中國節能海東青新材料集團有限公司
CECEP COSTIN NEW MATERIALS GROUP LIMITED

Incorporated in the Cayman Islands with limited liability

Stock Code:2228

ANNUAL REPORT

2013

中国节能

中國節能海東青
CECEP COSTIN GROUP

Contents

Corporate Information

EXECUTIVE DIRECTORS

Mr. Yu Heping *(Co-Chairman)*
Mr. Chim Wai Kong *(Co-Chairman)*
Mr. Chim Wai Shing Jackson *(Chief Executive Officer)*
Mr. Xue Mangmang

NON-EXECUTIVE DIRECTORS

Mr. Yang Yihua
Mr. Pan Tingxuan

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Feng Xue Ben
Mr. Wong Siu Hong
Mr. Xu Qinghua

AUTHORISED REPRESENTATIVES

Mr. Chim Wai Shing Jackson
Mr. Chan Kwok Yuen Elvis

COMPANY SECRETARY

Mr. Chan Kwok Yuen Elvis *(ACA, CFA, FCCA, FCPA)*

AUDITOR

RSM Nelson Wheeler
Certified Public Accountants

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Trust (Cayman) Limited
Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
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17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE

Scotia Centre, 4th Floor
P.O. Box 2804
George Town
Grand Cayman KY1-1112
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

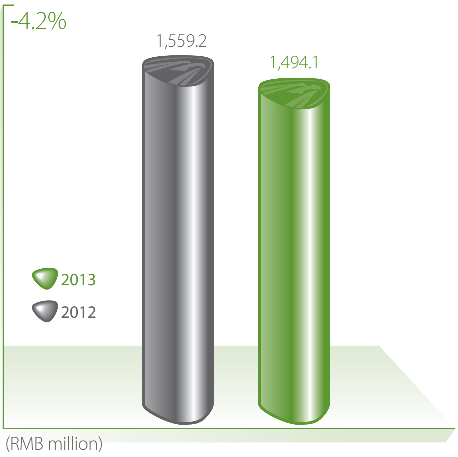
Suites 2703-04
27th Floor, Tower 6
The Gateway
Harbour City
Kowloon

WEBSITE

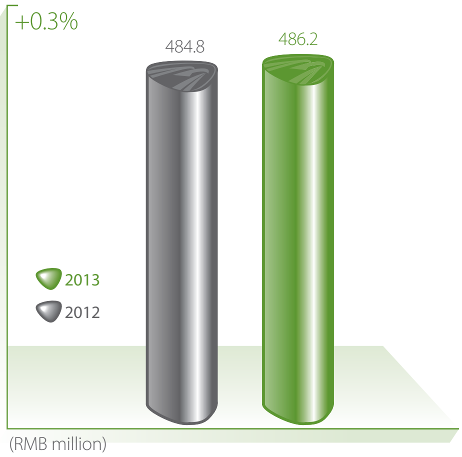
www.costingroup.com

Results Highlights

TURNOVER

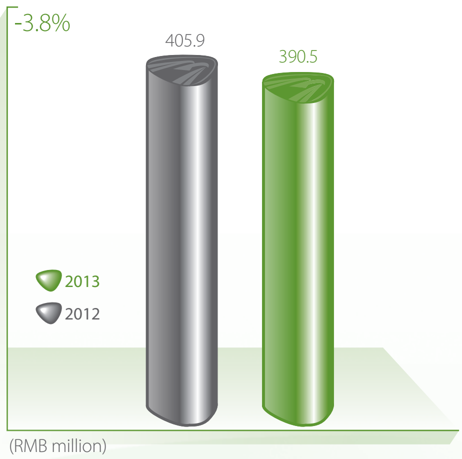


GROSS PROFIT

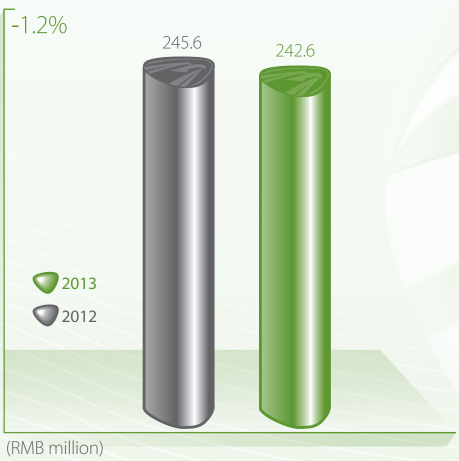


GROSS PROFIT MARGIN

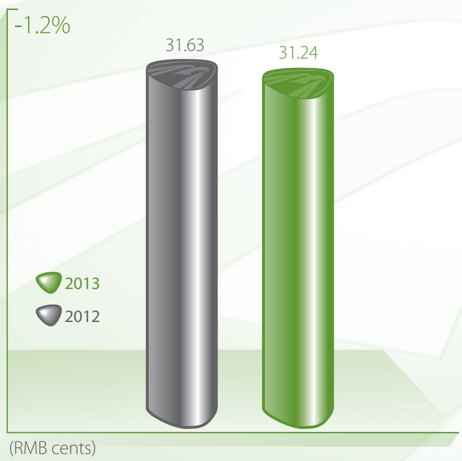
PROFIT FROM OPERATIONS



PROFIT FOR THE YEAR



BASIC EARNINGS PER SHARE



Co-Chairmen's Statement

To our esteemed shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of CECEP COSTIN New Materials Group Limited ("CECEP COSTIN" or the "Company"), we are pleased to present the annual report of the Company and its subsidiary companies (collectively referred to as the "Group") for the year ended 31 December 2013.

In 2013, sales volume, selling price and gross profit margin of the Group's recycled chemical fibres decreased as compared with last year as the economic growth in the People's Republic of China (the "PRC" or "China") slowed down, and the demand for recycled chemical fibres from downstream enterprises such as garment and textiles enterprises continued to be sluggish. However, in spite of the challenges in domestic and foreign markets, the Group maintained an upward trajectory in the sales of non-woven materials products as well as the selling price and gross profit margin as compared to last year thanks to the Group's continuous efforts to upgrade non-woven materials products, enhance their added value and adjust the products structure. The favourable trend was the payoff of the Group's long-term investment in product R&D. Besides, our non-woven materials products have a broad application scope and are less susceptible to the business cycle of any single industry.

CECEP COSTIN is committed to the motto of "purifying the impossible" in the low-carbon era. Adhering to such business philosophy, CECEP COSTIN aims to develop into a technology-based group. The Group was dedicated to promoting industrial upgrade, optimising the mode of production, facilitating product and technology marketing, cultivating operation and management talents and encouraging creativity and scientific innovation. Meanwhile, with the concerted efforts of the management and every employee, the Group's core business showed a stable rise during the year. During the year under review, turnover of the Group reached RMB1,494,100,000, representing a decrease of approximately 4.2% from RMB1,559,200,000 in 2012; gross profit rose to RMB486,200,000, representing an increase of 0.3% from RMB484,800,000 in 2012; profit for the year attributable to owners of the Company reached RMB242,600,000, representing a decrease of approximately 1.2% from RMB245,600,000 in 2012; and basic earnings per share for the year was approximately RMB31.24 cents (2012: RMB31.63 cents).

In July 2013, 重慶中節能實業有限責任公司 (CECEP Chongqing Industry Co., Ltd.[#]) ("CECEP Chongqing"), a subsidiary of 中國節能環保集團公司 (China Energy Conservation and Environmental Protection Group[#]) ("CECEP"), made a general offer through its wholly-owned subsidiary to acquire all the issued shares of the Company, resulting in an increase of its indirect interests in the Company from approximately 29% to approximately 42.34%. The management of the Group considers that the increase of equity interests in the Company owned by CECEP Chongqing highlights the confidence of CECEP in the long-term development of our business. CECEP COSTIN will also continue to cooperate with CECEP to further consolidate the leading position of the Group in the market of industrial goods.

Relying on the improving quality in production, R&D and marketing, we are confident that the Group will firmly implement the "Third Five-Year Plan" with the concerted efforts of all staff and supports from our partners; and as a result, the Group will have a stable upward development, building CECEP COSTIN into a world-leading new materials and recycled materials enterprise. We will exert every effort to create value for the Group and bring satisfactory returns to the shareholders and investors of the Company.

ACKNOWLEDGEMENT

We would like to express, on behalf of the Board, heart-felt appreciations for the continuous attention and great support to CECEP COSTIN from all shareholders, investors and partners. We also wish to thank the relentless efforts and dedication of all staff of the Group. The Group will continue to fully leverage on the favourable industry policies and demonstrate its competitive edges in the recycling economy, and join hands with parties concerned to create higher value through steady and sustained development of the Group.

Yu Heping
Co-Chairman

Chim Wai Kong
Co-Chairman

Hong Kong, 14 March 2014

\# *The English name is translated for reference only.*

Management Discussion and Analysis

BUSINESS REVIEW

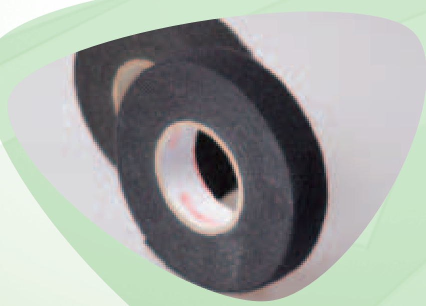
The year of 2013 saw slowdown in economic growth in the PRC and weak demand for traditional industrial products. Nevertheless, in the National 12th Five-Year Plan, the PRC government expressed the stance to tighten the regulation on environmental pollution and listed the new materials industry as one of the key development fields. We believe that the potential for market growth in the PRC will persist with increasing emphasis on the market as desire for environmental protection surges and construction standards raise. In response to the changing market, we strive to facilitate product upgrade, so as to embrace the growth opportunities for the Group in the course of satisfying future market demands.

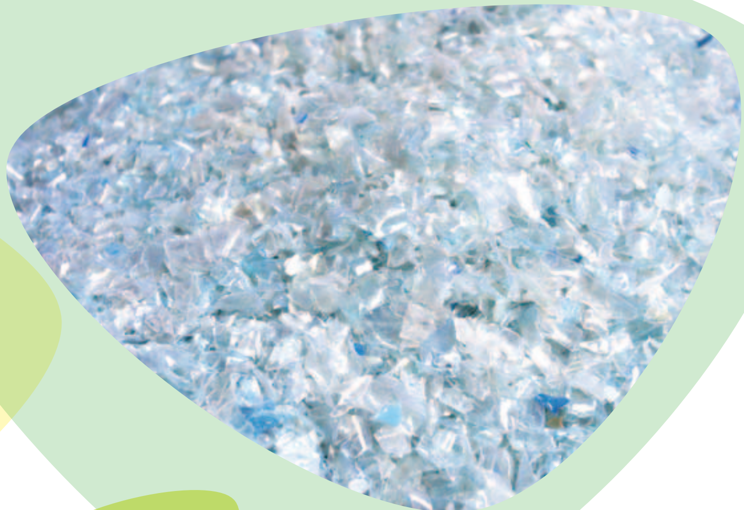
Key products of the Group include differential recycled chemical fibres, non-woven materials with 3D engineering structure and thermal resistant filtration materials. The Group's products have been widely applied as raw materials in the manufacture of consumer goods and industrial products including filter materials and filtration bags, decoration materials, shoe materials and household materials. The Group also provides tailor-made products that satisfy the specific requirements of different customers, including non-woven materials with special functions such as waterproof, anti-bacteria, anti-UV and flame retardant.

BUSINESS REVIEW (CONTINUED)

Non-woven materials with 3D engineering structure

As at 31 December 2013, the Group had 17 stitch-bonded non-woven material production lines and 9 needle-punching non-woven material production lines with annual production capacity of approximately 103 million yards and 57 million yards, respectively, bringing the aggregate production capacity to approximately 160 million yards per annum. As a result of the quality services and business development undertaken by the 6 professional teams of the Group, sales volume and turnover increased by approximately 10.2% and 2.9% respectively as compared with 2012. Benefiting from the growth of sales volume of products with higher gross profit margin, the gross profit margin of non-woven materials increased by approximately 2.3 percentage points as compared with 2012. The Group always emphasised new product development and market development of non-woven materials. In 2013, in addition to the traditional products such as shoe materials and household materials which the Group continued to develop, the Group also intensified the R&D, improvement and promotion of new non-woven material products for industrial uses such as in automobiles and building materials, and successfully developed the stitch-bonded wiring tapes for middle and high-end automobiles. Due to the excellent performance of this new product, the Group succeeded in establishing a long-term supply relationship with a well-known European enterprise during the year as its only supplier in the PRC. The Group will continue to enhance its R&D capabilities, and through continuous development of new products, accelerate the transformation and upgrade of products to increase their technology content and added value with an aim to the gross profit margin of our products as well as enhancing its market competitiveness. The Group will put more efforts into the upgrade of structure of non-woven material products, and increase the proportion of products for industrial uses such as in automobiles and construction industries in order to achieve higher profit.





BUSINESS REVIEW (CONTINUED)

Recycled chemical fibres

As at 31 December 2013, the Group had 2 recycled chemical fibres production lines with an annual production capacity of approximately 42,000 tons, which can handle approximately 53,000 tons of waste PET chips per annum. Affected by the drop in domestic demand for recycled chemical fibres, sales volume of recycled chemical fibres of the Group decreased by approximately 36.9% as compared with 2012. Turnover of recycled chemical fibres also decreased with the decline in demand by approximately 39.9% as compared with 2012, while the gross profit margin fell by approximately 4.5 percentage points as compared with the corresponding period of last year. Looking forward, the Group will continue the R&D on utilization of recycled products such as scrapped chips, textiles and filtration bags and improve the quality and performance of products so as to further increase our sales and profit. On the basis of continuous consolidation of its own import supply channel, the Group will keep exploring the differentiated performance and quality control of recycled chemical fibres, increasing the application of its recycled chemical fibres in its non-woven material products, as well as enhancing the added value of products and its ability to resist market risk.

BUSINESS REVIEW (CONTINUED)

Thermal resistant filtration materials

The Group had 3 thermal resistant filtration materials production lines with an annual production capacity of approximately 21 million sq.m.. In 2013, sales volume was approximately 1.5 million sq.m., representing a decrease of approximately 9.5% as compared with 2012, while turnover amounted to approximately RMB72 million, representing an increase of approximately 48.1% as compared with 2012. Currently, thermal resistant filtration materials business is still in the development stage, and therefore has not yet yielded generous profits for the Group. The Group will gradually establish solutions and operational services to address the sales channel and format of the industrial filtration material business with a view to expand its customer base through service marketing. The Group will continue to innovate in the sales model of thermal resistant filtration materials and shift from product-oriented to service-oriented. By integrating the internal and external resources of CECEP, the Group will attract more talents specialized in dust removal and filtration technology and management. The Group will increase investment in R&D and cooperate with leading enterprises to jointly develop the monitoring and control system of bag-type dust filtration equipment and make innovations based on traditional technology. The development of thermal resistant filtration materials industry will accelerate in the coming year as the PRC government gives greater support to energy conservation and environmental-friendly products.

BUSINESS REVIEW (CONTINUED)

Product R&D

The Group will further enhance the capabilities of technology innovation and information consulting service with the integration of "policy, production, learning, research and utilization" (「政產學研用」) and emphasise the breakthroughs in key technologies in the areas of new textile raw materials, environmental-friendly filtration materials, filtration equipment, non-woven composite materials, building materials, geosynthetics materials, automobile accessories and the recycle and utilization of scrapped materials. The Group will establish a high quality service platform regarding intellectual property rights, technical standards, quality testing and technology information with an aim to promote the restructuring and upgrade of the industry.

The Group is a Fujian Provincial-Level Technology Centre, a development base for environmental-friendly filtration materials in the PRC and a domestic non-woven material enterprise accredited with SCS Recycled Content Certification. As at 31 December 2013, the Group had 26 patents and was applying for the registration of 56 patents.

Consolidating the shareholder base

On 17 June 2013, CECEP Chongqing, a subsidiary of CECEP, made a mandatory unconditional general offer to acquire the issued shares of the Company through Hong Kong (Rong An) Investment Limited ("Hong Kong Rong An"). The general offer was completed on 5 August 2013, resulting in an increase of equity interest in the issued share capital of the Company owned by CECEP through its subsidiary from approximately 29% to approximately 42.34%. The Group will continue to strengthen the cooperation with CECEP and further consolidate the leading position of the Group in the market of industrial goods. By bringing its strengths in the field of energy conservation and environmental protection into full play, CECEP will provide better development conditions to the Group, assisting the Group to expand the development potential of non-woven materials for industrial uses, so as to gain competitive advantage and the leading position in the high-end dust removal and thermal resistant filtration materials sector while supporting the Group to expand and strengthen its "urban minerals" resources recycling business.

BUSINESS REVIEW (CONTINUED)

Deepening the internal and marketing network

The Group established 6 divisions, namely Filter Materials and Filter Bags, Shoe Materials and Household Materials, Decoration and Building Materials, Chemical Fibres and Chemicals, International Business Development and Industrial Consulting Service Platform, which will continue to provide customers with one-stop service and diversified product mix and expand the application of our products and services.

In addition, to meet the huge demand of domestic customers and market, the Group established 7 key sales regions, namely North China, East China, South China, Central China, Northeast, Northwest and Southwest. Regional manager of each region is responsible for staff training and establishing management system which enhance the professional level of staff so as to provide clients with professional and high-quality services and solutions, thereby expanding customer base and enhancing our market competitiveness.

FINANCIAL REVIEW

For the year ended 31 December 2013, the Group remained stable in turnover and in its financial performance as compared with 2012. The Group's turnover slightly decreased by approximately 4.2% to approximately RMB1,494.1 million while profit attributable to owners of the Company slightly decreased by approximately 1.2% to approximately RMB242.6 million.

Turnover

The Group's turnover for the year ended 31 December 2013 was approximately RMB1,494.1 million, representing a decrease of approximately 4.2% or approximately RMB65.1 million over last year. The drop in turnover was primarily due to decreases in the selling price and the sales quantities of the Group's recycled chemical fibres.

Turnover of non-woven materials for the year ended 31 December 2013 was approximately RMB1,226.9 million, representing an increase of approximately 2.9% or approximately RMB34.2 million from last year. Turnover of recycled chemical fibres for the year ended 31 December 2013 was approximately RMB189.0 million, representing a decrease of approximately 39.9% or approximately RMB125.5 million from last year. Turnover of thermal resistant filtration materials for the year ended 31 December 2013 was approximately RMB72.0 million, representing an increase of approximately 48.1% or approximately RMB23.4 million from last year.

During the year ended 31 December 2013, export sales to Hong Kong and overseas market accounted for approximately 21.9% (2012: 16.2%) of the Group's turnover while sales in the PRC (except Hong Kong) accounted for approximately 78.1% (2012: 83.8%).

During the year under review, the Group sold approximately 105.1 million yards of non-woven materials, representing an increase of approximately 10.2% from last year; its sales volume of recycled chemical fibres was approximately 22,000 tons, representing a decrease of approximately 36.9% from last year. The decrease in sales quantities of recycled chemical fibres was a result of decrease in market demand of recycled chemical fibres in the PRC. The Group sold approximately 1.5 million sq.m. of thermal resistant filtration materials during the year under review, representing a decrease of approximately 9.5% from last year.

