Changgang Dunxin Enterprise Company Limited

長港敦信實業有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2229

2014 Annual Report

Changgang Dunxin Enterprise Company Limited produces and sells a broad variety of upstream packaging paperboard products (including white top linerboard,kraftlinerboard and high performance corrugated medium), as well as downstream products comprising of corrugated medium boards and boxes and poker cards.

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CORPORATE INFORMATION

Board of Directors

Executive directors

Mr. Zheng Dunmu *(Chairman)*
Mr. Zheng Dunqian *(Chief Executive Officer)*
Mr. Chen Ruomao *(Chief Financial Officer)*

Independent non-executive directors

Mr. Kwong Kwan Tong
Mr. Ye Deshan
Mr. Hu Zhenghui

Audit Committee

Mr. Kwong Kwan Tong *(Chairman)*
Mr. Ye Deshan
Mr. Hu Zhenghui

Nomination Committee

Mr. Hu Zhenghui *(Chairman)*
Mr. Ye Deshan
Mr. Kwong Kwan Tong

Remuneration Committee

Mr. Ye Deshan *(Chairman)*
Mr. Hu Zhenghui
Mr. Kwong Kwan Tong

Authorised Representatives

Mr. Chen Ruomao
Mr. Lam Ho Keung

Company Secretary

Mr. Lam Ho Keung

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Office in Hong Kong

Office No. 3, 13th Floor
Boss Commercial Centre
No. 28 Ferry Street
Kowloon
Hong Kong

Principal Place of Business

Jinlin Industrial Park
Yanxi Town
Changhai County
Zhangzhou City
Fujian Province
The People's Republic of China

Principal Bankers

In Hong Kong

Bank of China
DBS
The Bank of East Asia

CORPORATE INFORMATION (CONTINUED)

In the PRC

Agricultural Bank of China
Bank of China
China Construction Bank
China Merchants Bank
China Everbright Bank
Industrial and Commercial Bank of China Limited

Auditor

Martin C.K. Pong & Company
Certified Public Accountants

Compliance Adviser

Kingsway Capital Limited

Hong Kong Share Register

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

Stock code

2229

Website

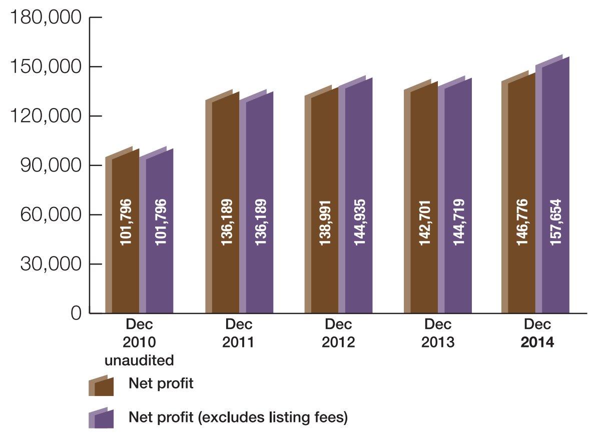
http://www.dxwj.com

FIVE YEAR FINANCIAL SUMMARY

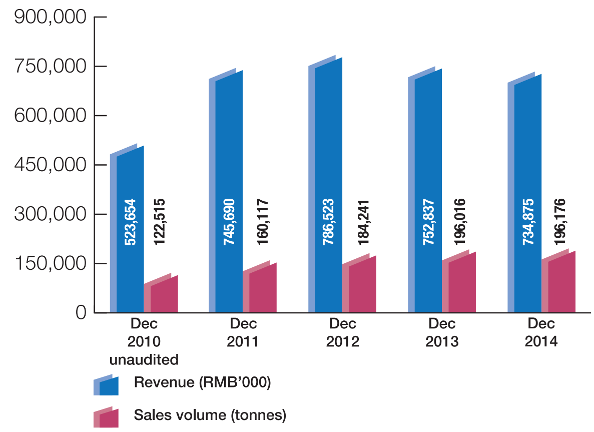
For year ended 31 December	2010 (unaudited)	2011	2012	2013	2014	Change
Profitability (RMB'000)						
Revenue	724,307	973,879	1,046,504	1,024,623	**1,074,206**	4.8%
Gross Profit	156,643	208,245	228,060	217,297	**236,823**	9.0%
Net Profit after tax	101,796	136,189	138,991	142,701	**146,776**	2.9%
Net Profit after tax *(excludes listing fees)*	101,796	136,189	144,935	144,719	**157,654**	8.9%
Liquidity (RMB'000)						
Net cash/(debt)	62,071	(94,875)	109,954	70,944	**500,256**	605.1%
Net cash generated from operating activities	95,698	86,600	279,136	190,326	**274,791**	44.1%
Shareholders' interest (RMB cents)						
Earnings per share	14.00	18.00	19.00	19.00	**17.00**	–10.5%
Cash per share	30.17	2.08	34.79	23.36	**72.91**	212.1%
Dividend per share						
— Final	12.00	—	—	—	**—**	100%
— Interim	—	—	—	—	**6.40**	100%
Key financial ratios						
Gross profit margin	21.6%	21.4%	21.8%	21.2%	**22.0%**	0.8 pts
Net profit margin	14.1%	14.0%	13.3%	13.9%	**13.7%**	–0.2 pts
Net Profit margin (excludes listing fees)	14.1%	14.0%	13.9%	14.1%	**14.7%**	0.6 pts
Gearing ratio	120.8%	41.5%	36.4%	18.6%	**13.8%**	–4.8% pts
Current ratio *(times)*	1.0	1.3	1.5	1.9	**3.0**	1.1

