?**



Company's Response to SGX Query 2

Customer's name	Balance as at 31 March 2017	Less impairment for 2014 quality issue product	Balance after impairment
[984]泉州海信织造有限公司	817,979.50		817,979.50
[971]泉州文和纺织有限公司	724,514.37		724,514.37
[812]泉州彦金商贸有限公司	904,106.50		904,106.50
[569]佛山市万年丰贸易有限公司	797,794.30		797,794.30
[657]泉州佰晟轻纺有限公司	887,585.00		887,585.00
[804]佛山市顺德区颀鸿纺织有限公司	696,066.93		696,066.93
[498]晋江市威亮服装织造有限公司	933,067.34		933,067.34
[469]泉州维林森体育用品有限公司	767,739.80		767,739.80
[234]泉州坤腾轻纺有限公司	1,024,442.35		1,024,442.35
[032]泉州市华州轻纺有限公司	1,176,943.40		1,176,943.40
[416]广州连捷纺织品有限公司	970,389.29		970,389.29
[061]晋江腾翔织造有限公司	1,234,808.90		1,234,808.90
[394]泉州衣伯仕纺织科技有限公司	1,229,278.15		1,229,278.15
[282]佛山市和丰盛纺织品有限公司	5,944,463.15	-383,826.83	5,560,636.32
[870]中山市秀伟纺织品有限公司	5,608,446.54	-270,386.36	5,338,060.18
[193]泉州穗兴纺织有限公司	11,386,416.28	-8,701,373.97	2,685,042.31
[024]泉州市富丽华轻纺贸易有限公司	16,243,371.44	-19,487,803.38	-3,244,431.94
[039]泉州宏宇轻纺有限公司	18,360,054.71	-21,837,072.98	-3,477,018.27
[045]泉州天弘轻纺有限公司	20,957,540.82	-20,220,522.58	737,018.24
Other - total 72 customers with less than RMB 500,000 each	18,702,459.18		18,702,459.18
	109,367,467.95	-70,900,986.10	38,466,481.85

The reason for no pay after delivery the products is due to market competition, most of competitors have been extended the credit term for more than 180 days. To remain as competitive in the market, the subsidiary also extends its credit term up to 180 days.



SGX Query 3

In the Company's response to SGX query 2, the Company disclosed the following:-

The top trade receivable after impairment as at 31 March 2017 as below:-

Customer's name	Trade receivable after impairment
	RMB
[282] 佛山市和丰盛纺织品有限公司	7,220,064.50
[870] 中山市秀伟纺织品有限公司	8,778,841.57
[193] 泉州穗兴纺织有限公司	10,079,394.63
[024] 泉州市富丽华轻纺贸易有限公司	9,051,880.88
[039] 泉州宏宇轻纺有限公司	10,383,722.23
[045] 泉州天弘轻纺有限公司	13,297,733.69
Total	58,811,637.50

- (i) In relation to the above customers, please also provide the (a) trade receivable before impairment.
- (ii) In relation to the above customers, please provide an aging analysis for the (a) trade receivable before impairment; and (b) trade receivable after impairment.
- (iii) Please provide further details on each of the customers set out below, their business operations as well as the size of their operations. In addition, how much were the total sales to each of these customers? :-

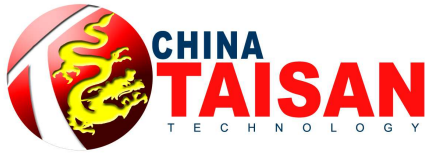
- a. [193] 泉州穗兴纺织有限公司
- b. [024] 泉州市富丽华轻纺贸易有限公司
- c. [039] 泉州宏宇轻纺有限公司
- d. [045] 泉州天弘轻纺有限公司

Please explain why these customers are not paying the Company for their purchases, which then led the Company to purchase raw materials from them to offset the trade receivables due from these customers?

Company's Response to SGX Query 3

1. Trade receivable before impairment:

Customer's name	Balance as at 31 March 2017	Less impairment for 2014 quality issue product	Balance after impairment
[282] 佛山市和丰盛纺织品有限公司	7,603,891.33	-383,826.83	7,220,064.50
[870] 中山市秀伟纺织品有限公司	9,049,227.93	-270,386.36	8,778,841.57
[193] 泉州穗兴纺织有限公司	18,780,768.60	-8,701,373.97	10,079,394.63



[024]泉州市富丽华轻纺贸易有限公司	28,539,684.26	-19,487,803.38	9,051,880.88
[039]泉州宏宇轻纺有限公司	32,220,795.21	-21,837,072.98	10,383,722.23
[045]泉州天弘轻纺有限公司	33,518,256.27	-20,220,522.58	13,297,733.69
Total	129,712,623.60	-70,900,986.10	58,811,637.50

2. The aging analysis for the above customers with impairment basis.

				after impairment	before impairment	
	total	0-90	90-180	more than 180 (C=A-B)	more than 180 (A)	impairment in FY2014 (B)
[282]佛山市和丰盛纺织品有限公司	7,603,891	-	1,659,428	5,560,636	5,944,463	-383,827
[870]中山市秀伟纺织品有限公司	9,049,228	-	3,440,781	5,338,060	5,608,447	-270,386
[193]泉州穗兴纺织有限公司	18,780,769	2,413,285	4,981,068	2,685,042	11,386,416	-8,701,374
[024]泉州市富丽华轻纺贸易有限公司	28,539,684	2,364,388	9,931,925	-3,244,432	16,243,371	-19,487,803
[039]泉州宏宇轻纺有限公司	32,220,795	2,910,065	10,950,676	-3,477,018	18,360,055	-21,837,073
[045]泉州天弘轻纺有限公司	33,518,256	3,712,049	8,848,666	737,018	20,957,541	-20,220,523
	129,712,624	11,399,786	39,812,545	7,599,307	78,500,293	-70,900,986

Please note that the impairment is in FY2014, hence only the current trade receivables more than 180 days with impairment were affected.

3. The Company cannot provide or comment the business operation of the customers below, however, SGX and shareholders can do the search on Google or Baidu.

The sale for 1Q17 for the customer below as following:

	Sales in 1Q17
[193]泉州穗兴纺织有限公司	2,413,285
[024]泉州市富丽华轻纺贸易有限公司	2,364,388
[039]泉州宏宇轻纺有限公司	2,910,065
[045]泉州天弘轻纺有限公司	3,712,049
Total	11,399,786



Due to slow demand in fabric market, the cashflow of customers and suppliers are also negatively impacted. This has inevitably resulted slower collection to fabric related companies.

BY ORDER OF THE BOARD

Lin Wen Chang
Executive Director, Managing Director and Chief Executive Officer
1 August 2017