Gross profit and gross profit margin

For the year under review, gross profit of the Group was approximately RMB486.2 million, representing an increase of approximately 0.3% or approximately RMB1.3 million as compared with 2012. The increase in gross profit was mainly driven by the increase in gross margin of non-woven materials segment. The gross profit for the non-woven materials segment accounted for approximately 93.3% of the total gross profit (2012: 85.4%), while the gross profit for the recycled chemical fibres segment accounted for approximately 6.4% of the total gross profit (2012: 13.7%). During the year under review, the overall gross profit margin of the Group's products was approximately 32.5%, representing an increase of 1.4 percentage points as compared with last year. The gross profit margin for non-woven materials segment increased from approximately 34.7% for the year ended 31 December 2012 to approximately 37.0% for the year ended 31 December 2013. For the recycled chemical fibres segment, its gross profit margin was approximately 16.6% for the year ended 31 December 2013, representing a decrease of approximately 4.5 percentage points as compared with last year. Thermal resistant filtration materials segment has incurred a loss of approximately RMB0.6 million during the year (2012: profit of RMB4.0 million). The increase in gross profit margin for non-woven materials was principally due to the increase in sale volume of products with higher profit margin; the decrease in gross profit margin for recycled chemical fibres was principally due to the decrease in selling price during the year.

FINANCIAL REVIEW (CONTINUED)

Distribution expenses

For the year ended 31 December 2013, distribution expenses accounted for approximately 1.0% of the Group's turnover (2012: 1.3%), representing a decrease of approximately RMB5.5 million as compared with 2012. The decrease in distribution expenses was mainly due to the decrease in logistics and transportation costs for goods and raw materials during the year ended 31 December 2013.

Administrative expenses

Administrative expenses for the year ended 31 December 2013 increased by approximately RMB18.9 million as compared with 2012 mainly due to increases in the allowance for trade receivables and research and development expenses in the current year, which boosted the administrative expenses by approximately RMB14.1 million and RMB10.1 million respectively as compared with 2012.

Finance costs

Finance costs for the year ended 31 December 2013 decreased by approximately RMB11.7 million as compared with 2012. The decrease in finance cost was mainly due to the redemption of US$30 million convertible bond (the "Convertible Bond") by the Company in July 2013.

Income tax expense

The Group's effective income tax rate for the year ended 31 December 2013 was approximately 31.2%, as compared with approximately 31.1% for last year. The effective income tax rate remained stable between two years.

Profit attributable to owners of the Company and net profit margin

Profit attributable to owners of the Company for the year ended 31 December 2013 was approximately RMB242.6 million, representing a decrease of approximately 1.2% or approximately RMB3.1 million as compared with 2012. The Group's net profit margin for the year under review was approximately 16.2%, representing an increase of 0.4 percentage points as compared with last year. The increase in net profit margin was mainly due to an increase in gross profit margin and decrease in finance costs.

Earnings per share

Basic earnings per share for the year ended 31 December 2013 remained stable at approximately RMB31.24 cents (2012: RMB31.63 cents).

The effect of potential ordinary shares in respect of the Convertible Bond is anti-dilutive for the years ended 31 December 2012 and 2013. No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary share in respect of share options for the years ended 31 December 2012 and 2013.

FINANCIAL REVIEW (CONTINUED)

Liquidity and financial resources

The Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 21 June 2010 and the net proceeds of the global offering was approximately HK$439.8 million after deducting related underwriting fees and other expenses. The proceeds were applied during the year in accordance with the proposed applications set out in the Company's prospectus dated 8 June 2010. As at the date of this report, the Group already used approximately HK$162.7 million of the net proceeds for establishment of the filtration materials production facilities and approximately HK$23.8 million for the expansion of its existing technology centre and the establishment of a research centre for new materials. In addition, approximately HK$40 million was used as the Group's general working capital. The Group has deposited the remaining unused proceeds in licensed banks in Hong Kong and the PRC.

In July 2011, the Company issued the Convertible Bond with an aggregate principal amount of US$30 million to CITIC Capital China Access Fund Limited. The Convertible Bond was redeemed by the Company at its maturity in July 2013.

The Group generally finances its operations with internally generated cash flow and facilities provided by its principal bankers in Hong Kong and the PRC. The Group had bank and cash balances of approximately RMB1,105.2 million (2012: RMB978.0 million) and pledged bank deposits of approximately RMB7.1 million (2012: RMB33.1 million) as at 31 December 2013. The Group's bank and cash balances were mostly held in United States dollars ("US dollars") and Renminbi.

As the Group conducts business transactions principally in Renminbi and US dollars, management considered that the Group's exposure to foreign exchange risk at the operational level is not significant. Accordingly, the Group had not used any financial instruments for hedging purposes during the year under review. Nevertheless, management will continue to monitor its foreign exchange exposure and is prepared to take prudent measures such as hedging when appropriate actions are required.

As at 31 December 2013, the Group's bank loans amounted to approximately RMB394.9 million (2012: RMB368.8 million), of which approximately 68.6% (2012: 83.8%) was repayable within one year. The Group's bank loans were in US dollars and Renminbi, whilst approximately 67.6% (2012: 44.1%) of such loans bore interest at fixed lending rate. As at 31 December 2013, the Group's gearing ratio was approximately 19.0% calculated as bank loans plus the Convertible Bond divided by total assets (2012: 27.7%). The decrease in gearing ratio was mainly attributable to the redemption of the Convertible Bond during the year. Net current assets and net assets of the Group as at 31 December 2013 were approximately RMB1,130.0 million (2012: RMB851.3 million) and RMB1,399.6 million (2012: RMB1,212.6 million), respectively.

As at 31 December 2013, certain prepaid land lease payments, buildings and investment properties of the Group with carrying values of approximately RMB64.3 million (2012: RMB52.7 million), RMB73.3 million (2012: RMB50.1 million) and RMB6.5 million (2012: RMB14.3 million), respectively, were pledged to secure general banking facilities granted to the Group.

As at 31 December 2013, the Group did not have any contingent liabilities (2012: Nil).

FINANCIAL REVIEW (CONTINUED)

Significant investments and acquisitions

During the year ended 31 December 2013, the Group acquired property, plant and equipment and incurred costs for construction in progress of approximately RMB21.6 million and RMB5.1 million (2012: approximately RMB13.7 million and RMB29.4 million), respectively.

PROSPECTS

In view of issues such as poor air quality and water pollution in recent years, the PRC government is committed to developing environmental protection industry and implementing various green environmental protection policies. On 12 September 2013, the State Council released the Air Pollution Prevention Action Plan, promoting energy conservation and environmental protection industry in a full scale, in order to ensure enterprises to fulfill their social responsibility of environmental protection, to strengthen their internal management as well as increasing their capital investment in production and pollutant management technology.

The Group also responded to the PRC government's policy, committed to the motto of "purifying the impossible" in the low-carbon era. Adhering to such business philosophy, the Group aims to develop into a technology-based group, striving to develop our recycled products, environmental-friendly filtration materials and industrial textiles into industry standards and lead the market with technology as a leading environmental protection enterprise in the PRC, with an aim to reduce greenhouse gas emissions from production. The Group will continue to develop new environmental-friendly filtration material technology, and try hard to set an example in the development of new non-woven materials in the post-industrial era under the corporate culture of striving for the ultimate goal of "reducing industrial gas emissions and preserving clean waters and blue skies for mankind". In addition, the Group will keep implementing environmental protection measures in production such as water conservation, material saving, energy conservation and emissions reduction in an effort to reduce the cost of management and production by minimizing the resources taken up by management activities.

The Group has formulated the "Third Five-Year Plan", pointing out a clear direction of development in the coming years. Based on the existing recycling economy industry, the Group will develop brand new recycled products. By increasing investment in high-end environmental-friendly products, the Group will seize the domestic high-end market with its industrial filtration materials. By increasing investment in the R&D of products like needle-punching composite materials and special fibre products, the Group will fill gaps in the domestic market with the best products. Through introduction of more advanced environmental-friendly filtration equipment, combined with the design and research of filtration equipment, the Group will be able to promote its environmental protection business and technology to every field of application and develop high-end products with the characteristics of the Group. Based on the industrial structure of vertical integration system of non-woven technology application chain, the Group will expand business with the support of efficiency-improved innovative technology and information service system, grasping the opportunity of integration of development system of new human resources comprehensive service. Guided by the concept of promotion, operation, conservation, R&D and application, the Group will keep implementing meticulous management of "attention to detail, concerned on cost and guiding consumption" in a full scale and carry through the market principle of "marketing superiority through unique sales strategies and technical know-how", striving to develop the Group into a technology-based group.

EMPLOYMENT, TRAINING AND DEVELOPMENT

As at 31 December 2013, the Group had a total of 979 employees (2012: 986). The Group always maintains cordial working relationships with its employees and commits to the provision of excellent training and development opportunities for its staff. The Group's remuneration packages are maintained at a competitive level and are reviewed periodically. Bonus and share options are also granted to employees according to their respective performance, appraisals and industry practices. The share option scheme (the "Share Option Scheme") was adopted by the Company on 12 May 2010. No share options have been granted by the Company pursuant to the Share Option Scheme during the year ended 31 December 2013. As at 31 December 2013, no share options remained outstanding and 12,130,000 share options were lapsed during the reporting period.

Corporate Governance Report

INTRODUCTION

The Company is committed to ensuring high standards of corporate governance. Throughout the year of 2013, the Company has complied with all applicable code provisions under the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

RULE 3.10A OF THE LISTING RULES

According to Rule 3.10A of the Listing Rules, the Company is required to appoint independent non-executive directors representing at least one-third of the board of directors of the Company. During the period from 1 January 2013 to 29 March 2013, the number of independent non-executive Directors of the Company was less than one-third of the Board members as required under Rule 3.10A of the Listing Rules. The Company has complied with Rule 3.10A of the Listing Rules since 30 March 2013 when additional independent non-executive Directors were appointed by the Company on the same date.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry of the Directors, all the Directors confirmed that they had complied with the required standards as set out in the Model Code for the year ended 31 December 2013.

BOARD OF DIRECTORS

The Board currently comprises four executive directors, two non-executive directors and three independent non-executive directors. For a Director to be considered independent, the Board follows the requirements set out in the Listing Rules and must determine that the director does not have any direct or indirect material relationship with the Group. Under the Company's articles of association, every director is subject to retirement by rotation at least once every three years and their re-election is subject to a vote by the shareholders. All non-executive directors and independent non-executive directors are appointed for a specific term.

The Board determines the overall strategies, monitors and controls operating and financial performance and sets appropriate policies to manage risks in pursuit of the Group's strategic objectives. Day-to-day management of the Group's business is delegated to the senior management. The functions and power that are so delegated are reviewed periodically to ensure that they remain appropriate. Matters reserved for the Board are those affecting the Group's overall strategic and financial policies including dividend policy, material contracts and major investments. All the Board members have separate and independent access to the Group's senior management to fulfill their duties. They also have full and timely access to relevant information about the Group and are kept abreast of the conduct, business activities and development of the Group. Independent professional advice can be sought at the Group's expense upon their request.

Each of the executive Directors has entered into a service contract with the Company for a term of three years and may be terminated by not less than three months' prior notice in writing served by either party on the other.

Each of the non-executive Directors and independent non-executive Directors has signed an appointment letter with the Company for a term of three years and may be terminated by not less than three months' prior notice in writing served by either party on the other.

BOARD OF DIRECTORS (CONTINUED)

The Board meets regularly to review the financial and operating performance of the Group, to make important decisions and to approve future strategies. Twelve Board meetings were held in 2013. Individual attendance of each director at the Board meetings, the general meetings, the Audit Committee meetings, the Nomination Committee meetings and the Remuneration Committee meetings during 2013 is set out below:

	Attendance/Number of Meetings					
Directors	*Board*	*Annual General*	*Extraordinary General*	*Audit Committee*	*Nomination Committee*	*Remuneration Committee*
Executive Directors						
Mr. Yu Heping *(Co-Chairman)*	12/12	1/1	0/1	N/A	N/A	N/A
Mr. Chim Wai Kong *(Co-Chairman)*	12/12	1/1	1/1	N/A	4/4	N/A
Mr. Chim Wai Shing Jackson *(Chief Executive Officer)*	12/12	1/1	1/1	N/A	N/A	3/3
Mr. Xue Mangmang	12/12	1/1	0/1	N/A	N/A	N/A
Non-Executive Directors						
Mr. Wang Yangzu *(Note 1)*	12/12	0/1	0/1	N/A	N/A	N/A
Mr. Qu Pingji *(Note 1)*	12/12	0/1	0/1	N/A	N/A	N/A
Mr. Zhao Xiangdong *(Note 1)*	12/12	0/1	0/1	N/A	N/A	N/A
Mr. Yang Yihua *(Note 2)*	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Pan Tingxuan	12/12	0/1	0/1	N/A	N/A	N/A
Ms. Ma Yun *(Note 3)*	8/8	0/1	0/1	N/A	N/A	N/A
Mr. Chen Bo *(Note 3)*	8/8	0/1	0/1	N/A	N/A	N/A
Independent Non-Executive Directors						
Mr. Zhu Min Ru *(Note 4)*	12/12	1/1	0/1	2/2	3/3	2/2
Mr. Feng Xue Ben	12/12	1/1	0/1	2/2	4/4	3/3
Mr. Wong Siu Hong	12/12	1/1	1/1	2/2	4/4	3/3
Ms. Xiong Ying *(Note 5)*	8/8	0/1	0/1	N/A	N/A	N/A
Ms. Wu Xiaoqing *(Note 5)*	8/8	0/1	0/1	N/A	N/A	N/A
Mr. Xu Qinghua *(Note 6)*	N/A	N/A	N/A	N/A	1/1	1/1

Notes:

1. *Mr. Wang Yangzu, Mr. Qu Pingji, Mr. Zhao Xiangdong ceased to act as non-executive Directors with effect from 1 November 2013.*
2. *Mr. Yang Yihua was appointed as a non-executive Director with effect from 1 November 2013.*
3. *Ms. Ma Yun and Mr. Chen Bo were appointed as non-executive Directors with effect from 30 March 2013 and ceased to act as non-executive Directors with effect from 1 November 2013.*
4. *Mr. Zhu Min Ru ceased to act as an independent non-executive Director and therefore a member of the Audit Committee and Nomination Committee and the chairman of the Remuneration Committee with effect from 1 November 2013.*
5. *Ms. Xiong Ying and Ms. Wu Xiaoqing were appointed as independent non-executive Directors with effect from 30 March 2013 and ceased to act as independent non-executive Directors with effect from 1 November 2013.*
6. *Mr. Xu Qinghua was appointed as an independent non-executive Director and a member of the Audit Committee and Nomination Committee and the chairman of the Remuneration Committee with effect from 1 November 2013.*

BOARD OF DIRECTORS (CONTINUED)

To implement the strategies and plans adopted by the Board effectively, executive Directors and senior management meet regularly to review the performance of the businesses of the Group and make financial and operational decisions.

Biographical details of the Directors, together with information about the relationship among them, can be found under the Profile of Directors and Senior Management section on pages 23 to 28.

TRAINING AND SUPPORT FOR DIRECTORS

Directors must keep abreast of their collective responsibilities. Each newly appointed Director would receive an induction package covering the Group's businesses and the statutory and regulatory obligations of a director of a listed company. The Group also provides briefings and other training to develop and refresh the Directors' knowledge and skills. The Group continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. Circulars or guidance notes are issued to Directors and senior management where appropriate, to ensure awareness of the best corporate governance practices.

A training was organised for Directors in November 2013 to update the Directors on the new amendments to the corporate governance code and associated Listing Rules.

During the year, the Directors also participated in the following training:

Directors	***Types of training***
Executive Directors	
Mr. Yu Heping *(Co-Chairman)*	A,B
Mr. Chim Wai Kong *(Co-Chairman)*	A,B
Mr. Chim Wai Shing Jackson *(Chief Executive Officer)*	A,B
Mr. Xue Mangmang	A,B
Non-Executive Directors	
Mr. Yang Yihua	A,B
Mr. Pan Tingxuan	A,B
Independent Non-Executive Directors	
Mr. Feng Xue Ben	A,B
Mr. Wong Siu Hong	A,B
Mr. Xu Qinghua	A,B

A: attending seminars and/or conferences and/or forums relating to directors' duties
B: reading newspaper, journals and updates relating to the economy, general business or directors' duties etc.

CO-CHAIRMEN AND CHIEF EXECUTIVE OFFICER

The Group has appointed Mr. Yu Heping and Mr. Chim Wai Kong as Co-Chairmen and Mr. Chim Wai Shing Jackson as the Chief Executive Officer. The roles of Co-Chairmen and the Chief Executive Officer are segregated. The primary role of Co-Chairmen is to provide leadership for the Board and to ensure that it works effectively in discharging its responsibilities. The Chief Executive Officer is responsible for the day-to-day management of the Group's business. Mr. Chim Wai Kong is the elder brother of Mr. Chim Wai Shing Jackson.

REMUNERATION COMMITTEE

The Remuneration Committee has clear terms of reference and is accountable to the Board. The principle role of the committee is to exercise the powers of the Board to determine and review the remuneration packages of individual executive Directors and senior management, considering factors such as salaries paid by comparable companies, time commitment and responsibilities of individuals. The terms of reference of the Remuneration Committee can be obtained from the websites of the Company and the Stock Exchange.

During the year, the Remuneration Committee reviewed the remuneration policies and approved the salary of Directors and senior management. The remuneration of each Director is determined by the committee with reference to his/her duties and responsibilities with the Company. No executive Director has taken part in any discussion about his own remuneration. Three meetings were held by the Remuneration Committee in 2013. Three out of four of the committee members are independent non-executive Directors of the Company. Its current members include:

Mr. Xu Qinghua – *Chairman*
Mr. Chim Wai Shing Jackson
Mr. Feng Xue Ben
Mr. Wong Siu Hong

Directors' remunerations for the year are disclosed in note 11 to the consolidated financial statements.

NOMINATION COMMITTEE

The Nomination Committee has clear terms of reference and is accountable to the Board. The principle role of the committee is to exercise the powers of the Board to review the structure, size and composition (including the skills, knowledge and experiences) of the Board on a regular basis and make recommendations to the Board regarding any proposed change. The terms of reference of the Nomination Committee can be obtained from the websites of the Company and the Stock Exchange.

The terms of reference of the Nomination Committee have been determined with reference to the Code. The Nomination Committee is responsible for identifying potential new directors and recommending to the Board for decision. A Director appointed by the Board is subject to re-election by the shareholders of the Company (the "Shareholders") at the first general meeting or annual general meeting after his/her appointment. Under the Company's articles of association, at each annual general meeting one-third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at an annual general meeting at least once every three years. Basically, the nomination procedure follows the articles of association of the Company. Potential new Directors are selected on the basis of their qualification, skills and experience which the Nomination Committee considers will make a positive contribution to the performance of the Board. Four meetings were held by the Nomination Committee in 2013. Three out of four of the committee members are independent non-executive Directors of the Company. Its current members include:

Mr. Feng Xue Ben – *Chairman*
Mr. Chim Wai Kong
Mr. Wong Siu Hong
Mr. Xu Qinghua

During the year, the Nomination Committee reviewed the board diversity policy of the Board to ensure the effectiveness of such policy. The appointment of Board members should be based on the talents of the candidates while taking into account a range of diversity perspectives. Factors including but not limited to age, gender, educational and cultural background, professional expertise and industry experience should be considered and assessed during the selection process to ensure diversity. Further details of the board diversity policy are set out in the website of the Company.

AUDIT COMMITTEE

The Audit Committee has clear terms of reference and is accountable to the Board. The committee assists the Board in meeting its responsibilities for ensuring an effective system of internal control and compliance, and in meeting its external financial reporting objectives. The terms of reference of the Audit Committee can be obtained from the websites of the Company and the Stock Exchange. Two meetings were held by the Audit Committee in 2013. All the committee members are independent non-executive Directors of the Company. Its current members include:

Mr. Wong Siu Hong – *Chairman*
Mr. Feng Xue Ben
Mr. Xu Qinghua

The committee members possess diversified industry experience and the Chairman of the committee has appropriate professional qualifications and experience in accounting matters. During the year, the committee considered the external auditors' re-appointment and their projected audit fees, reviewed the interim and annual consolidated financial statements and reviewed the Group's internal control system. The committee also continues to monitor and review the Company's corporate governance policies and practices delegated by the Board.