FIVE YEAR FINANCIAL SUMMARY

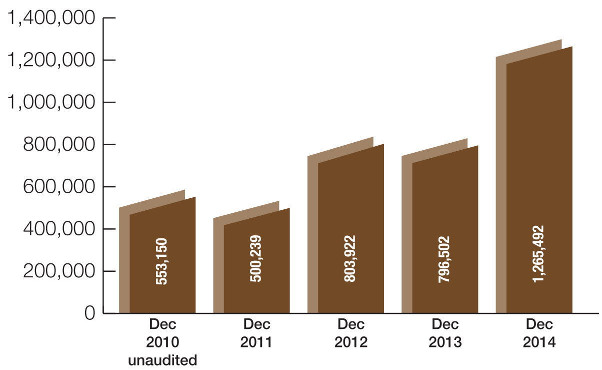
Net Profit (RMB'000)



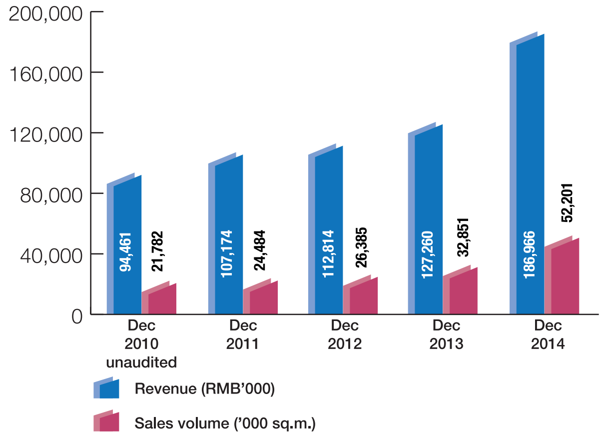
Revenue and sales volume Paperboards



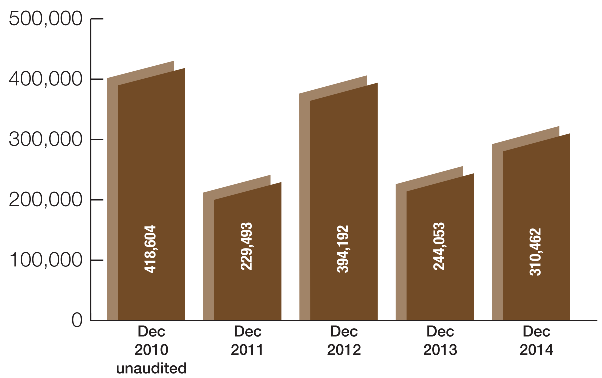
Total Assets (RMB'000)



