

Issuer: China Taisan Technology Group Holdings Limited

Security: China Taisan Technology Group Holdings Limited

Meeting details:

Date: 30 June 2017

Time: 10:00H

Venue: Kingfisher 3, Level 1 of Seletar main club lobby, 101 Seletar Club Road, Singapore 798273

Company Description

China Taisan Technology Group Holdings Limited, an investment holding company, produces knitted performance fabrics in the People's Republic of China. It engages in the knitting, dyeing, and finishing of fabrics under the Lianjie brand name for use in the manufacture of sportswear and casual wear, as well as provides fabric-processing services. The company serves apparel manufacturers and/or fabric traders. China Taisan Technology Group Holdings Limited was founded in 1996 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=AZW)

Q1. As noted in the Chairman and CEO Statement (page 3 of the annual report), the group is affected by the competitive nature of the industry and have scaled back production given the low profit margin. Revenue in the financial year ended 31 December 2016 was RMB208 million, a decrease of 72.4% from RMB752 million in FY2015. It was mentioned that the “decrease in revenue mainly resulted from the decrease in the sale of performance fabrics in FY2016 by 85.7% from 8,577tonnes in FY2015 to 1,224tonnes in FY2016”.

In Note 4, it was disclosed that revenue from performance fabric in FY2016 was RMB108 million.

4. Revenue	Group	
	2016	2015
	RMB'000	RMB'000
Manufacturing and sale of performance fabrics	107,946	706,315
Fabric processing services	99,808	45,734
	<u>207,754</u>	<u>752,049</u>

(Source: Company Annual Report 2016)

Based on the reported figures, the average selling price in FY2016 may have been higher than the average selling price in FY2015. The estimated selling prices are based on figures disclosed in the annual report.

	2016	2015
	RMB	RMB
Revenue from performance fabrics	107,946,000	706,315,000
Volume (tonnes)	1,224	8,577
Revenue/ton	88.2	82.3

- Can management confirm that the average selling price for its performance fabrics increased in FY2016 even as the industry became more competitive? If so, how was the group able to achieve this?
- What is the utilisation rate of the group’s machineries in FY2016?
- Can management elaborate further on the increase in the revenue from fabric processing services? Is this sub-segment profitable?

Q2. Even as revenue decreased by more than 70%, the group’s staff costs increased by more than 6% to RMB25.8 million.

8. Staff costs	Group	
	2016	2015
	RMB'000	RMB'000
Salaries and bonus (excluding directors’ remuneration)	23,868	22,349
Staff welfare	18	24
Directors’ remuneration	1,888	1,876
	<u>25,774</u>	<u>24,249</u>

(Source: Company Annual Report 2016)

- a) **What is the group's total staff strength for FY2016 and FY2015? Can management also provide a detailed breakdown of the staff strength by function?**
- b) **Can management help shareholders understand why "Salaries and bonus (excluding directors' remuneration)" increased in FY2016 when the reported volume of fabrics sold dropped by more than 85%?**
- c) **What are management's plans to rationalise its manpower given that the business activities have slowed down?**

Q3. As disclosed in the company's announcement dated 4 June 2017, the company has been placed on the watch-list by the Singapore Exchange Securities Trading Limited (the "SGX-ST") due to the Financial Entry and the Minimum Trading Price ("MTP") Entry Criteria with effect from 5 June 2017.

The company announced on 1 December 2015 that SGX-ST has stated that it was unable to approve the company's share consolidation application (submitted on 13 November 2015) as there are concerns of the possibility of cornering the shares due to the low number of consolidated shares.

- a) **Can the company update shareholders on the current plans to meet the requirements of Listing Rule 1314(2) of the Listing Manual (MTP criteria)?**

Under Listing Rule 1314(1), an issuer may apply for its removal from the watch-list (based on the financial exit criteria) if issuer records consolidated pre-tax profit for the most recently completed financial year (based on the latest full year consolidated audited accounts) and has an average daily market capitalisation of S\$40 million or more over the last 6 months.

- b) **Specifically on the profit criteria, can management inform shareholders on their actual plans to restore the group's profitability and to help shareholders understand the key factors (both internal and external) that would enable the group to return to profitability?**
- c) **The current market capitalisation of the company is about \$4 million. How does the company intend to meet the requirement of the average daily market capitalisation being at least S\$40 million over a 6-month period?**