The Group's audited consolidated results for the year ended 31 December 2013 has been reviewed by the Audit Committee of the Company.

INTERNAL CONTROLS

The Group's internal control system is designed to facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorised use and disposition, ensure the maintenance of proper accounting records and the truth and fairness of the financial statements, and ensure compliance with relevant legislation and regulations. It provides reasonable, but not absolute, assurance against material misstatement or loss rather than the elimination of risks associated with its business activities.

The Board is responsible for maintaining an adequate system of internal control for the Group and the Directors has conducted a review of its effectiveness during the year.

AUDITORS' REMUNERATION

During the year, the Group has incurred auditors' remuneration in respect of audit and auditing related services of approximately RMB1,502,000, out of which approximately RMB1,437,000 was paid/payable to the Company's auditor, Messrs RSM Nelson Wheeler. In addition, professional fee of approximately RMB53,000 was paid/payable by the Group for the taxation services rendered by RSM Nelson Wheeler.

FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing the Group's consolidated financial statements which give a true and fair view and are in accordance with appropriate International Financial Reporting Standards. Appropriate accounting policies are being selected and applied consistently.

The responsibilities of the external auditors with respect to financial reporting are set out in the Independent Auditor's Report on page 45.

SHAREHOLDERS RIGHTS

Procedures by which Shareholders may convene an extraordinary general meeting

The Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company. The above procedures are subject to the articles of association of the Company (as amended from time to time), and the applicable legislation and regulations, in particular the Listing Rules (as amended from time to time).

Procedures for putting forward proposals at a Shareholders' meeting

There are no provisions allowing Shareholders to move new resolutions at the general meetings under the Cayman Islands Companies Law (as amended from time to time) or the articles of association of the Company. However, Shareholders who wish to move a resolution may request the Company to convene an extraordinary general meeting following the procedures set out above.

Detailed procedures for shareholders to propose a person for election as a Director are available on the Company's website.

Enquiries to the Board

Shareholders may put forward enquiries to the Board in writing to the Company's principal place of business in Hong Kong at Suites 2703-04, 27th Floor, Tower 6, The Gateway, Harbour City, Kowloon.

INVESTORS RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The management of the Company believes that effective and proper investor relations play a vital role in creating shareholders' value, enhancing the corporate transparency as well as establishing market confidence. As such, the Company has adopted a stringent internal control system to ensure true, accurate, complete and timely disclosure of relevant information pursuant to requirements of relevant laws and regulations in order to ensure all shareholders equal access to information. In addition, the Company has proactively taken the following measures to ensure effective shareholders' communication and transparency:

– maintaining frequent contacts with shareholders and investors through various channels such as meetings and telephone;

– regularly updating the Company's news and developments through the investor relations section of the Company's website;

– arranging on-site visits to the Group's projects for investors and research analysts.

Directors and Senior Management Profile

DIRECTORS

Executive Directors

Mr. YU Heping (于和平), aged 59, is a co-chairman and an executive Director of the Company. Mr. Yu was appointed as an executive Director of the Company on 25 April 2012. He has over 36 years of experience in the industry of electrical energy resources and energy conservation. Mr. Yu is principally responsible for the leadership of the Board to ensure that the Board will effectively fulfill its duties. From 1977 to 1987, Mr. Yu served as an engineer and commander of project command department (工程指揮部) of Xiaojiang electricity station of Wan County in Sichuan Province (四川省萬縣小江電站). From 1987 to 1989, he served as an executive deputy supervisor (常務副主任) and an engineer of electricity office of Wan County in Sichuan Province (四川省萬縣行署三電辦). From 1991 to 1994, he served as a general manager of Wan County Electricity Company in Sichuan Province (四川省萬縣電力總公司). From 1994 to 2000, he served as a general manager, deputy chairman and chairman of Chongqing Three Gorges Water Conservancy and Electric Power Co. Ltd (重慶三峽水利電力(集團)有限公司). Mr. Yu joined CECEP Chongqing since November 1997 and was appointed as the chairman of the board of CECEP Chongqing in January 2011. Mr. Yu is also the assistant to general manager of CECEP since December 2003. Mr. Yu was appointed as an executive director of Billion Industrial Holdings Limited, a company listed on the Stock Exchange (stock code: 2299) since September 2012. Mr. Yu holds a diploma in electrical engineering from Chongqing University (重慶大學) specializing in electrical machinery and electrical apparatus. In 1997, Mr. Yu was awarded the title of Elite Management Person in Water Resources Economics (全國水利經濟優秀管理者) by the Ministry of Water Resources of the PRC.

Mr. CHIM Wai Kong (粘為江), aged 58, is a co-chairman and an executive Director of the Company. Mr. Chim is also a member of the Nomination Committee. Mr. Chim was appointed as an executive Director of the Company on 23 September 2009. Mr. Chim is principally responsible for the leadership of the Board to ensure that the Board will effectively fulfill its duties, and responsible for the development strategy of the Group's operation. Mr. Chim has over 15 years of experience in non-woven materials industry. In 2001 and 2006, Mr. Chim was appointed as a member of the 9th Committee in Quanzhou, Fujian Province of the Chinese People's Political Consultative Conference ("CPPCC") (中國人民政治協商會議福建省泉州市第九屆委員會委員) and a member of the 10th Committee in Quanzhou, Fujian Province of the CPPCC (中國人民政治協商會議福建省泉州市第十屆委員會委員) respectively. In 2004, Mr. Chim was elected as a vice president of the 7th Executive Committee of General Chamber of Commerce in Jinjiang (晉江市總商會第七屆理事會副會長), a member of the 1st Executive Committee of Good Faith Council in Fujian Province (福建省誠信促進會第一屆理事會理事) and a vice president of the 8th Executive Committee of Jinjiang Federation of Industry and Commerce (General Chamber of Commerce) (晉江市工商聯(總商會)第八屆理事會副會長). In March 2007, Mr. Chim was appointed as a supervisor of Party Conduct and Honesty in Jinjiang (晉江市黨風廉政監督員) by Jinjiang People's Government of Jinjiang Committee of the Communist Party of China (中共晉江市委員會晉江市人民政府) for a period of five years. In 2013, Mr. Chim was appointed as a member of the 11th Committee in Fujian Province of the CPPCC (中國人民政治協商會議第十一屆福建省委員會委員) and a honourary president of the 3rd Executive Committee of Jinjiang Charity Federation (晉江市慈善總會第三屆理事會榮譽會長). Mr. Chim is the elder brother of Mr. Chim Wai Shing Jackson and the uncle of Mr. Chim Ping Yu.

DIRECTORS (CONTINUED)

Executive Directors (Continued)

Mr. CHIM Wai Shing Jackson (粘偉誠), aged 40, is an executive Director and the chief executive officer of the Company. Mr. Chim is also a member of the Remuneration Committee. Mr. Chim was appointed as an executive Director of the Company on 26 August, 2009. Mr. Chim is responsible for strategic planning and the overall management of the daily business of the Group. Mr. Chim has more than 10 years of experience in the non-woven materials industry. Mr. Chim is the visiting professor of School of Textiles of Tianjin Polytechnic University (天津工業大學), an executive director of China National Textile and Apparel Council (中國紡織工業聯合會常務理事), and a vice president of the Association of Industrial Textiles in China (中國產業用紡織品行業協會副會長). In 2013, Mr. Chim was appointed as a member of the 11th Committee in Fujian Province of the CPPCC (中國人民政治協商會議第十一屆福建省委員會委員). Mr. Chim graduated with a master degree in management from Xiamen University (廈門大學) in 2005 and was awarded as a senior engineer by Fujian Providence Personnel Department (福建省人事廳) of the PRC in 2006. Mr. Chim is the younger brother of Mr. Chim Wai Kong and the uncle of Mr. Chim Ping Yu.

Mr. XUE Mangmang (薛茫茫), aged 42, is an executive Director of the Company. Mr. Xue was appointed as an executive Director of the Company on 25 April 2012. Mr. Xue has over 9 years of experience in resources management. Mr. Xue joined CECEP Chongqing in January 2003 and was appointed as a general manager of CECEP Chongqing in April 2012. Mr. Xue was appointed as an executive director of Billion Industrial Holdings Limited, a company listed on the Stock Exchange (stock code: 2299) since September 2012. Mr. Xue graduated from Chongqing University (重慶大學) with a master degree of business administration in 2003.

Non-executive Directors

Mr. YANG Yihua (楊義華), aged 60, is a non-executive Director of the Company. Mr. Yang was appointed as a non-executive Director of the Company on 1 November 2013. Mr. Yang has extensive experience and knowledge in business management and economics. He has served as the chief economist of CECEP since May 2010. Mr. Yang obtained a postgraduate certificate in professional studies in business administration from Economic Research Centre (經濟研究所) of Nankai University (南開大學) in the PRC in June 2004. He also obtained a master of business administration degree from City University of the United States of America in December 2003. Mr. Yang was appointed as a non-executive director and co-chairman of Billion Industrial Holdings Limited, a company listed on the Stock Exchange (stock code: 2299) since March 2014.

Mr. PAN Tingxuan (潘頲璇), aged 40, is a non-executive Director of the Company. Mr. Pan was appointed as a non-executive Director of the Company on 25 April 2012. Mr. Pan has over 7 years of experience in project management and strategic planning in investment and asset management. He is an executive president of Beijing Juzhen Investment Management Company Limited (北京矩陣投資管理有限公司) since 1 May 2005. Mr. Pan graduated from Hohai University (河海大學) with a diploma of computer science and application in 1992.

Independent Non-executive Directors

Mr. FENG Xue Ben (馮學本), aged 62, is an independent non-executive Director of the Company, and the Chairman of the Nomination Committee, a member of Audit Committee and a member of Remuneration Committee. Mr. Feng was appointed as an independent non-executive Director of the Company on 4 February 2010. Mr. Feng has over 28 years of experience in textile industry. He is currently the chief engineer in Wuxi Jiayuan Nonwovens Technology Research Institute (無錫嘉元非織造技術研究所首席工程師). From 2007 until now, Mr. Feng served as a deputy director of the Non-woven Fabrics Machinery Professional Committee under China Textile Machinery and Equipment Industrial Association (中國紡織機械器材工業協會非織造布機械專業委員會副理事) and an expert consultant of China Industrial Textiles Association (中國產業用紡織品協會專家顧問), as well as the 1st vice president of the Study Group of nonwoven machinery of China Textile Machinery Society (第一屆中國紡織機械學會非織造機械學組副理事) since 2011. Mr. Feng is the chief editor of the professional textbook titled "Pine Non-woven Fabrics Technology and Quality Control" (《針刺非織造布工藝技術與產品控制》), and published a wealth of articles in chemical fibres, non-woven materials and non-woven industrial facilities. Mr. Feng was appointed as an independent non-executive director of China Automotive Interior Decoration Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8321), since 29 September 2010.

DIRECTORS (CONTINUED)

Independent Non-executive Directors (Continued)

Mr. WONG Siu Hong (黃兆康), aged 45, is an independent non-executive Director of the Company, and the Chairman of the Audit Committee, a member of Nomination Committee and a member of Remuneration Committee. Mr. Wong was appointed as an independent non-executive Director of the Company on 4 February 2010. Mr. Wong graduated from Deakin University (迪肯大學) in Australia with a bachelor of commerce double majoring in accounting and commercial law in 1994. Mr. Wong previously worked in an international accounting firm and has 18 years of experience in auditing, accounting and finance. Mr. Wong is now the chief financial officer and company secretary of Heng Tai Consumables Group Limited, a company listed on the Stock Exchange (stock code: 197). Mr. Wong served as an independent non-executive director of Huafeng Group Holdings Limited, a company listed on the Stock Exchange (stock code: 364) from September 2004 to July 2012. Mr. Wong is a certified public accountant of the CPA Australia and the Hong Kong Institute of Certified Public Accountants.

Mr. XU Qinghua (徐慶華), aged 61, is an independent non-executive Director of the Company, and the Chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination Committee. Mr. Xu was appointed as an independent non-executive Director of the Company on 1 November 2013. Mr. Xu has extensive experience and knowledge in environmental protection and management. He has served as a committee member of the science and technology committee (科學技術委員會委員) of the Ministry of Environmental Protection of the PRC (中國環境保護部) (the "Ministry") since July 2012. Mr. Xu has also served as a member of the 10th executive council of the Chinese People's Association for Friendship with Foreign Countries (中國人民對外友好協會第十屆全國理事會理事) since May 2012. From November 2011 to June 2013, Mr. Xu has served as the chief engineer in nuclear safety and the chief secretary of the Department of International Co-operation (核安全總工程師兼國際合作司司長) of the Ministry. He had also previously served as a member of the 2nd executive council of the Association for Relations Across the Taiwan Straits (海峽兩岸關係協會第二屆理事會理事), a member of the 5th executive council of the China Association for International Science and Technology Cooperation (中國國際科學技術合作協會第五屆理事會理事) , the chief secretary of the Department of International Co-operation (國際合作司司長) of the State Environmental Protection Administration of the PRC (中國國家環境保護總局), the secretary general of China Environmental Protection Foundation (中華環保基金會秘書長), the director of standards department of the Department of Science, Technology and Standards (科技標準司標準處處長) of the Environmental Protection Bureau of the PRC (中國國家環境保護局) (the "Bureau"). He had also previously served as the deputy representative of the PRC standing representative office in United Nations Environmental Programme (中國常駐聯合國環境規劃署代表處副代表) and a member of the 3rd executive council of U.N. Association of China (中國聯合國協會第三屆理事會理事). Mr. Xu was approved as a senior engineer in environmental engineering in January 1998 by the Bureau. He obtained a bachelor of science degree in environment studies and a master of science degree in environment studies from the Beijing Polytechnical University (北京工業大學) in the PRC in July 1982 and December 1984 respectively. In December 1988, Mr. Xu completed a training program in applied remote sensing at the Asian Institute of Technology in Thailand. In December 1992, he participated as a representative of the PRC in the environmental management seminars organised by the United Nations Environment Programme. In June 2006, he completed a leaders development programme organised by John F. Kennedy School of Government of Harvard University.

SENIOR MANAGEMENT

Mr. CHAN Kwok Yuen Elvis (陳國源), aged 41, is the chief financial officer, company secretary and an authorized representative of the Company. Mr. Chan is responsible for the implementation and supervision of financial, secretarial and investor relation affairs of the Group. Mr. Chan has over 17 years of experience in the field of accounting and finance. Prior to joining the Group, Mr. Chan served as the chief financial officer and company secretary of Kiu Hung Energy Holdings Limited, a company listed on the Stock Exchange (stock code: 381), for over 9 years. Mr. Chan is a fellow of the Hong Kong Institute of Certified Public Accountants, a fellow of the Association of Chartered Certified Accountants, an associate of the Institute of Chartered Accountants in England and Wales, a Chartered Financial Analyst of the CFA Institute and a member of the Hong Kong Society of Financial Analysts. Mr. Chan obtained a bachelor's degree in commerce from Queen's University (皇后大學) in Canada in 1995 and a master of science degree in corporate governance and directorship from the Hong Kong Baptist University (香港浸會大學) in 2013. Mr. Chan is an executive director of The Hong Kong Fujian Charitable Education Fund (香港福建希望工程基金會) since 2010.

SENIOR MANAGEMENT (CONTINUED)

Mr. JI Liquan (紀理荃), aged 52, is the chief operating officer of the Group. Mr. Ji is responsible for supervising the daily operation and operation strategy of the Group. Mr. Ji graduated from Xiamen Institute of Finance (廈門財經學院) in 1985, and graduated from the School of Economics Peking University (北京大學經濟學院) in 1990 with a major in economics management. Mr. Ji has over 23 years of experience in enterprise management.

Ms. WU Xiaoqing (吳曉青), aged 50, is the chief technical officer of the Group and responsible for the provision of technical support for the Group and its subsidiaries as well as the supervision and implementation of technological innovation, technology promotion and product testing management. Ms. Wu was appointed as an independent non-executive Director of the Company from 30 March 2013 to 31 October 2013. Ms. Wu is a professor, a Ph.D. tutor and the deputy head of the composite materials research center of Tianjin Polytechnic University (天津工業大學) and the deputy head of the advanced weaving composite materials research and development center. Ms. Wu obtained a bachelor degree specializing in composite materials from Wuhan University of Technology (武漢理工大學) in PRC in July 1985 and a doctoral degree in textile engineering from Tianjin Polytechnic University in October 2006. Ms. Wu served as the head of the technical department of Tianjin Jinmei FRP Company Limited (天津津美玻璃鋼有限公司) from 1985 to 1994. She was the assistant professor of the composite materials research center of Tianjin Polytechnic University from 1994 to 1999. Ms. Wu was a visiting research fellow of University of Southampton in the United Kingdom from 2003 to 2004. Ms. Wu has been the professor and deputy head of the composite materials research center of Tianjin Polytechnic University since 2004.

Mr. WANG Honghai (王洪海), aged 45, is a deputy chief executive officer and the supply chain system director of the Group. Mr. Wang is responsible for developing the sales strategy of the Group, as well as the implementation and supervision of the operation and management work for each sales department of supply chain management center. Mr. Wang completed a postgraduate study in Excellent CEO Leadership in 2011 at Yangtze Delta Region Institute of Tsinghua University (清華大學長三角研究院) and is currently studying an EMBA course at MBA Institute (MBA學院) of Dongbei University of Finance & Economics (東北財經大學) with a major in enterprise management and advanced marketing. Mr. Wong has over 18 years of marketing management experience.

Mr. CHEN Min Tsung (陳敏聰), aged 55, is a deputy chief executive officer and the administrative system director of the Group. Mr. Chen is responsible for the implementation and supervision of the Group's administrative affairs and human resources management team building, to ensure promoting the implementation of different company systems, policies and regulations of the Group. Mr. Chen graduated from Lingdong School of Commerce (嶺東商業專科學校) in Taiwan.

Mr. TIAN Yusheng (田雨勝), aged 53, is a deputy chief executive officer and the production system director of the Group. Mr. Tian is responsible for the implementation and supervision of the construction of the production and technologies management and production system, and the technical innovation of organization. Mr. Tian graduated from the Party School of the Central Committee of the Communist Party of China (中共中央黨校函授學院) in 2001 with a degree in law and obtained the title of engineer. Mr. Tian has more than 35 years of experience in the production and technologies management for textiles and non-woven materials industries. Before joining the Group, Mr. Tian was the deputy executive general manager of Ji Lin Deao Industrial Wood Fabric Co., Ltd. (吉林德奧工業用呢有限公司).

Mr. CHEN Hui (陳暉), aged 45, is a deputy chief executive officer and financial controller of Fujian district of the Group. Mr. Chen is responsible for the implementation and supervision of the finance affairs for various subsidiaries in Fujian region of the Group. Mr. Chen graduated from Fujian Economic Management Cadre Institute (福建經濟管理幹部學院) with a major in Accounting in 1991. Mr. Chen has over 19 years of experience in accounting and finance industry.

SENIOR MANAGEMENT (CONTINUED)

Ms. ZHAI Hongbing (翟紅兵), aged 47, is the Party branch secretary, the president of the labour union of 福建鑫華股份有限公司 (Xinhua Share Co., Ltd. Fujian#), a subsidiary of the Group and the assistant to chief operation officer. Ms. Zhai is responsible for assisting various business departments of the supply chain centers of the Group to motivate the improvement in supply chain management, supervising various business procedures and making market analysis, as well as assisting chief operation officer to handle the daily management affairs. Ms. Zhai graduated from the Great Wall University, Beijing (北京長城研修學院) with a bachelor degree majoring in business administration in 2001. Ms. Zhai also completed the internal auditor training in environmental management system (ISO14001:2004) in 2007, and completed the training for internal auditor regarding ISO9001:2008 quality assurance system in 2009. She received the certificate from American Certification Institute in 2011, and obtained the qualification of Certified Quality Engineer ("CQE"). During the same year, she passed the review by the National Assessment Committee of Senior Operating Manager conducted against the appraisal standards as published by the Ministry of Commerce and Ministry of Labour of the People's Republic of China, and was qualified as a senior operating manager certified by the Ministry of Human Resources and Social Security.

Mr. CHEN Jinlong (陳金龍), aged 59, is the comprehensive service platform officer and the legal risk control officer of the Group. Mr. Chen is responsible for the implementation and supervision of the daily management work of the comprehensive service platform and the daily legal matters of the Group. Mr. Chen was professionally experienced in the legal sector as he worked in the subordinate units of People Daily (人民日報) and set up a law firm and worked as a lawyer in Xiamen.

Mr. WONG Kai Lam (黃啟霖), aged 34, is the special assistant to chief executive officer and the internal control officer of the Group. Mr. Wong is responsible for monitoring and risk management matters of the Group's internal system and the policy guidelines. Mr. Wong has over 11 years of experience in the field of accounting and finance. Mr. Wong obtained a bachelor degree in accountancy from The Hong Kong Polytechnic University (香港理工大學). Mr. Wong also completed the training for internal auditor regarding ISO9001:2008 quality assurance system in 2013. Mr. Wong is currently pursuing an executive master of business administration degree at the University of Birmingham in the United Kingdom. Mr. Wong is currently a member of the Hong Kong Institute of Certified Public Accountants.

Mr. YOU Xiuyi (尤修意), aged 28, is the administrative officer of the Group and the assistant to the chief executive officer of the Group. Mr. You is responsible for external communication on governmental affairs of the Group as well as the brand management and marketing, information feedback and campaigns of the Group. Mr. You obtained a bachelor of engineering degree in computing and information technology from the Fujian University of Technology (福建工程學院) in 2007. Mr. You obtained many years of experience in brand management.

Mr. WU Rui (吳銳), aged 48, is the general coordinator of the technical solutions office of the Group. Mr. Wu is responsible for the implementation and supervision of the Group's research and development of new products and market services and technology diagnostic work. Mr. Wu has over 29 years of experience in woven materials industry, and was awarded the champion in the competition of "Five inventions for the Country" (《國家五小發明一等獎》) in 1990. Mr. Wu was the production manager of a non-woven materials factory, and he was well-experienced in production technology, product innovation and management expertise. Mr. Wu has unique insights in product sales and marketing as he also engaged in the sales of non-woven materials for many years. With accumulating rich working experience for many years he gained a deep understanding of non-woven production processes and marketing. Mr. Wu is an economist as his studied economics as his profession. Mr. Wu is a comprehensive talent with high quality and all-round development, as he develops unique theories on the one-stop operation of production, sales and management systems and has abundant practical experience in this regard.

SENIOR MANAGEMENT (CONTINUED)

Mr. CHIM Ping Yu (粘平如), aged 32, is the assistant to the deputy chief executive officer of the Group, and the general manager of the sales and production departments for chemical fibres and chemicals department of the supply chain system of the Group. Mr. Chim is also the chairman of the Group's subsidiary, 海東青非織工業（福建）有限公司 (Gerfalcon Nonwoven Industrial (Fujian) Co., Ltd.#). He is responsible for the implementation and supervision of daily management of the sales department of chemical fibres and chemicals and business department for chemical fibres production of supply chain system of the Group and assisting deputy chief executive officer to handle the daily management affairs of the supply chain system. Mr. Chim graduated from Xiamen University (廈門大學) with a major in Finance in 2008. Mr. Chim was well-experienced in sales and marketing of non-woven materials industry. Mr. Chim is the nephew of Mr. Chim Wai Kong and Mr. Chim Wai Shing Jackson.

Ms. WANG Yanyan (王研研), aged 35, is the general manager of the Group's subsidiary, COSTIN (Beijing) Technology Consulting Co., Ltd. Miss Wang is responsible for the Group's industry chain consulting business, the development of the Textiles Utilization Complex Pavilion (紡織品綜合利用體驗館), the establishment and operation of Industry Think Tank and the daily management and operation of the COSTIN (Beijing) Technology Consulting Co., Ltd. Miss Wang has over 11 years of experience in information technology sector and was served in the Strategic Investment Department of Beijing Automotive Industry Holding Co Ltd. Miss Wang obtained a master's degree of science from Robert Gordon University in the United Kingdom in 2005, with a major of Quality Management. Miss Wang is now studying EMBA courses in the Market Economy Academy (民營經濟研究院) of Peking University and the MBA Institute of Tianjin University of Finance & Economics (天津財經大學).

Mr. CHEN Chao (陳超), aged 34, is the general manager of the sales departments of decoration materials, shoe materials and household materials of the supply chain system and the department of international business expansion of the Group. Mr. Chen is also the chairman of 晉江海東青貿易有限公司 (Gerfalcon Trade Co., Ltd. Jinjiang#). He is responsible for the implementation and supervision of the daily management of the sales departments of decoration materials, shoe materials and household materials of the supply chain system and the department of international business expansion. Mr. Chen graduated from Ningyuan Jiuyi Mountain Professional Studies College of Arts and Sciences (寧遠九嶷山文理進修學院) with a major in English in 1999 and is currently pursuing a post-graduate degree in public relations management at the Central China Normal University (華中師範大學). Mr. Chen is well-experienced in sales and marketing management of international trading, e-commerce and other sectors.

The English name is translated for reference only.

Report of the Directors

The Directors of the Company herein present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group's operations are substantially conducted in the PRC through its direct or indirect subsidiaries. Details of the principal activities of the principal subsidiaries are set out in note 17 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's turnover and results by principal activities and geographical area of operations for the year ended 31 December 2013 is set out in note 6 to the consolidated financial statements.

RESULTS, FINAL DIVIDEND, ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The Group's result for the year ended 31 December 2013 and the state of affairs of the Company and of the Group at that date are set out in the consolidated financial statements on pages 47 to 49.

On 14 March 2014, the Directors have resolved to recommend the payment of a final dividend of HK6.5 cents per ordinary share to the Shareholders as recorded on the register of members of the Company on Monday, 19 May 2014. The final dividend will be paid to the Shareholders on or about Friday, 23 May 2014. Coupled with the interim dividend of HK3.5 cents per ordinary share that was already paid to the Shareholders during the year, the total amount of dividends declared to the Shareholders for the year ended 31 December 2013 will be amounted to HK$0.1 per ordinary share.

The annual general meeting (the "AGM") of the Company will be held on Friday, 9 May 2014. The register of members of the Company will be closed from Wednesday, 7 May 2014 to Friday, 9 May 2014, both days inclusive, during which period no transfer of shares shall be effected. To qualify for the attendance and voting at the AGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited (the "Hong Kong Share Registrar") at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, 5 May 2014. Notice of the AGM will be dispatched to the shareholders in due course.

The register of members of the Company will be closed from Thursday, 15 May 2014 to Monday, 19 May 2014, both days inclusive, during which period no transfer of shares shall be effected. To qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Hong Kong Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 14 May 2014.

SUMMARY FINANCIAL INFORMATION

Results

	Year ended 31 December				
	2013	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**1,494,105**	1,559,223	1,373,606	983,738	746,566
Profit before tax	**352,736**	356,474	313,820	274,306	180,626
Income tax expense	**(110,166)**	(110,853)	(63,050)	(52,480)	(32,035)
Profit for the year attributable to owners of the Company	**242,570**	245,621	250,770	221,826	148,591

Assets and liabilities

	At 31 December				
	2013	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**2,081,011**	2,104,503	1,743,405	1,245,727	627,997
Total liabilities	**(681,417)**	(891,935)	(722,570)	(341,499)	(320,996)
Net assets	**1,399,594**	1,212,568	1,020,835	904,228	307,001

Notes:

1. *The consolidated results of the Group for the years ended 31 December 2012 and 2013 are set out on page 47 of this annual report.*

2. *The consolidated financial position of the Group as at 31 December 2012 and 2013 are as set out on page 48 of the annual report.*

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the year are set out in notes 14 and 16 to the consolidated financial statements.

BORROWINGS

Details of the borrowings of the Group as at 31 December 2013 are set out in notes 22 and 23 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 27 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 28 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2013, the Company had distributable reserves of approximately RMB240,356,000. Under the Company's second amended and restated memorandum and articles of association and the Companies Law (Revised) of the Cayman Islands, the share premium of the Company of approximately RMB240,477,000 at 31 December 2013 are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's second amended and restated articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

REDEMPTION OF CONVERTIBLE BOND

On 18 July 2013, the Company redeemed the Convertible Bond in the principal amount of US$30,000,000 at the redemption amount of US$34,992,000 together with accrued and unpaid interest on its maturity in accordance with the terms and conditions of the Convertible Bond. Upon redemption, the Convertible Bond has been cancelled, and the Company does not have any outstanding Convertible Bond.

CHARITABLE CONTRIBUTIONS

No charitable contribution was made by the Group during the year. (2012: RMB73,000).

RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees. The assets of the schemes are held separately from those of the Group in funds under the control of the trustees. The employees of the subsidiaries in the PRC participate in the state–managed retirement benefits schemes operated by the relevant local government authority in the PRC. The subsidiaries are required to make contributions to the schemes at a certain percentage of the basic salaries of their employees. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

The total cost charged to the consolidated income statement of approximately RMB1,105,000 (2012: RMB684,000) represents retirement benefit schemes contributions paid/payable to the schemes by the Group at the rates specified in the rules of the schemes. At 31 December 2012 and 2013, no contributions due in respect of the reporting years had not been paid over to the schemes.

No employer's contribution was forfeited during the year. No unutilised forfeited contribution (2012: Nil) was available at 31 December 2013 to reduce the Group's future contributions.

The Group does not have any other pension scheme for its employees. In the opinion of the Directors of the Company, the Group did not have any significant contingent liabilities as at 31 December 2013 in respect of the retirement of its employees.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 50% (2012: 47%) of the total sales for the year and sales to the largest customer included therein accounted for approximately 14% (2012: 17%). Purchases from the Group's five largest suppliers accounted for approximately 34% (2012: 36%) of the total purchases for the year and purchases from the largest supplier included therein accounted for approximately 11% (2012: 12%).

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers during the year.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Yu Heping *(Co-Chairman)*
Mr. Chim Wai Kong *(Co-Chairman)*
Mr. Chim Wai Shing Jackson *(Chief Executive Officer)*
Mr. Xue Mangmang

Non-Executive Directors

Mr. Wang Yangzu (resigned on 1 November 2013)
Mr. Qu Pingji (resigned on 1 November 2013)
Mr. Zhao Xiangdong (resigned on 1 November 2013)
Mr. Yang Yihua (appointed on 1 November 2013)
Mr. Pan Tingxuan
Ms. Ma Yun (appointed on 30 March 2013 and resigned on 1 November 2013)
Mr. Chen Bo (appointed on 30 March 2013 and resigned on 1 November 2013)

Independent Non-Executive Directors

Mr. Zhu Min Ru (resigned on 1 November 2013)
Mr. Feng Xue Ben
Mr. Wong Siu Hong
Ms. Xiong Ying (appointed on 30 March 2013 and resigned on 1 November 2013)
Ms. Wu Xiaoqing (appointed on 30 March 2013 and resigned on 1 November 2013)
Mr. Xu Qinghua (appointed on 1 November 2013)

In accordance with article 107 of the Company's articles of association, Mr. Yu Heping, Mr. Chim Wai Shing Jackson and Mr. Xue Mangmang shall retire by rotation and, being eligible, shall offer themselves for re-election at the forthcoming annual general meeting.

In addition, in accordance with article 111 of the Company's articles of association, Mr. Yang Yihua and Mr. Xu Qinghua shall hold office until the AGM and, being eligible, shall offer themselves for re-election.

The directors of the Company, including non-executive directors and independent non-executive directors, are subject to retirement by rotation and re-election in accordance with the provisions of the Company's articles of association.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and of the senior management of the Group are set out on pages 23 to 28 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for a term of three years and may be terminated by not less than three months' prior notice in writing served by either party on the other.

Each of the non-executive Directors and independent non-executive Directors has signed an appointment letter with the Company for a term of three years and may be terminated by not less than three months' prior notice in writing served by either party on the other.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save for the transactions as disclosed in the section headed "Connected and Related Parties Transactions", no director had a significant beneficial interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries was a party during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2013, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code as set out in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONTINUED)

Shares/underlying shares in the Company

Name of Directors	Number of shares/underlying shares held	Approximate % of the relevant issued share capital	Nature of interests
Mr. Chim Wai Kong	194,840,000 (L)	25.09%	Settlor of trust *(Note 1)*
	59,321,585 (L)	7.64%	Beneficiary of trust *(Note 2)*
	2,270,000 (L)	0.29%	Interests of controlled corporation *(Note 3)*
	328,709,190 (L)	42.34%	Interest of other party to an agreement under section 317 of the SFO *(Notes 4 and 7)*
Mr. Chim Wai Shing Jackson	194,840,000 (L)	25.09%	Settlor of trust *(Note 1)*
	49,567,988 (L)	6.38%	Beneficiary of trust *(Note 5)*
	330,979,190 (L)	42.63%	Interest of other party to an agreement under section 317 of the SFO *(Notes 6 and 7)*

(L): Long Position

Notes:

1. *194,840,000 shares are held by Nian's Brother Holding Limited ("Nian's Brother Holding"). The entire interest of Nian's Brother Holding is wholly owned by Nian's Brother Investment Limited ("Nian's Investment") which in turn is held by JMJ Holdings Limited ("JMJ") as a nominee in favour of Coutts & Co Trustees (Switzerland) Ltd. ("Coutts"). Nian's Investment is a company incorporated in the British Virgin Islands ("BVI") provided by Coutts for the purpose of establishing the Nian's Brother Trust. Coutts is the trustee of Nian's Brother Trust. Nian's Brother Trust is a discretionary trust set up by Mr. Chim Wai Kong and Mr. Chim Wai Shing Jackson, both being executive Directors, for the benefit of their family members. For the purpose of Part XV of the SFO, each of Mr. Chim Wai Kong and Mr. Chim Wai Shing Jackson is deemed to be interested in the shares held by Nian's Brother Holding as the settlors of Nian's Brother Trust.*

2. *Mr. Chim Wai Kong is also one of the beneficiaries of the Nian's Brother Trust and is deemed to be interested in 59,321,585 shares directly held by Nian's Brother Holding.*

3. *2,270,000 shares are held by Better Prospect Limited ("Better Prospect") which is 100% owned by Mr. Chim Wai Kong. He is therefore deemed to be interested in the 2,270,000 shares held by Better Prospect. Mr. Chim Wai Kong is a director of Better Prospect.*

4. *These 328,709,190 shares are held by Hong Kong Rong An. As a result of the shareholders deed entered into on 4 June 2013 among Hong Kong Rong An, Nian's Brother Holding, Mr. Chim Wai Kong and Mr. Chim Wai Shing Jackson (the "Shareholders Deed"), Mr. Chim Wai Kong is deemed (for the purpose of the duty of disclosure) to be interested in the above shares pursuant to Part XV of the SFO.*

5. *Mr. Chim Wai Shing Jackson is also one of the beneficiaries of the Nian's Brother Trust and is deemed to be interested in 49,567,988 shares directly held by Nian's Brother Holding.*

6. *These 330,979,190 shares comprise 328,709,190 shares directly held by Hong Kong Rong An and 2,270,000 shares indirectly held by Mr. Chim Wai Kong. As a result of the entering into of the Shareholders Deed, Mr. Chim Wai Shing Jackson is deemed (for the purpose of the duty of disclosure) to be interested in the above shares pursuant to Part XV of the SFO.*

7. *Among these shares, 150,000,000 shares have been pledged by Hong Kong Rong An in favour of the Export-Import Bank of China as security for a loan facility provided by such bank to Hong Kong Rong An.*

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONTINUED)

Shares/underlying shares in the Company (Continued)

Save as disclosed above, as at 31 December 2013, none of the Directors and the chief executives of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code contained in the Listing Rules to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the table showing movement in outstanding share options on page 36 of this report, at no time during the year ended 31 December 2013 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company adopted a Share Option Scheme which became effective on 12 May 2010. Pursuant to the Share Option Scheme, the Directors may, at their discretion, invite any eligible employees (including executive Directors), any non-executive Directors, Shareholders, suppliers and customers of the Group and any other parties having contributed or may contribute to the development of the Group to take up options to subscribe for the shares. The subscription price shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the shares on the date of the offer; (ii) the average closing price of the shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the share.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme must not exceed 30% of the total issued share capital of the Company from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not in aggregate exceed 10% of the total number of shares in issue as at the date of commencement of the listing of the shares on the Stock Exchange. The Company may seek approval of the Shareholders in general meeting for refreshing the 10% limit under the Share Option Scheme save that the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme under the limit as refreshed shall not exceed 10% of the total number of shares in issue as at the date of approval of the limit.

SHARE OPTION SCHEME (CONTINUED)

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue. Where any further grant of options to a participant would result in the total number of shares issued and to be issued upon exercise of all the options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the total number of shares in issue, such further grant must be separately approved by the Shareholders in general meeting with such participant and his associates abstaining from voting.

No share options have been granted by the Company pursuant to the Share Option Scheme during the year ended 31 December 2013.

The following table discloses movements in the outstanding share options during the year:

		Number of share options				
Grantees	*Exercise Price*	*As at 1 January 2013*	*Granted during the year*	*Exercised during the year*	*Lapsed during the year*	*As at 31 December 2013*
Executive Directors						
Mr. Chim Wai Kong	HK$7.12	290,000	–	–	(290,000)	–
Mr. Chim Wai Shing Jackson	HK$7.12	230,000	–	–	(230,000)	–
Independent non-executive Directors						
Mr. Zhu Min Ru	HK$7.12	200,000	–	–	(200,000)	–
Mr. Feng Xue Ben	HK$7.12	200,000	–	–	(200,000)	–
Employees of the Group						
In aggregate	HK$7.12	9,530,000	–	–	(9,530,000)	–
In aggregate	HK$7.12	1,680,000	–	–	(1,680,000)	–
		12,130,000	–	–	(12,130,000)	–

As at 31 December 2013, no share options remained outstanding and 12,130,000 share options were lapsed during the year ended 31 December 2013.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARE CAPITAL OF THE COMPANY

So far as is known to any Director or chief executive of the Company, as at 31 December 2013, the persons or companies (other than a Director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of Shareholders	*Number of shares held*	*Approximate % of the relevant issued share capital*	*Nature of interests*
Hong Kong Rong An	328,709,190 (L)	42.34%	Beneficial owner *(Note 1)*
	197,110,000 (L)	25.38%	Interest of other party to an agreement under section 317 of the SFO *(Note 2)*
CECEP Chongqing	525,819,190 (L)	67.72%	Interest of controlled corporation *(Note 1)*
CECEP	525,819,190 (L)	67.72%	Interest of controlled corporation *(Note 1)*
Nian's Brother Holding	194,840,000 (L)	25.09%	Beneficial owner *(Note 3)*
	330,979,190 (L)	42.63%	Interest of other party to an agreement under section 317 of the SFO *(Note 4)*
Nian's Investment	525,819,190 (L)	67.72%	Interest of controlled corporation *(Note 3)*
JMJ	525,819,190 (L)	67.72%	Interest of controlled corporation *(Note 5)*
Coutts	525,819,190 (L)	67.72%	Trustee *(Note 5)*

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARE CAPITAL OF THE COMPANY (CONTINUED)

Name of Shareholders	*Number of shares held*	*Approximate % of the relevant issued share capital*	*Nature of interests*
Export – Import Bank of China	150,000,000 (L)	19.32%	Security interest in shares *(Note 6)*
Headwell	66,656,000 (L)	8.59%	Beneficial owner *(Note 7)*
Modern Creative	66,656,000 (L)	8.59%	Interest of controlled corporation *(Note 7)*
Mr. Liu Shufa	66,656,000 (L)	8.59%	Interest of controlled corporation and family interest *(Note 7)*
Ms. Wang Juan	66,656,000 (L)	8.59%	Interest of controlled corporation and family interest *(Note 7)*
Gerfalcon Holding	60,000,000 (L)	7.73%	Beneficial owner *(Note 8)*
Mr. Hui Cheung Mau	60,000,000 (L)	7.73%	Interest of controlled corporation *(Note 8)*
	4,020,206 (L)	0.52%	Beneficiary of trust *(Note 9)*
Mr. Sze Fo Chau	60,000,000 (L)	7.73%	Interest of controlled corporation *(Note 8)*
	5,852,158 (L)	0.75%	Beneficiary of trust *(Note 10)*

(L): Long Position

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARE CAPITAL OF THE COMPANY (CONTINUED)

Notes:

1. *Hong Kong Rong An is a wholly-owned subsidiary of CECEP Chongqing which is owned as to approximately 87.12% by CECEP. For the purpose of Part XV of the SFO, CECEP Chongqing and CECEP are therefore deemed to be interested in the shares held by Hong Kong Rong An. Hong Kong Rong An has pledged 150,000,000 shares in favour of the Export-Import Bank of China as security for a loan facility provided by such bank to it.*

2. *These 197,110,000 shares comprise 194,840,000 shares directly held by Nian's Brother Holding and 2,270,000 shares indirectly held by Mr. Chim Wai Kong. As a result of the entering into of the Shareholders Deed, Hong Kong Rong An is deemed (for the purpose of the duty of disclosure) to be interested in the above shares pursuant to Part XV of the SFO.*

3. *Nian's Brother Holding is a wholly-owned subsidiary of Nian's Investment. For the purpose of Part XV of the SFO, Nian's Investment is therefore deemed to be interested in the shares held by Nian's Brother Holding.*

4. *These 330,979,190 shares comprise 328,709,190 shares directly held by Hong Kong Rong An and 2,270,000 shares indirectly held by Mr. Chim Wai Kong. As a result of the entering into of the Shareholders Deed, Nian's Brother Holding is deemed (for the purpose of the duty of disclosure) to be interested in the above shares pursuant to Part XV of the SFO.*

5. *The entire interest of Nian's Investment is held by JMJ as a nominee in favour of Coutts for the purpose of establishing the Nian's Brother Trust. Coutts is the trustee of Nian's Brother Trust. For the purpose of Part XV of the SFO, JMJ and Coutts are deemed to be interested in the shares indirectly held by Nian's Investment.*

6. *These 150,000,000 shares are pledged by Hong Kong Rong An in favour of the Export-Import Bank of China as security for a loan facility provided by the Export-Import Bank of China to Hong Kong Rong An.*

7. *Headwell Investments Limited ("Headwell") is a wholly-owned subsidiary of Modern Creative Group Limited ("Modern Creative"). For the purpose of Part XV of the SFO, Modern Creative is therefore deemed to be interested in the shares held by Headwell. Modern Creative is owned by Mr. Liu Shufa as to 50% and Ms. Wang Juan as to 50%. Mr. Liu Shufa is the spouse of Ms. Wang Juan. Mr. Liu Shufa and Ms. Wang Juan are deemed to be interested in the shares held by each other.*

8. *Gerfalcon Holding Limited ("Gerfalcon Holding") is owned by Mr. Hui Cheung Mau as to 50% and Mr. Sze Fo Chau as to 50%.*

9. *Mr. Hui Cheung Mau is also one of the beneficiaries of the Nian's Brother Trust and is deemed to be interested in 4,020,206 shares directly held by Nian's Brother Holding.*

10. *Mr. Sze Fo Chau is also one of the beneficiaries of the Nian's Brother Trust and is deemed to be interested in 5,852,158 shares directly held by Nian's Brother Holding.*

Save as disclosed herein, the Directors are not aware of any person who was, as at 31 December 2013, directly or indirectly, interested or had short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, was directly or indirectly, interested in 5% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company or any options in respect of such capital.

LOAN AGREEMENT

On 29 April 2013, the Company as borrower entered into a loan agreement (the "Loan Agreement") with a bank in respect of an unsecured term loan facility of up to HK$150 million (the "Facility"). The loan shall be repaid by five successive half-yearly instalments, with the first instalment to be paid on the date falling twelve months after the date of the Loan Agreement and the final maturity date of the loan shall be 36 months from the date of the Loan Agreement.

Pursuant to the Loan Agreement, the Company has undertaken to procure that (i) CECEP will at all times beneficially own, whether directly or indirectly, not less than 51% of the entire capital or ownership interest in CECEP Chongqing; (ii) CECEP Chongqing will at all times remain the single largest shareholder of the Company and in any event maintain its beneficial ownership, whether directly or indirectly, of approximately 29% of the entire issued share capital of the Company from time to time; and (iii) CECEP Chongqing will at all times maintain its control over the board of directors of the Company. Such undertaking shall remain in force throughout the continuance of the Loan Agreement and for so long as any sum remains owing thereunder. A breach of the undertaking will constitute an event of default and the bank may declare all outstanding amounts together with accrued interest under the Loan Agreement to be immediately due and payable and/or declare the Facility terminated.

CONNECTED AND RELATED PARTIES TRANSACTIONS

Details of the related parties transactions of the Group during the year are set out in note 33 to the consolidated financial statements and such related parties transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. Save as disclosed therein, there were no other transactions which would need to be disclosed as connected transactions in compliance with the disclosure requirements in Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors) have confirmed that the above transactions have been and shall be entered into in the ordinary and usual course of the Group's business, on normal commercial terms and the terms are fair, reasonable and in the interest of the Shareholders of the Company as a whole.

The Group had the following continuing connected transactions with related parties during the year:

Rental Agreement between Xinhua Co. and Hua Xin Plastic

On 5 January 2009, 福建鑫華股份有限公司 (Xinhua Share Co., Ltd. Fujian#) ("Xinhua Co.") as the tenant and 晉江華鑫塑料橡膠製品有限公司, (Jinjiang Hua Xin Plastic & Rubber Products Co., Ltd.#) ("Hua Xin Plastic") as the landlord entered into a rental agreement (the "2009 Rental Agreement (1)") whereby Xinhua Co. agreed to lease from Hua Xin Plastic two premises with total areas of 3,374.16 sq.m. for production and operation purposes. The 2009 Rental Agreement (1) was for a term of 36 months commencing in January 2009 and expiring in December 2011.

On 11 January 2012, the 2009 Rental Agreement (1) was renewed for a term of 36 months commencing from 1 January 2012 at a monthly rental of RMB46,103.50, exclusive of water and electricity charges. For the year ended 31 December 2013, Xinhua Co. paid total rentals of RMB553,242 to Hua Xin Plastic.

On 11 January 2012, Xiuhua Co. as the tenant and Hua Xin Plastic as the landlord entered into a rental agreement (the "2012 Rental Agreement") whereby Xinhua Co. agreed to lease from Hua Xin Plastic one premise with total area of 7,700.58 sq.m. for staff quarter. The 2012 Rental Agreement is for a term of 36 months commencing in January 2012 and expiring in December 2014. The monthly rental is RMB70,000 and is fixed throughout the term of the rental agreement. For the year ended 31 December 2013, Xinhua Co. paid total rentals of RMB840,000 to Hua Xin Plastic.

CONNECTED AND RELATED PARTIES TRANSACTIONS (CONTINUED)

Rental Agreements between Xinhua Co. and Hua Xin Weaving

On 5 January 2009, Xinhua Co. as the tenant and 晉江市華鑫織造發展有限公司 (Huaxin Weaving Development Co., Ltd. Jinjiang#) ("Hua Xin Weaving") as the landlord entered into a rental agreement (the "2009 Rental Agreement (2)") whereby Xinhua Co. agreed to lease from Hua Xin Weaving three premises with total areas of 7,059.41 sq.m. for production and operation purposes. The 2009 Rental Agreement (2) was for a term of 36 months commencing in January 2009 and expiring in December 2011.

On 11 January 2012, the 2009 Rental Agreement (2) was renewed for a term of 36 months commencing from 1 January 2012 at a monthly rental of RMB70,594.10, exclusive of water and electricity charges. For the year ended 31 December 2013, Xinhua Co. paid total rentals of RMB847,129.20 to Hua Xin Weaving.

On 16 March 2011, Hua Xin Weaving as the tenant and Xinhua Co. as the landlord entered into a Rental Agreement (the "2011 Rental Agreement") whereby Hua Xin Weaving agreed to lease from Xinhua Co. six premises with total areas of 20,290.68 sq.m. for production and operations purposes. The 2011 Rental Agreement is for a term of three years commencing from 1 January 2011 to 31 December 2013. The monthly rental is approximately RMB223,197.48, exclusive of water and electricity charges, and is fixed throughout the term of the tenancy agreement.

Hua Xin Weaving has been granted a right of first refusal to purchase the premises under the 2011 Rental Agreement. The 2011 Rental Agreement is also renewable upon the consent of Xinhua Co. with Hua Xin Weaving giving two months notice prior to the expiry thereof.

On 11 January 2012, Hua Xin Weaving as the tenant and Xinhua Co. as the landlord entered into a supplemental rental agreement (the "Supplemental Rental Agreement") whereby Hua Xin Weaving agreed to reduce the area of rental premises from 20,290.68 sq.m. to 15,351.84 sq.m. with effect from 1 January 2012. The monthly rental is reduced from RMB223,197.48 to RMB168,870.24, exclusive of water and electricity charges, and is fixed throughout the term of the rental agreement. Other terms of the 2011 Rental Agreement remain unchanged.

For the year ended 31 December 2013, Xinhua Co. received total rentals of RMB2,026,442.88 from Hua Xin Weaving under the above rental agreements.

Maximum aggregate Annual values

Based on the rents payable per month as set out in the 2009 Rental Agreement (1), the 2009 Rental Agreement (2) and the 2012 Rental Agreement, the breakdown of the annual caps payable by Xinhua Co. thereunder are as follows:

	Year ended 31 December 2012 RMB	*Year ended 31 December 2013 RMB*	*Year ended 31 December 2014 RMB*
2009 Rental Agreement (1)	553,242.00	553,242.00	553,242.00
2009 Rental Agreement (2)	847,129.20	847,129.20	847,129.20
2012 Rental Agreement	840,000.00	840,000.00	840,000.00
Total	2,240,371.20	2,240,371.20	2,240,371.20

CONNECTED AND RELATED PARTIES TRANSACTIONS (CONTINUED)

Maximum aggregate Annual values (Continued)

Based on the rent receivable per month as set out in the 2011 Rental Agreement and the Supplemental Rental Agreement, the annual caps received by Xinhua Co. thereunder are as follows:

	Year ended 31 December 2011 RMB	*Year ended 31 December 2012 RMB*	*Year ended 31 December 2013 RMB*
2011 Rental Agreement and Supplemental Rental Agreement	2,678,369.76	2,026,442.88	2,026,442.88

Xinhua Co. is a wholly-owned subsidiary of the Company. Hua Xin Plastic is wholly-owned by Mr. Chim Wai Kong, an executive Director and substantial shareholder of the Company while Hua Xin Weaving is ultimately owned by Ms. Sze Kam Kam as to 50% and Ms. Chim Ching Ching as to 50%. Ms. Sze Kam Kam is the spouse of Mr. Chim Wai Kong and Ms. Chim Ching Ching is the elder daughter of Mr. Chim Wai Kong. Therefore, Hua Xin Plastic and Hua Xin Weaving are connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the entering of the abovementioned rental agreements constituted continuing connected transactions of the Company as defined in Chapter 14A of the Listing Rules. Further details of these rental agreements were disclosed in the Company's Prospectus dated 8 June 2010 and the announcements of the Company dated 16 March 2011 and 11 January 2012.

The Sale and Purchase Framework Agreement between the Group and CECEP

On 6 March 2013, Xinhua Co., 晉江海東青貿易有限公司 (Gerfalcon Trade Co., Ltd. Jinjiang#) and 海東青非織工業(福建)有限公司 (Gerfalcon Nonwoven Industrial (Fujian) Co., Ltd.#) (collectively referred to as the "PRC Subsidiaries") entered into the sale and purchase framework agreement (the "First Framework Sale and Purchase Agreement") with CECEP whereby the PRC Subsidiaries agreed to sell and CECEP or its subsidiaries agreed to purchase non-woven materials, filtration materials, and recycled chemical fibres. The First Framework Sale and Purchase Agreement was for a term commencing from 1 January 2013 to 31 December 2015, and the annual cap for the transactions contemplated thereunder shall not be more than RMB150,000,000 (equivalent to approximately HK$185,250,000), RMB220,000,000 (equivalent to approximately HKD271,700,000) and RMB260,000,000 (equivalent to approximately HK$321,100,000) for the financial years ending 31 December 2013, 2014 and 2015, respectively.

CECEP Chongqing is a controlling Shareholder which is indirectly interested in approximately 42.34% of the issued share capital of the Company and is entitled to control the voting rights associated with approximately 25.09% of the issued share capital of the Company held by Nian's Brother Holding at general meetings of the Company pursuant to the Shareholders Deed. Accordingly, CECEP Chongqing is a connected person of the Company pursuant to the Listing Rules. CECEP is the controlling shareholder of CECEP Chongqing, as such, CECEP is an associate of CECEP Chongqing and therefore a connected person of the Company pursuant to the Listing Rules.

During the period from 26 April 2013 to 31 December 2013, aggregate sales to CECEP or its subsidiaries pursuant to the framework agreement amounted to approximately RMB787,000, which was within the annual cap of RMB150,000,000 as disclosed in the Company's announcement dated 6 March 2013.

CONNECTED AND RELATED PARTIES TRANSACTIONS (CONTINUED)

Sale and Purchase Framework Agreement between the Group and Billion Fujian

On 5 July 2013, the PRC Subsidiaries entered into the sale and purchase framework agreement (the "Second Framework Sale and Purchase Agreement") with 福建百宏聚纖科技實業有限公司 (Fujian Billion Polymerisation Fiber Technology Co., Ltd.#) ("Billion Fujian") whereby the PRC Subsidiaries agreed to purchase and Billion Fujian agreed to sell polyester filament yarns and waste polyester filament yarns (the "COSTIN Purchases"); and Billion Fujian agreed to purchase and the PRC Subsidiaries agreed to sell non-woven materials (the "COSTIN Sales"). The Second Framework Sale and Purchase Agreement was with effect from 1 January 2013 to 31 December 2015 (both days inclusive), and the annual caps for the COSTIN Purchases contemplated thereunder should not be more than RMB69,500,000 (equivalent to approximately HK$87,200,000), RMB73,000,000 (equivalent to approximately HK$91,600,000) and RMB76,500,000 (equivalent to approximately HK$96,000,000) for each of the three financial years ending 31 December 2013, 2014 and 2015 respectively; and the annual caps for the COSTIN Sales contemplated thereunder shall not be more than RMB500,000 (equivalent to approximately HK$628,000) for each of the three financial years ending 31 December 2013, 2014 and 2015.

CECEP Chongqing is a controlling Shareholder which is indirectly interested in approximately 42.34% of the issued share capital of the Company and is entitled to control the voting rights associated with approximately 25.09% of the issued share capital of the Company held by Nian's Brother Holding at general meetings of the Company pursuant to the Shareholders Deed. Accordingly, CECEP Chongqing is a connected person of the Company pursuant to the Listing Rules. CECEP Chongqing is also a controlling shareholder of Billion Industrial Holdings Limited ("Billion Industrial") and controls the composition of a majority of the board of directors of Billion Industrial, which is the holding company of Billion Fujian. As such, Billion Fujian is an associate of CECEP Chongqing and therefore a connected person of the Company pursuant to the Listing Rules.

During the effective period of the Second Framework Sale and Purchase Agreement, the PRC Subsidiaries have purchased products from Billion Fujian amounted to approximately RMB32,951,000 and Billion Fujian has purchased products from the PRC Subsidiaries amounted to approximately RMB44,000, which was within the annual cap of RMB69,500,000 and RMB500,000 as disclosed in the Company's announcement dated 5 July 2013.

RSM Nelson Wheeler was engaged to report on the above continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the aforesaid continuing connected transactions in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

Based on the information and documents made available to them, RSM Nelson Wheeler concluded that:

– the above continuing connected transactions have been approved by the Board of the Company;

– there are written agreements in place governing each of the continuing connected transactions and the transactions have been entered into in accordance with such agreements. No side agreement has been entered into in respect of the above continuing connected transactions; and

– the aggregate annual values of the above continuing connected transactions have not exceeded the maximum aggregate annual values as stated in the previous announcements of the Company.

The English name is translated for reference only.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to date of this report, no directors are considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, pursuant to the Listing Rules, other than those businesses of which the directors of the Company were appointed as directors to represent the interest of the Company and/or the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is available to the Company and within the knowledge of the directors, there is sufficient public float of more than 25% of the Company's issued shares as at the date of this report.

CORPORATE GOVERNANCE

Information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 17 to 22.

INDEPENDENT CONFIRMATION

The Company has received, form each independent non-executive director, an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange. The Company considers all the independent non-executive directors are independent.

AUDITOR

RSM Nelson Wheeler was appointed as auditor of the Company on 20 October 2009. There have been no other change of auditor in the last three years.

RSM Nelson Wheeler will retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

AUDIT COMMITTEE

The annual results for the year have been reviewed by the Audit Committee of the Company. The Group's consolidated financial statements have been audited by the Company's auditor, RSM Nelson Wheeler.

ON BEHALF OF THE BOARD
CECEP COSTIN New Materials Group Limited

Yu Heping	**Chim Wai Kong**
Co-Chairman	*Co-Chairman*

Hong Kong, 14 March 2014

Independent Auditor's Report

For the year ended 31 December 2013

RSM
Audit • Tax • Advisory

TO THE SHAREHOLDERS OF
CECEP COSTIN NEW MATERIALS GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of CECEP COSTIN New Materials Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 47 to 104, which comprise the consolidated and Company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's results and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

14 March 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	Note	2013 RMB'000	2012 RMB'000
Turnover	6	**1,494,105**	1,559,223
Cost of goods sold		**(1,007,934)**	(1,074,399)
Gross profit		**486,171**	484,824
Other income	7	**22,891**	26,247
Distribution expenses		**(14,804)**	(20,280)
Administrative expenses		**(103,803)**	(84,892)
Profit from operations		**390,455**	405,899
Finance costs	8	**(37,719)**	(49,425)
Profit before tax		**352,736**	356,474
Income tax expense	9	**(110,166)**	(110,853)
Profit for the year attributable to owners of the Company	10	**242,570**	245,621
Other comprehensive income after tax			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**3,586**	639
Other comprehensive income for the year, net of tax, attributable to owners of the Company		**3,586**	639
Total comprehensive income for the year attributable to owners of the Company		**246,156**	246,260
Earnings per share	13		
Basic		**RMB31.24 cents**	RMB31.63 cents

Consolidated Statement of Financial Position

At 31 December 2013

	Note	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment	14	**411,247**	390,330
Construction in progress	15	**8,234**	41,986
Investment properties	16	**6,463**	14,268
Prepayments for acquisition of property, plant and equipment		**24,523**	23,916
		450,467	470,500
Current assets			
Inventories	18	**141,648**	122,994
Trade and bills receivables	19	**363,839**	489,748
Prepayments, deposits and other receivables		**12,704**	10,124
Pledged bank deposits	20	**7,149**	33,091
Bank and cash balances	20	**1,105,204**	978,046
		1,630,544	1,634,003
Current liabilities			
Trade and bills payables	21	**147,877**	138,395
Accruals and other payables		**55,101**	62,704
Bank loans	22	**270,798**	309,000
Convertible bond	23	**–**	214,065
Finance lease payables	24	**182**	176
Current tax liabilities		**26,540**	58,324
		500,498	782,664
Net current assets		**1,130,046**	851,339
Total assets less current liabilities		**1,580,513**	1,321,839
Non-current liabilities			
Bank loans	22	**124,068**	59,808
Finance lease payables	24	**–**	188
Deferred tax liabilities	26	**56,851**	49,275
		180,919	109,271
NET ASSETS		**1,399,594**	1,212,568
Capital and reserves			
Share capital	27	**68,475**	68,475
Reserves	28(a)	**1,331,119**	1,144,093
TOTAL EQUITY		**1,399,594**	1,212,568

Approved by the Board of Directors on 14 March 2014

Yu Heping	**Chim Wai Kong**
Director	*Director*

Statement of Financial Position of the Company

At 31 December 2013

	Note	2013 RMB'000	2012 RMB'000
Non-current assets			
Investment in a subsidiary	17	**18,704**	19,290
Current assets			
Prepayments		**192**	177
Dividend receivables		**302,620**	220,551
Due from subsidiaries	17	**106,027**	274,673
Bank and cash balances	20	**2,084**	15,991
		410,923	511,392
Current liabilities			
Accruals and other payables		**2,358**	1,270
Bank loan	22	**23,114**	–
Due to a subsidiary	17	**1,450**	1,450
Convertible bond	23	**–**	214,065
		26,922	216,785
Net current assets		**384,001**	294,607
Total assets less current liabilities		**402,705**	313,897
Non-current liabilities			
Bank loan	22	**93,874**	–
NET ASSETS		**308,831**	313,897
Capital and reserves			
Share capital	27	**68,475**	68,475
Reserves	28(b)	**240,356**	245,422
TOTAL EQUITY		**308,831**	313,897

Approved by the Board of Directors on 14 March 2014

Yu Heping
Director

Chim Wai Kong
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Share capital RMB'000	Share premium account RMB'000 (note 28(c)(i))	Share-based payment reserve RMB'000 (note 28(c)(ii))	Convertible bond reserve RMB'000 (note 23)	Foreign currency translation reserve RMB'000 (note 28(c)(iii))	Statutory reserve RMB'000 (note 28(c)(iv))	Capital reserve RMB'000 (note 28(c)(v))	Merger reserve RMB'000 (note 28(c)(vi))	Retained profits RMB'000	Total RMB'000
At 1 January 2012	68,475	240,477	13,379	3,068	(14,443)	137,329	20,934	79,974	471,642	1,020,835
Total comprehensive income for the year	–	–	–	–	639	–	–	–	245,621	246,260
Transfer to statutory reserve	–	–	–	–	–	31,021	–	–	(31,021)	–
Share – based payments	–	–	8,721	–	–	–	–	–	–	8,721
Lapse of share options granted in prior years	–	–	(969)	–	–	–	–	–	969	–
Dividends paid (note 12)	–	–	–	–	–	–	–	–	(63,248)	(63,248)
Changes in equity for the year	–	–	7,752	–	639	31,021	–	–	152,321	191,733
At 31 December 2012 and 1 January 2013	68,475	240,477	21,131	3,068	(13,804)	168,350	20,934	79,974	623,963	1,212,568
Total comprehensive income for the year	–	–	–	–	3,586	–	–	–	242,570	246,156
Transfer to statutory reserve	–	–	–	–	–	10,303	–	–	(10,303)	–
Redemption of the convertible bond	–	–	–	(3,068)	–	–	–	–	3,068	–
Share – based payments	–	–	3,305	–	–	–	–	–	–	3,305
Lapse of share options granted in prior years	–	–	(24,436)	–	–	–	–	–	24,436	–
Dividends paid (note 12)	–	–	–	–	–	–	–	–	(62,435)	(62,435)
Changes in equity for the year	–	–	(21,131)	(3,068)	3,586	10,303	–	–	197,336	187,026
At 31 December 2013	68,475	240,477	–	–	(10,218)	178,653	20,934	79,974	821,299	1,399,594

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Note	2013 RMB'000	2012 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		352,736	356,474
Adjustments for:			
Allowance for trade receivables		14,144	–
Depreciation		47,393	45,158
Equity-settled share-based payments		3,305	8,721
Finance costs		37,719	49,425
Loss/(gain) on disposals of property, plant and equipment		14	(55)
Interest income		(6,144)	(8,747)
Operating profit before working capital changes		449,167	450,976
Increase in inventories		(18,654)	(40,626)
Decrease/(increase) in trade and bills receivables		111,765	(187,731)
(Increase)/decrease in prepayments, deposits and other receivables		(2,644)	28,265
Increase in trade and bills payables		9,482	45,081
(Decrease)/increase in accruals and other payables		(1,529)	17,116
Cash generated from operations		547,587	313,081
Finance lease charges paid		(17)	(29)
Interest paid		(31,737)	(27,755)
Taxes paid		(134,374)	(43,254)
Net cash generated from operating activities		381,459	242,043
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment	30(i)(ii)	(25,786)	(13,568)
Proceeds from disposals of property, plant and equipment		7	472
Payment for construction in progress	30(i)(ii)	(6,553)	(26,815)
Increase in prepayments for acquisition of property, plant and equipment		(1,069)	(17,656)
Interest received		6,144	8,747
Decrease/(increase) in pledged bank deposits		25,942	(12,387)
Decrease/(increase) in non-pledged bank deposits with more than three months to maturity	20	14,655	(14,655)
Net cash generated from/(used in) investing activities		13,340	(75,862)

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Note	2013 RMB'000	2012 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of convertible bond		(216,222)	–
Drawdown of bank loans		478,523	386,196
Repayment of bank loans		(447,604)	(370,789)
Repayment of capital element of finance lease payables		(182)	(165)
Dividends paid	12	(62,435)	(63,248)
Net cash used in financing activities		(247,920)	(48,006)
NET INCREASE IN CASH AND CASH EQUIVALENTS		146,879	118,175
Effect of foreign exchange rate changes		(5,066)	675
CASH AND CASH EQUIVALENTS AT 1 JANUARY		963,391	844,541
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		1,105,204	963,391
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances	20	1,105,204	963,391

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

1. GENERAL INFORMATION

The Company was incorporated on 26 August 2009 in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Scotia Centre, 4th Floor, PO Box 2804, George Town, Grand Cayman KY1-1112, Cayman Islands. The address of its principal place of business is Xinhua Industrial Garden Niancuopu Longhu JinJiang Fujian, the People's Republic of China (the "PRC").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 17 to the consolidated financial statements.

As at 31 December 2013, Hong Kong (Rong An) Investment Limited ("Rong An"), a company incorporated in Hong Kong, was legally and beneficially interested in approximately 42.34% of the shareholding of the Company. Pursuant to a shareholders deed (the "Shareholders Deed") dated 4 June 2013 entered into between Rong An, Nian's Brother Holding Limited, Chim Wai Kong and Chim Wai Shing Jackson, Nian's Brother Holding Limited shall vote in accordance with Rong An's directions at the general meetings of the Company subject to the terms and conditions of the Shareholders Deed.

Accordingly, in the opinion of the directors of the Company, Rong An is the immediate holding company of the Company, 重慶中節能實業有限責任公司 (CECEP Chongqing Industry Co., Ltd.) ("CECEP Chongqing"), a company incorporated in PRC, is the intermediate holding company of the Company and 中國節能環保集團公司 (China Energy Conservation and Environmental Protection Group), a company incorporated in PRC, is the ultimate holding company of the Company.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") that are relevant to its operations and effective for its accounting year beginning on 1 January 2013. IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards ("IAS"); and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years except as stated below.

(a) Amendments to IAS 1 "Presentation of Financial Statements"

Amendments to IAS 1 titled Presentation of Items of Other Comprehensive Income introduce new terminology for statement of comprehensive income and income statement. Under the amendments to IAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

The amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (i) items that will not be reclassified subsequently to profit or loss; and (ii) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

(a) Amendments to IAS 1 "Presentation of Financial Statements" (continued)

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

(b) IFRS 13 "Fair Value Measurement"

IFRS 13 "Fair Value Measurement" establishes a single source of guidance for all fair value measurements required or permitted by IFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions, and enhances disclosures about fair value measurements.

The adoption of IFRS 13 only affects disclosures on fair value measurements in the consolidated financial statements. IFRS 13 has been applied prospectively.

The Group has not applied the new IFRSs that have been issued but are not yet effective. The Group has commenced an assessment of the impact of these new IFRSs but is not yet in a position to state whether these new IFRSs would have a material impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with IFRSs and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise their judgement in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 4 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

In the Company's statement of financial position the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB") which is the Company's presentation currency and the functional currency of the principal operating subsidiaries of the Group.

The directors consider that as the major operating subsidiaries are located in the PRC, choosing RMB as the presentation currency best suits the needs of the shareholders and investors.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency translation (continued)

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- Income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

- All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost over the estimated useful lives on a straight-line basis. The principal useful lives and annual rates are as follows:

Buildings	5%
Prepaid land lease payments	5%
Machinery and equipment	10% – 20%
Office equipment and fixtures	20% – 33.33%
Motor vehicles	20% – 25%
Leasehold improvements	Over lease term

The useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(d) Investment properties

Investment properties are buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at cost less accumulated depreciation and impairment losses. The depreciation is calculated using the straight line method to allocate the cost over its estimated useful life of 20 years.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases

The Group as lessee

(i) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the consolidated statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets over the shorter of the lease term and their estimated useful lives.

The Group as lessor

Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(f) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statements of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(i) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(j) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(i) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(ii) Convertible bonds

Convertible bonds which entitle the holder to convert the bonds into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consisting of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible bonds and the fair value assigned to the liability component, representing the embedded option for the holder to convert the bonds into equity of the Group, is included in equity as a capital reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption.

(iii) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(iv) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(l) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

(i) Sales of goods

Revenue from the sales of manufactured goods is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Revenue recognition (continued)

(ii) Interest income

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

(iii) Rental income

Rental income is recognised on a straight-line basis over the lease term.

(iv) Subcontracting fee income

Subcontracting fee income is recognised when the subcontracting services are rendered.

(v) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received. Government grants relating to income are deferred and recognised in the profit or loss over the period to match them with the costs they are intended to compensate.

(m) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

Obligation for contributions to the PRC local government defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred.

(n) Share-based payments

The Group issues equity-settled share-based payments to certain directors and employees.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) 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 shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(p) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Taxation (continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(q) Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

(B) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets except inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(s) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

(a) Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgement that has the most significant effect on the amounts recognised in the consolidated financial statements.

Legal titles of buildings

As stated in note 14 to the consolidated financial statements, the Group has not obtained the relevant building ownership certificates of certain buildings. Despite this, the directors determined to recognise those buildings on the grounds that they expect that there should be no major difficulties in the application for relevant building ownership certificates and the Group is in substance controlling those buildings.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Property, plant and equipment and depreciation

The Group determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(ii) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(iii) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise 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 judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

(b) Key sources of estimation uncertainty (continued)

(iv) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the aging and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in RMB, Hong Kong dollars ("HK$") and United States dollars ("US$"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

	2013 **RMB'000**	*2012* *RMB'000*
Denominated in HK$ held by PRC subsidiaries		
Bank and cash balances	**217**	769
Denominated in RMB held by HK subsidiaries		
Deposits and other receivables	**51**	51
Bank and cash balances	**4,504**	106,643
Total	**4,555**	106,694
Denominated in US$		
Trade and bills receivables	**41,333**	52,613
Bank and cash balances	**1,492**	754
Trade and bills payables	**(24,792)**	(8,560)
Accruals and other payables	**(294)**	(333)
Bank loans	**(99,878)**	(119,546)
Total	**(82,139)**	(75,072)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Foreign currency risk (continued)

The following table indicates the instantaneous change in the Group's profit after tax for the year and retained profits that would have been arisen if foreign exchange rates to which the Group has significant exposure at the end of reporting period had changed at those dates, assuming all other risk variables remained constant.

Foreign currency/ functional currency	2013 Increase/ (decrease) in foreign exchange rates	2013 RMB'000	2012 Increase/ (decrease) in foreign exchange rates	2012 RMB'000
US$/RMB	**5%**	**(3,080)**	5%	(2,815)
	(5)%	**3,080**	(5)%	2,815
RMB/HK$	**5%**	**182**	5%	4,434
	(5)%	**(182)**	(5)%	(4,434)

(b) Credit risk

The carrying amount of the trade and bills receivables, other receivables, pledged bank deposits and bank and cash balances included in the statements of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has certain concentration of credit risk as 58% (2012: 55%) of the total trade receivables was due from the Group's five largest trade receivables as at 31 December 2013.

The credit risk on pledged bank deposits and bank and cash balances is limited because the counterparties are banks with high credit-ratings.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt and debt investment at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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For the year ended 31 December 2013

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework to meet the Group's short, medium and long-term funding and liquidity management requirements.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Group's financial liabilities is prepared based on the scheduled repayment dates as follows:

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000
At 31 December 2013			
Trade and bills payables	**147,877**	**–**	**–**
Accruals and other payables	**40,423**	**–**	**–**
Bank loans	**293,060**	**56,814**	**98,886**
Finance lease payables	**188**	**–**	**–**
At 31 December 2012			
Trade and bills payables	138,395	–	–
Accruals and other payables	62,704	–	–
Bank loans	318,450	32,132	32,433
Convertible bond	227,847	–	–
Finance lease payables	194	194	–

(d) Interest rate risk

The Group's exposure to interest rate risk arises from its bank deposits and bank borrowings. These deposits and borrowings bear interests at variable rates varied with the then prevailing market condition.

At 31 December 2013, if interest rates at that date had been 100 basis points lower/higher with all other variables held constant, consolidated profit after tax for the year would have been approximately RMB8,307,000 (2012: RMB7,473,000) lower/higher, arising mainly as a result of lower/higher interest income on bank and cash balances.

At 31 December 2013, if interest rates at that date had been 100 basis points lower/higher with all other variables held constant, consolidated profit after tax for the year would have been approximately RMB1,252,000 (2012: RMB1,554,000) higher/lower, arising mainly as a result of lower/higher interest expense on bank loans.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Categories of financial instruments at 31 December 2013

	2013 RMB'000	2012 RMB'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)	1,478,011	1,509,362
Financial liabilities:		
Financial liabilities measured at amortised cost	583,348	773,334

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

6. TURNOVER AND SEGMENT INFORMATION

(a) Turnover

The Group's turnover represents sales of goods to customers.

(b) Segment information

The Group has three major reportable segments as follows:

(i) Non-woven materials – manufacture and sale of non-woven fabrics and other types of non-woven materials

(ii) Recycled chemical fibres – manufacture and sale of chemical fibres produced from recycled materials such as polyester chips

(iii) Thermal resistant filtration materials – manufacture and sale of thermal resistant filtration materials

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

6. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (continued)

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The Group's other operating segment includes the chemical industry business, which involves the manufacture and sale of chemical products. This segment does not meet any of the quantitative thresholds for reportable segment. The information of this other operating segment is included in the 'other' column.

The accounting policies of the operating segments are the same as those described in note 3 to the consolidated financial statements. Segment profits or losses do not include corporate income and expenses. Segment assets do not include investment properties, trade and bills receivables, prepayments, deposits and other receivables, pledged bank deposits, bank and cash balances and corporate assets.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

(i) Information about reportable segment profit and segment assets:

	Non-woven materials		Recycled chemical fibres		Thermal resistant filtration materials		Other		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December										
Revenue from external customers	1,226,949	1,192,714	188,960	314,498	72,002	48,631	6,194	3,380	1,494,105	1,559,223
Intersegment revenue	1,246	3,146	11,656	1,977	–	745	791	–	13,693	5,868
Segment profit	453,706	414,004	31,320	66,384	(644)	3,962	1,789	474	486,171	484,824
Allowance for trade receivables	–	–	–	–	14,144	–	–	–	14,144	–
Depreciation	14,147	13,993	5,714	5,675	12,486	11,024	295	293	32,642	30,985
Additions to segment non-current assets	5,618	659	547	1,755	6,843	12,050	–	31	13,008	14,495
At 31 December										
Segment assets	132,930	143,331	67,521	57,494	178,870	179,148	4,532	4,831	383,853	384,804

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

6. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (continued)

(ii) Reconciliations of reportable segment revenue, profit or loss and segment assets:

	2013 RMB'000	2012 RMB'000
Segment revenue		
Total revenue of reportable segments	1,507,798	1,565,091
Elimination of intersegment revenue	(13,693)	(5,868)
Consolidated revenue	1,494,105	1,559,223

	2013 RMB'000	2012 RMB'000
Profit or loss		
Total profit of reportable segments	486,171	484,824
Unallocated amounts:		
Other income	22,891	26,247
Distribution expenses	(14,804)	(20,280)
Administrative expenses	(103,803)	(84,892)
Finance costs	(37,719)	(49,425)
Consolidated profit before tax	352,736	356,474

	2013 RMB'000	2012 RMB'000
Segment assets		
Total assets of reportable segments	383,853	384,804
Unallocated amounts:		
Property, plant and equipment	170,099	131,031
Construction in progress	2,320	34,868
Investment properties	6,463	14,268
Prepayments for acquisition of property, plant and equipment	21,787	21,819
Inventories	7,593	6,704
Trade and bills receivables	363,839	489,748
Prepayments, deposits and other receivables	12,704	10,124
Pledged bank deposits	7,149	33,091
Bank and cash balances	1,105,204	978,046
Consolidated total assets	2,081,011	2,104,503

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

6. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (continued)

(iii) Geographical information:

	2013 RMB'000	2012 RMB'000
Revenue		
PRC except Hong Kong	1,166,207	1,307,286
Hong Kong	286,233	188,414
Dubai	–	22,281
Others	41,665	41,242
Consolidated total revenue	1,494,105	1,559,223

In presenting the geographical information, revenue is based on the locations of the customers.

The Group's non-current assets are substantially located in the PRC.

(iv) Revenue from major customers:

	2013 RMB'000	2012 RMB'000
Customer		
Customer a	181,934	257,918
Customer b	209,248	145,921
Customer c	150,264	108,664

Each major customer represents a single external customer who accounts for 10% or more of the revenue of the Group.

7. OTHER INCOME

	2013 RMB'000	2012 RMB'000
Exchange gain	546	1,513
Gain on disposals of property, plant and equipment	–	55
Government grants (note)	11,726	11,055
Income from trading of scrap materials	1,234	1,527
Interest income	6,144	8,747
Rental income (note 16)	2,966	2,966
Others	275	384
	22,891	26,247

Note: Government grants mainly represented rewards and subsidies granted by local authorities.

8. FINANCE COSTS

	2013 RMB'000	2012 RMB'000
Finance lease charges	17	29
Interest expense on		
– Bank loans	24,146	23,670
– Convertible bond	13,556	25,400
– Factoring loans	–	326
	37,719	49,425

9. INCOME TAX EXPENSE

	2013 RMB'000	2012 RMB'000
Current tax		
PRC enterprise income tax ("PRC EIT")	97,145	93,618
Deferred tax (note 26)	13,021	17,235
	110,166	110,853

The new PRC EIT law (the "New Tax Law") passed by the Tenth National People's Congress on 16 March 2007 introduces various changes which include the unification of the enterprise income tax rate for domestic and foreign enterprises at 25%. The New Tax Law was effective from 1 January 2008.

On 16 January 2012, 福建鑫華股份有限公司 (Xinhua Share Co., Ltd. Fujian) ("Xinhua Co.") was recognised as a comprehensive resourses utilisation enterprise (資源綜合利用企業) and was entitled to enjoy an income tax concession for exemption of 10% of the turnover from recycled chemical fibres for two years from 1 January 2011 to 31 December 2012. On 10 July 2012, Xinhua Co. was eligible to apply for the extension of such tax concession to 31 December 2013.

No provision for Hong Kong Profits Tax is required for the subsidiaries of the Company incorporated in Hong Kong since they have no assessable profits for the years ended 31 December 2012 and 2013.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

9. INCOME TAX EXPENSE (CONTINUED)

The reconciliation between the income tax expense and the product of profit before tax multiplied by the weighted average tax rate applicable to profits of the consolidated entities in the respective jurisdictions is as follows:

	2013 RMB'000	*2012 RMB'000*
Profit before tax	**352,736**	356,474
Tax calculated at rates applicable to profits of the consolidated entities in the respective jurisdictions	**94,796**	99,462
Tax effect of expenses that are not deductible	**3,558**	1,878
Tax effect of income that are not taxable	**(602)**	(431)
Tax effect of temporary differences not recognised	**30**	33
Tax effect of unused tax losses not recognised	**381**	1,715
Tax effect of utilisation of tax losses not previously recognised	**(1,018)**	(1,177)
Tax effect of tax concession	**–**	(7,862)
PRC dividend withholding tax (note 26)	**13,021**	17,235
Income tax expense	**110,166**	110,853

10. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging/(crediting) the following:

	2013 RMB'000	*2012 RMB'000*
Allowance for trade receivables	**14,144**	–
Auditor's remuneration	**1,502**	1,448
Cost of inventories sold (note (i))	**1,007,934**	1,074,399
Depreciation of property, plant and equipment	**46,359**	44,124
Depreciation of investment properties	**1,034**	1,034
Loss/(gain) on disposals of property, plant and equipment	**14**	(55)
Net exchange gain	**(546)**	(1,513)
Operating lease charges in respect of land and buildings	**5,658**	4,883
Research and development expenditure (note (ii))	**16,468**	6,322
Staff costs (excluding directors' emoluments)		
Salaries, bonus and allowances	**49,794**	47,653
Equity-settled share-based payments	**3,003**	8,345
Retirement benefit scheme contributions	**1,081**	658
	53,878	56,656

Notes:

(i) Cost of inventories sold includes staff costs, depreciation and operating lease charges during the year ended 31 December 2013 of approximately RMB61,046,000 (2012: RMB58,910,000) which are included in the amounts disclosed separately above.

(ii) Research and development expenditure includes staff costs during the year ended 31 December 2013 of approximately RMB2,760,000 (2012: RMB2,096,000) which are included in the amount disclosed separately above.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director were as follows:

For the year ended 31 December 2013

	Fees RMB'000	Salaries and allowances RMB'000	Equity-settled share-based payments RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Name of director					
Executive directors					
Chim Wai Kong (Co-chairman)	–	958	95	12	1,065
Chim Wai Shing Jackson	–	1,122	75	12	1,209
Xue Mangmang	–	191	–	–	191
Yu Heping (Co-chairman)	–	958	–	–	958
	–	3,229	170	24	3,423
Non-executive directors					
Chen Bo (note (i))	56	–	–	–	56
Ma Yun (note (i))	56	–	–	–	56
Pan Tingxuan	96	–	–	–	96
Qu Pingji (note (iii))	80	–	–	–	80
Wang Yangzu (note (iii))	80	–	–	–	80
Yang Yihua (note (ii))	16	–	–	–	16
Zhao Xiangdong (note (iii))	80	–	–	–	80
	464	–	–	–	464
Independent Non-executive directors					
Feng Xue Ben	135	–	66	–	201
Wong Siu Hong	135	–	–	–	135
Wu Xiaoqing (note (i))	56	–	–	–	56
Xiong Ying (note (i))	56	–	–	–	56
Xu Qinghua (note (ii))	20	–	–	–	20
Zhu Min Ru (note (iii))	113	–	66	–	179
	515	–	132	–	647
	979	3,229	302	24	4,534

Notes to the Consolidated Financial Statements

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11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

For the year ended 31 December 2012

	Fees RMB'000	Salaries and allowances RMB'000	Equity-settled share-based payments RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Name of director					
Executive directors					
Chim Fo Che	–	86	(41)	4	49
Chim Wai Kong (Co-chairman)	–	1,097	155	11	1,263
Chim Wai Shing Jackson	–	1,088	123	11	1,222
Hong Ming Qu	–	171	(75)	–	96
Xue Mangmang	–	134	–	–	134
Yu Heping (Co-chairman)	–	669	–	–	669
	–	3,245	162	26	3,433
Non-executive directors					
Pan Tingxuan	67	–	–	–	67
Qu Pingji	67	–	–	–	67
Wang Yangzu	67	–	–	–	67
Wee Kok Keng	41	–	–	–	41
Zhao Xiangdong	67	–	–	–	67
	309	–	–	–	309
Independent Non-executive directors					
Feng Xue Ben	133	–	107	–	240
Wong Siu Hong	133	–	–	–	133
Zhu Min Ru	133	–	107	–	240
	399	–	214	–	613
	708	3,245	376	26	4,355

Notes:

(i) Appointed on 30 March 2013 and resigned on 1 November 2013

(ii) Appointed on 1 November 2013

(iii) Resigned on 1 November 2013

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

Save as disclosed above, there was no arrangement under which a director waived or agreed to waive any emoluments during the year.

The five highest paid individuals in the Group during the year ended 31 December 2013 included 3 (2012: 3) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 2 (2012: 2) individuals are set out below:

	2013 RMB'000	2012 RMB'000
Salaries and allowances	1,577	1,424
Discretionary bonus	59	107
Equity-settled share-based payments	1,710	2,648
Retirement benefit scheme contributions	12	11
	3,358	4,190

The emoluments fell within the following bands:

	Number of individuals 2013	2012
HK$1,500,001 to HK$2,000,000 (equivalent to RMB1,197,001 to RMB1,596,000 (2012: RMB1,220,001 to RMB1,627,000))	1	1
HK$2,000,001 to HK$2,500,000 (equivalent to RMB1,596,001 to RMB1,995,000 (2012: RMB1,627,001 to RMB2,034,000))	–	–
HK$2,500,001 to HK$3,000,000 (equivalent to RMB1,995,001 to RMB2,394,000 (2012: RMB2,034,001 to RMB2,441,000))	1	–
HK$3,000,001 to HK$3,500,000 (equivalent to RMB2,394,001 to RMB2,794,000 (2012: RMB2,441,001 to RMB2,848,000))	–	–
HK$3,500,001 to HK$4,000,000 (equivalent to RMB2,794,001 to RMB3,193,000 (2012: RMB2,848,001 to RMB3,254,000))	–	1
	2	2

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

12. DIVIDENDS

	2013 RMB'000	2012 RMB'000
Interim dividend of RMB2.9 cents (HK3.5 cents) (2012: RMB2.9 cents (HK3.5 cents)) per ordinary share paid	**21,615**	22,179
Proposed final dividend of RMB5.1 cents (HK6.5 cents) (2012: final dividend payment of RMB5.3 cents (HK6.5 cents)) per ordinary share	**39,869**	40,820
	61,484	62,999

13. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following:

	2013 RMB'000	2012 RMB'000
Earnings		
Profit attributable to owners of the Company, used in basic earnings per share calculation	**242,570**	245,621
Number of shares		
Weighted average number of ordinary shares used in basic earnings per share calculation	**776,422,000**	776,422,000

The effect of potential ordinary shares in respect of convertible bond is anti-dilutive for the years ended 31 December 2012 and 2013.

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary sharing in respect of share options for the years ended 31 December 2012 and 2013.

14. PROPERTY, PLANT AND EQUIPMENT

	The Group						
	Buildings	Prepaid land lease payments	Leasehold improvements	Machinery and equipment	Office equipment and fixtures	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost							
At 1 January 2012	105,331	88,956	1,055	298,711	6,142	11,034	511,229
Additions	–	1,201	–	8,241	1,225	3,009	13,676
Disposals	–	–	–	–	(20)	(1,763)	(1,783)
Exchange differences	–	–	–	–	–	1	1
Transfer from construction in progress (note 15)	15,976	–	–	2,366	–	–	18,342
Transfer from investment properties (note 16)	3,328	–	–	–	–	–	3,328
At 31 December 2012 and 1 January 2013	124,635	90,157	1,055	309,318	7,347	12,281	544,793
Additions	12,101	–	–	8,323	257	962	21,643
Disposals	–	–	(528)	–	(38)	–	(566)
Exchange differences	–	–	(16)	–	(8)	(33)	(57)
Transfer from construction in progress (note 15)	30,839	–	–	7,697	279	85	38,900
Transfer from investment properties (note 16)	10,423	–	–	–	–	–	10,423
At 31 December 2013	177,998	90,157	511	325,338	7,837	13,295	615,136
Accumulated depreciation							
At 1 January 2012	10,991	14,683	401	80,536	1,645	3,439	111,695
Charge for the year	5,841	4,444	352	30,098	1,135	2,254	44,124
Disposals	–	–	–	–	(11)	(1,346)	(1,357)
Exchange differences	–	–	–	–	–	1	1
At 31 December 2012 and 1 January 2013	16,832	19,127	753	110,634	2,769	4,348	154,463
Charge for the year	6,625	4,498	301	31,060	1,314	2,561	46,359
Disposals	–	–	(528)	–	(17)	–	(545)
Exchange differences	–	–	(15)	–	(5)	(20)	(40)
Transfer from investment properties (note 16)	3,652	–	–	–	–	–	3,652
At 31 December 2013	27,109	23,625	511	141,694	4,061	6,889	203,889
Carrying amount							
At 31 December 2013	150,889	66,532	–	183,644	3,776	6,406	411,247
At 31 December 2012	107,803	71,030	302	198,684	4,578	7,933	390,330

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group's buildings and prepaid land lease payments are located in the PRC under medium term leases.

At 31 December 2013, the Group's buildings amounted to approximately RMB32,594,000 (2012: RMB11,176,000) of which the relevant building ownership certificates are yet to be granted.

At 31 December 2013, the Group's buildings and prepaid land lease payments with an aggregate amount of approximately RMB137,570,000 (2012: RMB102,765,000) were pledged to secure banking facilities granted to the Group (note 22).

At 31 December 2013, the carrying amount of motor vehicles held by the Group under finance leases amounted to approximately RMB298,000 (2012: RMB524,000).

15. CONSTRUCTION IN PROGRESS

	The Group	
	2013	*2012*
	RMB'000	*RMB'000*
At 1 January	**41,986**	30,962
Additions	**5,148**	29,366
Transfer to property, plant and equipment (note 14)	**(38,900)**	(18,342)
At 31 December	**8,234**	41,986

The Group's construction in progress comprises costs incurred on buildings under construction and plant and machinery pending installation.

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16. INVESTMENT PROPERTIES

	The Group RMB'000
Cost	
At 1 January 2012	23,701
Transfer to property, plant and equipment (note 14)	(4,828)
At 31 December 2012 and 1 January 2013	18,873
Transfer to property, plant and equipment (note 14)	(10,423)
At 31 December 2013	8,450
Accumulated depreciation	
At 1 January 2012	5,071
Charge for the year	1,034
Transfer to property, plant and equipment (note 14)	(1,500)
At 31 December 2012 and 1 January 2013	4,605
Charge for the year	1,034
Transfer to property, plant and equipment (note 14)	(3,652)
At 31 December 2013	1,987
Carrying amount	
At 31 December 2013	6,463
At 31 December 2012	14,268

The Group's investment properties are located in the PRC under medium lease term.

The fair values of the Group's investment properties at 31 December 2013 are approximately RMB7,930,000 (2012: RMB25,700,000). The fair values of the Group's investment properties have been determined by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent firm of professional valuers.

The fair values of the Group's investment properties are within level 3 of the fair value hierarchy.

The valuer valued the property interest by income approach by taking into account the net rental income of the property derived from the existing lease and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which has(have) been then capitalised to determine the fair value at an appropriate capitalisation rate. Where appropriate, reference was also made to the comparable sale transactions as available in the relevant market.

The current use of the Group's investment properties are considered as the highest and best use of the assets.

At 31 December 2013, the Group's investment properties with an aggregate carrying amount of approximately RMB6,463,000 (2012: RMB14,268,000) were pledged to secure banking facilities granted to the Group (note 22).

During the year ended 31 December 2013, property leasing revenue includes gross rental income from investment properties of approximately RMB2,966,000 (2012: RMB2,966,000) (note 7) of which approximately RMB2,026,000 (2012: RMB2,026,000) related to properties leased to a related company (note 33(b)).

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17. INVESTMENT IN A SUBSIDIARY

	The Company	
	2013	2012
	RMB'000	RMB'000
Unlisted investment, at cost	**18,704**	19,290

The amounts due from/(to) subsidiaries are unsecured, interest-free and repayable on demand.

Particulars of the subsidiaries as at 31 December 2013 are as follows:

Name of subsidiary	Place of incorporation/ registration and operation	Issued and paid up capital/ registered capital	Percentage of ownership interest Direct	Percentage of ownership interest Indirect	Principal activities
COSTIN Investment Limited ("COSTIN BVI")	British Virgin Islands	20 ordinary shares of US$1.00 each	100%	–	Investment holding
Gerfalcon International Limited	British Virgin Islands	1 ordinary share of US$1.00 each	–	100%	Investment holding
Gerfalcon Industrial (Nonwoven) Investment Company Limited ("Gerfalcon Industrial")	Hong Kong	23,790,000 ordinary shares of HK$1.00 each	–	100%	Investment holding and sale of non-woven materials and recycled chemical fibres
Gerfalcon Investment Company Limited	Hong Kong	1,000 ordinary shares of HK$1.00 each	–	100%	Investment holding
Gerfalcon Hong Kong Company Limited ("Gerfalcon Hong Kong")	Hong Kong	1,000 ordinary shares of HK$1.00 each (note)	–	100%	Investment holding
海東青非織工業(福建)有限公司* (Gerfalcon Nonwoven Industrial (Fujian) Co., Ltd.)*	PRC	Registered capital of US$13,990,000	–	100%	Manufacture of filtration materials and non-woven materials, provision of information technology and management supporting services

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17. INVESTMENT IN A SUBSIDIARY (CONTINUED)

Name of subsidiary	*Place of incorporation/ registration and operation*	*Issued and paid up capital/ registered capital*	*Percentage of ownership interest Direct*	*Percentage of ownership interest Indirect*	*Principal activities*
晉江海東青貿易有限公司* (Gerfalcon Trade Co., Ltd. Jinjiang)*	PRC	Registered capital of HK$81,000,000	–	100%	Retail and wholesale of filtration materials, non-woven materials, foods, drinks, crafts, health products, daily necessities and flowers
福建鑫華股份有限公司# (Xinhua Co.)#	PRC	Registered capital of RMB80,000,000	–	100%	Manufacture and sale of non-woven materials and recycled chemical fibres
海東青(北京)科技咨詢有限公司* (COSTIN (Beijing) Technology Consulting Company Limited)* ("COSTIN Beijing")	PRC	Registered capital of HK$10,000,000	–	100%	Provisions of non-woven materials technology consulting services and wholesale of filtration materials and non-woven materials

Note: *海東青(福建)循環科技有限公司 (COSTIN (Fujian) Recycling Technologies Company Limited), a subsidiary of Gerfalcon Hong Kong, had no operation, assets and liabilities and was deregistered on 18 April 2013.*

* *These subsidiaries are registered as wholly-owned foreign enterprises under the PRC laws.*

These subsidiaries are registered as wholly-owned domestic enterprise under the PRC laws.

18. INVENTORIES

	The Group 2013 RMB'000	*2012 RMB'000*
Raw materials	**84,667**	83,485
Finished goods	**56,981**	39,509
	141,648	122,994

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19. TRADE AND BILLS RECEIVABLES

	The Group	
	2013	2012
	RMB'000	RMB'000
Trade receivables	**354,453**	475,259
Bills receivables	**9,386**	14,489
	363,839	489,748

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 180 days (2012: 30 to 90 days). For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The aging analysis of the Group's trade receivables, based on the delivery date, and net of allowances, is as follows:

	2013	2012
	RMB'000	RMB'000
Up to 30 days	**155,383**	213,697
31 to 60 days	**116,559**	176,694
61 to 90 days	**66,665**	84,703
91 to 120 days	**5,139**	123
121 to 150 days	**4,577**	–
151 to 180 days	**653**	42
Over 180 days	**5,477**	–
	354,453	475,259

As at 31 December 2013, an allowance was made for estimated irrecoverable trade receivables of approximately RMB14,144,000 (2012: N/A).

Reconciliation of allowance for trade receivables:

	2013	2012
	RMB'000	RMB'000
At 1 January 2013	**–**	–
Allowance for the year	**14,144**	–
At 31 December 2013	**14,144**	–

19. TRADE AND BILLS RECEIVABLES (CONTINUED)

As at 31 December 2013, trade receivables of approximately RMB12,082,000 (2012: RMB864,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The aging analysis of these trade receivables is as follows:

	2013 RMB'000	2012 RMB'000
Up to 30 days	3,129	821
31 to 60 days	3,046	–
61 to 90 days	1,918	1
91 to 120 days	1,260	42
121 days to 150 days	1,031	–
151 days to 180 days	154	–
Over 180 days	1,544	–
	12,082	864

The carrying amounts of the Group's trade and bills receivables are denominated in the following currencies:

	2013 RMB'000	2012 RMB'000
RMB	313,504	430,630
US$	50,335	59,118
	363,839	489,748

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20. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

The carrying amounts of the Group's and the Company's bank and cash balances are denominated in the following currencies:

	The Group				
	At 31 December 2013				
	RMB	HK$	US$	DKK	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and on hand	**1,087,331**	**3,422**	**14,450**	**1**	**1,105,204**
Bank deposits	**7,149**	**–**	**–**	**–**	**7,149**
	1,094,480	**3,422**	**14,450**	**1**	**1,112,353**
Pledged bank deposits	**(7,149)**	**–**	**–**	**–**	**(7,149)**
Cash and cash equivalents	**1,087,331**	**3,422**	**14,450**	**1**	**1,105,204**

	At 31 December 2012				
	RMB	HK$	US$	DKK	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and on hand	942,514	16,324	4,553	–	963,391
Bank deposits	7,152	14,655	683	25,256	47,746
	949,666	30,979	5,236	25,256	1,011,137
Pledged bank deposits	(7,152)	–	(683)	(25,256)	(33,091)
Bank and cash balances	942,514	30,979	4,553	–	978,046
Non-pledged bank deposits with more than three months to maturity	–	(14,655)	–	–	(14,655)
Cash and cash equivalents	942,514	16,324	4,553	–	963,391

20. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES (CONTINUED)

	The Company At 31 December 2013			
	RMB RMB'000	HK$ RMB'000	US$ RMB'000	Total RMB'000
Cash and cash equivalents	2	2,058	24	2,084

	At 31 December 2012			
	RMB RMB'000	HK$ RMB'000	US$ RMB'000	Total RMB'000
Cash and cash equivalents	967	14,253	771	15,991

The Group's pledged bank deposits represented deposits pledged to banks to secure banking facilities granted to the Group (note 22).

The Group's pledged bank deposits are at fixed interest rate 4.4% (2012: 2.75%-4.47%) per annum and therefore are subject to fair value interest rate risk.

As at 31 December 2013, the pledged bank deposits and bank and cash balances denominated in RMB held by the Group's subsidiaries located in the PRC amounted to approximately RMB1,089,477,000 (2012: RMB842,633,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

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21. TRADE AND BILLS PAYABLES

	The Group	
	2013	2012
	RMB'000	RMB'000
Trade payables	**147,877**	135,246
Bills payables (note 22)	**–**	3,149
	147,877	138,395

The aging analysis of the Group's trade payables, based on the date of receipt of goods, is as follows:

	2013	2012
	RMB'000	RMB'000
Up to 30 days	**59,151**	84,318
31 to 60 days	**69,156**	37,566
61 to 90 days	**11,693**	12,510
91 to 120 days	**5,336**	253
121 to 150 days	**1,537**	91
151 days to 180 days	**233**	508
Over 180 days	**771**	–
	147,877	135,246

The carrying amounts of the Group's trade and bills payables are denominated in the following currencies:

	2013	2012
	RMB'000	RMB'000
RMB	**121,199**	129,835
US$	**26,678**	8,560
	147,877	138,395

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22. BANK LOANS

	The Group	
	2013	2012
	RMB'000	RMB'000
Bank loans	**394,866**	365,295
Trust receipt loans	**–**	3,513
	394,866	368,808
The borrowings are repayable as follows:		
On demand or within one year	**270,798**	309,000
In the second year	**45,508**	28,945
In the third to fifth years, inclusive	**78,560**	30,863
	394,866	368,808
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(270,798)**	(309,000)
Amount due for settlement after 12 months	**124,068**	59,808

At 31 December 2012, trust receipt loans were repayable within 120 days from their respective drawdown days.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2013	2012
	RMB'000	RMB'000
RMB	**178,000**	245,750
HK$	**116,988**	–
US$	**99,878**	123,058
	394,866	368,808

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22. BANK LOANS (CONTINUED)

The average interest rates at 31 December were as follows:

	2013	2012
Short-term bank loans (floating rate)	**N/A**	3.14% – 7.50%
Short-term bank loans (fixed rate)	**2.76% – 7.87%**	3.13% – 7.87%
Long-term bank loans (floating rate)	**3.33% – 7.32%**	7.32%
Long-term bank loans (fixed rate)	**7.59%**	3.80% – 7.59%
Trust receipt loans (floating rate)	**N/A**	2.43%

Bank loans of approximately RMB266,978,000 (2012: RMB162,718,000) are arranged at fixed interest rates and expose the Group to fair value interest rate risk. Other borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

Bank loans of approximately RMB394,866,000 (2012: RMB365,295,000), trust receipt loans of approximately Nil (2012: RMB3,513,000) and bills payables (note 21) of approximately Nil (2012: RMB 3,149,000) are secured by:

– Corporate guarantees provided by the Company and subsidiaries;

– Charges over the buildings, prepaid land lease payments, investment properties and pledged bank deposits (notes 14, 16 and 20); and

– Guarantees from third parties and related companies (note 33(c)).

During the year, the Group did not breach any covenant clauses in bank loan agreements.

	The Company	
	2013	2012
	RMB'000	RMB'000
Bank loan	**116,988**	–
The borrowings are repayable as follows:		
On demand or within one year	**23,114**	–
In the second year	**23,218**	–
In the third to fifth years, inclusive	**70,656**	–
	116,988	–
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(23,114)**	–
Amount due for settlement after 12 months	**93,874**	–

The carrying amounts of the Company's borrowings are denominated in HK$ (2012: Nil).

The average interest rate per annum is at floating rate of 3.33% (2012: Nil).

Bank loan of approximately RMB116,988,000 (2012: Nil) are arranged at floating rates, thus exposing the Company to cash flow interest rate risk.

During the year, the Company did not breach any covenant clauses in a bank loan agreement.

23. CONVERTIBLE BOND

On 18 July 2011, the Company issued 4% convertible bond due 2013 (the "Bond") to CITIC Capital China Access Fund Limited with an aggregate principal amount of US$30,000,000, equivalent to approximately RMB194,443,000 (HK$233,813,000).

The Bond can be converted into ordinary shares of HK$0.10 each in the share capital of the Company ("the Shares") at any time on the business day after the expiry of three months from the date of issuance of the Bond until the fifth business days before (and excluding) the second anniversary of the date of issuance of the Bond (the "Maturity Date") in multiples of US$15,000,000 at the initial conversion price of HK$5.15 (the "Conversion Price"), subject to adjustments.

There is no early redemption of the Bond. The outstanding Bond is to be redeemed on the Maturity Date at 116.64% of the outstanding principal amount of the Bond.

Based on the initial Conversion Price, the Shares to be issued upon full conversion of the Bond will be 45,320,388 Shares (the "Conversion Shares"), representing approximately 5.67% of the current issued share capital of the Company and 5.36% of the issued share capital as enlarged by the issue of Conversion Shares.

On 18 July 2013, the Company fully redeemed the Bond in the principal amount of US$30,000,000 at the redemption amount of US$34,992,000 together with accrued and unpaid interest on its maturity in accordance with the terms and conditions for the Bond.

The net proceeds received from the issue of the Bond have been split between the liability component and equity component and the movements for 2012 and 2013 were as follows:

	The Group and the Company		
	Liability component of the Bond	***Equity component of the Bond***	***Total***
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2012	**193,007**	**3,068**	**196,075**
Interest charged	**25,400**	**–**	**25,400**
Interest paid	**(3,759)**	**–**	**(3,759)**
Exchange differences	**(583)**	**–**	**(583)**
At 31 December 2012 and 1 January 2013	**214,065**	**3,068**	**217,133**
Interest charged	**13,556**	**–**	**13,556**
Interest paid	**(7,828)**	**–**	**(7,828)**
Redemption of the Bond	**(216,222)**	**(3,068)**	**(219,290)**
Exchange differences	**(3,571)**	**–**	**(3,571)**
At 31 December 2013	**–**	**–**	**–**

The interest charged for the year is calculated by applying an effective interest rate of 12.48% per annum to the liability component.

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24. FINANCE LEASE PAYABLES

	The Group			
	Minimum lease payments		Present value of minimum lease payments	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**188**	194	**182**	176
In the second to fifth years, inclusive	**–**	194	**–**	188
	188	388	**182**	364
Less: Future finance charges	**(6)**	(24)	**N/A**	N/A
Present value of lease obligations	**182**	364	**182**	364
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(182)**	(176)
Amount due for settlement after 12 months			**–**	188

It is the Group's policy to lease certain of its motor vehicles under finance leases. The lease term is 1 years (2012: 2 years). At 31 December 2013, the average effective borrowing rate was 6.66% (2012: 6.66%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. At the end of each lease term, the Group has the option to purchase the motor vehicles at nominal prices.

All finance lease payables are denominated in HK$.

The Group's finance lease payables are secured by the lessor's title to the leased assets.

25. RETIREMENT BENEFITS SCHEME CONTRIBUTIONS

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of contribution of HK$1,250 per employee and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of this subsidiary. The only obligation of this subsidiary with respect to the central pension scheme is to meet the required contributions under the scheme.

26. DEFERRED TAX LIABILITIES

	The Group	
	2013	*2012*
	RMB'000	*RMB'000*
PRC dividend withholding tax		
At 1 January	**49,275**	32,040
Payment	**(5,445)**	–
Charge to profit or loss for the year (note 9)	**13,021**	17,235
At 31 December	**56,851**	49,275

Pursuant to the New Tax Law (note 9), dividends declared by the subsidiaries in the PRC to parent companies incorporated overseas are subject to withholding tax of 5% to 10%. In accordance with Caishui (2008) No. 1 issued by State Tax Authorities, undistributed profits from the subsidiaries up to 31 December 2007 will be exempted from withholding tax when they are distributed in future. As a result, provision for withholding tax has been made since 1 January 2008. The deferred tax liabilities represent the aggregate amount of temporary differences associated with distributable retained profits of the Group's subsidiaries in the PRC.

At the end of the reporting period the Group has unused tax losses of RMB24,004,000 (2012: RMB28,031,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The unrecognized tax losses of approximately RMB10,716,000 (2012: RMB12,963,000) will expire as follows:

	2013	*2012*
	RMB'000	*RMB'000*
Year 2015	**–**	3,075
Year 2016	**5,646**	6,509
Year 2017	**3,542**	3,379
Year 2018	**1,528**	–
	10,716	12,963

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27. SHARE CAPITAL

	The Company		
	Number of shares	Amount	Amount as presented
		HK$	RMB
Authorised:			
Ordinary shares of HK$0.1 each			
At 1 January 2012, 31 December 2012, 1 January 2013 and 31 December 2013	2,000,000,000	200,000,000	176,000,000
Issued and fully paid:			
At 1 January 2012, 31 December 2012, 1 January 2013 and 31 December 2013	776,422,000	77,642,200	68,474,747

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of payment of dividends paid to shareholders, if any, return capital to shareholders, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debt. No changes were made in the objectives, policies and processes during the years ended 31 December 2012 and 2013.

The Group monitors capital using a gearing ratio, which is the Group's total debts (comprising interest-bearing bank borrowings) over its total assets. The Group's policy is to keep the gearing ratio at a reasonable level. The Group's gearing ratio as at 31 December 2013 was 19% (2012: 28%).

28. RESERVES

(a) The Group

The amounts of the Group's reserves and movements therein are presented in the Group's statements of profit or loss and other comprehensive income and statements of changes in equity.

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28. RESERVES (CONTINUED)

(b) The Company

	Share premium account RMB'000 (note (c)(i))	Share-based payment reserve RMB'000 (note (c)(ii))	Convertible bond reserve RMB'000 (note 23)	Foreign currency translation reserve RMB'000 (note (c)(iii))	Contributed surplus RMB'000 (note (c)(vii))	(Accumulated losses)/ retained profits RMB'000	Total RMB'000
At 1 January 2012	240,477	13,379	3,068	(31,601)	20,909	(15,722)	230,510
Total comprehensive income for the year	–	–	–	84	–	69,355	69,439
Share-based payments	–	8,721	–	–	–	–	8,721
Lapse of share options granted in prior years	–	(969)	–	–	–	969	–
Dividends paid (note 12)	–	–	–	–	–	(63,248)	(63,248)
Changes in equity for the year	–	7,752	–	84	–	7,076	14,912
At 31 December 2012 and 1 January 2013	**240,477**	**21,131**	**3,068**	**(31,517)**	**20,909**	**(8,646)**	**245,422**
Total comprehensive income for the year	**–**	**–**	**–**	**(9,135)**	**–**	**63,199**	**54,064**
Redemption of convertible bond	**–**	**–**	**(3,068)**	**–**	**–**	**3,068**	**–**
Share-based payments	**–**	**3,305**	**–**	**–**	**–**	**–**	**3,305**
Lapse of share options granted in prior years	**–**	**(24,436)**	**–**	**–**	**–**	**24,436**	**–**
Dividends paid (note 12)	**–**	**–**	**–**	**–**	**–**	**(62,435)**	**(62,435)**
Changes in equity for the year	**–**	**(21,131)**	**(3,068)**	**(9,135)**	**–**	**28,268**	**(5,066)**
At 31 December 2013	**240,477**	**–**	**–**	**(40,652)**	**20,909**	**19,622**	**240,356**

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28. RESERVES (CONTINUED)

(c) Nature and purpose of reserves

(i) Share premium account

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Share-based payment reserve

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 3(n) to the consolidated financial statements.

(iii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the consolidated financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3(b) to the consolidated financial statements.

(iv) Statutory reserve

In accordance with the applicable laws and relevant regulations of the PRC, the Group's subsidiaries established and registered in the PRC are required to transfer a certain percentage of the profit after tax, if any, to a statutory reserve.

(v) Capital reserve

The capital reserve of the Group represents the loan capitalization arrangement with the then shareholder of Gerfalcon Industrial and Gerfalcon Industrial on 4 February 2010. Gerfalcon Industrial allotted and issued 23,789,920 ordinary shares of HK$1 each to COSTIN BVI.

(vi) Merger reserve

The merger reserve of the Group arose as a result of the Group reorganisation implemented in preparation for the listing of the Company's shares in 2010 and represented the difference between the nominal value of the aggregate capital of the subsidiaries combined under the group reorganisation over the nominal value of the share capital of the Company issued in exchange.

(vii) Contributed surplus

The contributed surplus of the Company represents the difference between the nominal amount of the share capital issued by the Company and the cost of investment in subsidiaries combined by the Company at the date of the group reorganisation.

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29. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants include the Company's directors and employees of the Group. The Scheme became effective on 12 May 2010 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of shares options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading day immediately preceding the date of the offer of grant; and (iii) the nominal value of the Company's shares.

On 4 June 2013, the Shareholders Deed was entered into among Rong An (the "Offeror") and certain major shareholders of the Company. As a result of the execution of the Shareholders Deed and pursuant to the requirements of Rule 26.1 of The Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"), the is required to make the mandatory unconditional general offer (the "Share Offer") in cash for all the issued securities of the Company other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with any of them. Further details of the Share Offer are disclosed in the Company's announcement and composite document dated 17 June 2013 and 15 July 2013, respectively.

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29. SHARE-BASED PAYMENTS (CONTINUED)

Equity-settled share option scheme (continued)

The Company had 12,130,000 share options outstanding as at 1 January 2013 and 430,000 share options had been lapsed prior to the announcement date of the Share Offer. Accordingly, the Company had 11,700,000 outstanding share options (the "Options") as at the announcement date of the Share Offer. All the option holders had served an irrevocable and unconditional undertaking to the Offeror and the Company undertaking (i) not to exercise any subscription rights attached to the Options held by them prior to the close of the Share Offer; (ii) not to accept the offer (the "Option Offer") which was required to be made on behalf of the Offeror for the cancellation of the Options other than those already owned or agreed to be acquired by the Offeror, CECEP Chongqing and parties acting in concert with any of them pursuant to the Takeovers Code; and (iii) not to take any other action to make those Options available for acceptance. Accordingly, no Option Offer was made for cancellation of the Options.

Pursuant to the Scheme of the Company, the option holders shall be entitled at any time within the period of one month after the Share Offer becomes or is declared unconditional to exercise all or any of their outstanding Options in whole or in part (to the extent that such Options have not been so exercised), and any Options shall upon the expiry of such period lapse and determine.

Thus, the Options vested upon the Share Offer and the unamortized value of the Options was recognized immediately into expenses. The Options were lapsed after the one-month exercise period and the amount previously recognized in share options reserve was credited to retained earnings of the Company.

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29. SHARE-BASED PAYMENTS (CONTINUED)

Equity-settled share option scheme (continued)

Details of the specific categories of options are as follows:

Date of grant	Vesting period	Exercise period	Exercise price HK$	No. of share options granted
14 January 2011	14 January 2011 to 30 June 2011	30 June 2011 to 13 January 2021	7.12	2,947,500
14 January 2011	14 January 2011 to 30 June 2012	30 June 2012 to 13 January 2021	7.12	2,947,500
14 January 2011	14 January 2011 to 30 June 2013	30 June 2013 to 13 January 2021	7.12	2,947,500
14 January 2011	14 January 2011 to 30 June 2014	30 June 2014 to 13 January 2021	7.12	2,947,500
14 January 2011	14 January 2011 to 31 December 2011	31 December 2011 to 13 January 2021	7.12	480,000
14 January 2011	14 January 2011 to 31 December 2012	31 December 2012 to 13 January 2021	7.12	480,000
14 January 2011	14 January 2011 to 31 December 2013	31 December 2013 to 13 January 2021	7.12	480,000
14 January 2011	14 January 2011 to 31 December 2014	31 December 2014 to 13 January 2021	7.12	480,000

If the options remain unexercised after an exercise period from the date of grant, the options expire. Options are forfeited if the employee leaves the Group.

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29. SHARE-BASED PAYMENTS (CONTINUED)

Equity-settled share option scheme (continued)

Details of the share options outstanding during the year are as follows:

For the year ended 31 December 2013

Grantee	Outstanding at 1 January	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December	Exercisable at 31 December	Exercise price
Directors	920,000	–	–	920,000	–	–	–
Employees	11,210,000	–	–	11,210,000	–	–	–
	12,130,000	–	–	12,130,000	–	–	
Weighted average exercise price	HK$7.12	–	–	HK$7.12	–	–	

For the year ended 31 December 2012

Grantee	Outstanding at 1 January	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December	Exercisable at 31 December	Exercise price
Directors	1,090,000	–	–	(170,000)	920,000	460,000	HK$7.12
Employees	12,140,000	–	–	(930,000)	11,210,000	5,605,000	HK$7.12
	13,230,000	–	–	(1,100,000)	12,130,000	6,065,000	
Weighted average exercise price	HK$7.12	–	–	HK$7.12	HK$7.12	HK$7.12	

29. SHARE-BASED PAYMENTS (CONTINUED)

Equity-settled share option scheme (continued)

At 31 December 2012, the options outstanding at the end of the year have a remaining contractual life of 8.04 years and the exercise prices of HK$7.12. In 2011, options were granted on 14 January 2011. The estimated fair value of the options on that date is RMB28,349,000. No option were granted during the years ended 31 December 2012 and 2013.

These fair values were calculated using the Black-Scholes pricing model. The inputs into the model are as follows:

	2011
Share price	HK$7.10
Exercise price	HK$7.12
Expected volatility	43.96%
Expected life	5.23 – 6.98 years
Risk free rate	1.734% – 2.288%
Expected dividend yield	2.29%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous years before the date of grant. The expected life used in the model has been adjusted, based on the Group's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (MAJOR NON-CASH TRANSACTION)

(i) During the year ended 31 December 2013, additions to property, plant and equipment and construction in progress of approximately RMB4,483,000 and RMB6,385,000 (2012: RMB9,088,000 and RMB7,854,000) respectively were not yet paid and included in accruals and other payables.

(ii) During the year ended 31 December 2013, additions to property, plant and equipment and construction in progress of approximately RMB462,000 and RMB64,000 (2012: Nil and Nil) respectively were satisfied by way of utilising the deposits paid in previous year.

31. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period were as follows:

	The Group	
	2013	*2012*
	RMB'000	*RMB'000*
Contracted but not provided for		
Construction in progress	**650**	–
Property, plant and equipment	**972**	4,647
	1,622	4,647

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

32. LEASE COMMITMENTS

At end of reporting period, the Group had total future minimum lease receivables and payables under non-cancellable operating leases falling due as follows:

(a) Lease receivables

	The Group	
	2013	2012
	RMB'000	RMB'000
As lessor		
Within one year	**392**	2,418

Operating lease receivables represent rental receivable by Xinhua Co. for certain of its investment properties. Leases are negotiated for terms ranging from one to two years.

(b) Lease payables

	The Group	
	2013	2012
	RMB'000	RMB'000
As lessee		
Within one year	**4,926**	4,790
In the second to fifth year inclusive	**2,513**	4,931
	7,439	9,721

Operating lease payables represent rental payable by Gerfalcon Industrial, COSTIN Beijing and Xinhua Co. for certain buildings. Leases are negotiated for terms ranging from one to three years and rentals are fixed over the lease terms and do not include contingent rentals.

33. MATERIAL RELATED PARTY TRANSACTIONS

(a) Save as disclosed elsewhere in the consolidated financial statements, the Group had the following material balances with related parties during the year:

	2013 RMB'000	2012 RMB'000
Trade deposit paid to a related company	7,245	–
Trade payable to a related company	–	3,094

(b) Save as disclosed elsewhere in the consolidated financial statements, the Group had the following material transactions with related parties during the year:

	2013 RMB'000	2012 RMB'000
Rental income charged to a related company	2,026	2,026
Rental expenses charged by related companies	2,240	2,240
Purchases of raw materials from a related company	32,951	10,061
Sales of finished goods to related companies	831	574

(c) At 31 December 2013, certain related companies have guaranteed certain banking facilities granted to the Group in the amount of approximately RMB283,000,000 (2012: RMB248,000,000).

(d) Remuneration of key management personnel:

	2013 RMB'000	2012 RMB'000
Salaries, bonus and allowances		
– Directors	4,208	3,953
– Key management	762	740
Sub-total	4,970	4,693
Retirement benefit scheme contributions		
– Directors	24	26
– Key management	12	11
Sub-total	36	37
Equity-settled share-based payments		
– Directors	302	376
– Key management	1,710	2,648
Sub-total	2,012	3,024
Total	7,018	7,754

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

34. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 14 March 2014.