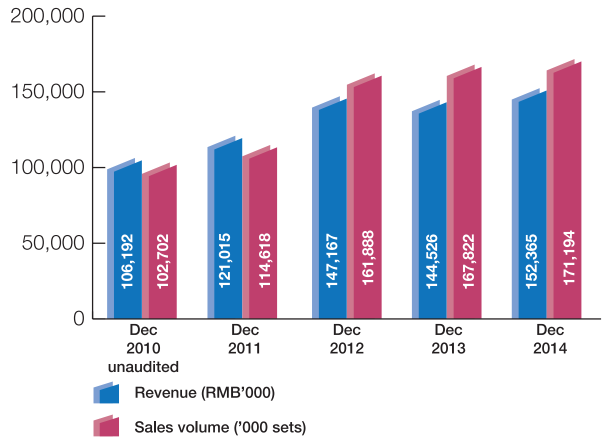
Corrugated medium boards and boxes



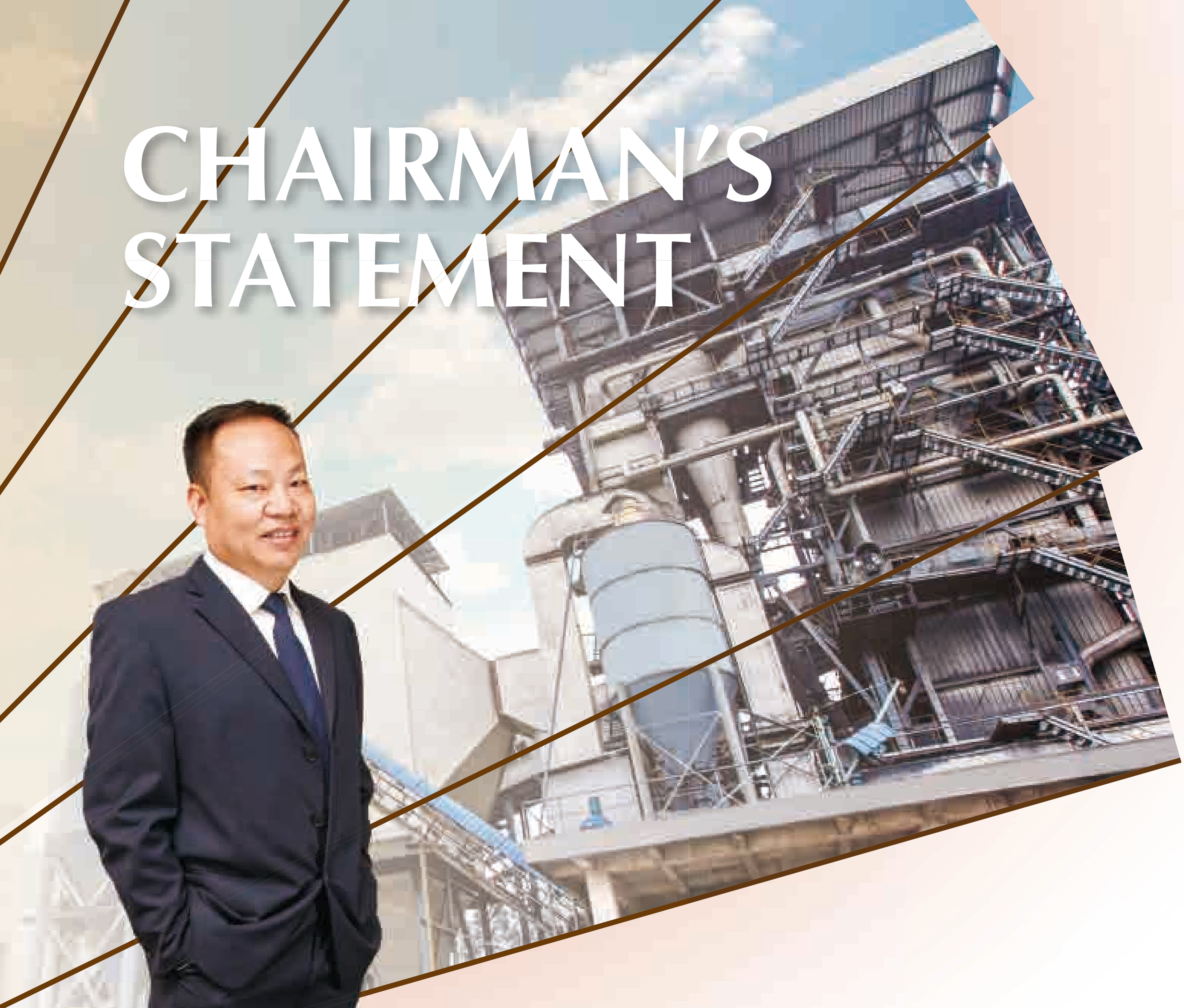
Total Liabilities (RMB'000)



Poker cards



CHAIRMAN'S STATEMENT



Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present our first annual report following our successful listing on the Main Board of The Stock Exchange of Hong Kong Limited. This report covers the year ended 31 December 2014.

Business Review and Outlook

The Group achieved satisfactory results in general in the year ended 31 December 2014 in spite of continued competitive environment and near-maximum production capacity across all segments. For such year, revenue reached RMB1,074.2 million, an increase of about 4.8% over the year ended 31 December 2013, whilst gross profit of RMB236.8 million, net profit of RMB146.8 million and net profit excluding listing fees of RMB157.7 million, increased by approximately 9.0%, 2.9% and 8.9% respectively compared to the previous year.

The Group saw a trend of growing demand for corrugated medium and boxes in the past two years. The Group entered into an agreement in December 2014 for the acquisition of production facilities with an annual production capacity of approximately 57,000,000 sq.m. of corrugated medium board and 18,900,000 sq.m. of boxes, completion of which is currently under way. The acquisition will enlarge the production capacity of the Group and is expected to enable the Group to tap into new group of potential customers with demands for high quality and large quantities of standardised corrugated medium board and box products, thus contributing positively towards the Group's future profitability.

With its multi-faceted product strategy, the Group aims to further evaluate expansion opportunities in its downstream end product operations.

Considering the solid financial position of the Group, the Directors of the Company have resolved to reward our Shareholders by the payment of an interim dividend of HK8.1 cents (equivalent to RMB6.4 cents) per share for the year ended 31 December 2014.

While pursuing for capacity and profit growth, our Group aspires to adhere to the PRC government's Twelfth Five-Year Plan for promoting the production of eco-friendly paper products. Over the years, we have taken steps to improve our carbon emission level, energy consumption and wastewater discharge treatment facilities for the purpose of offering greener alternatives to the market, and our becoming an environmental friendly corporation.

We will continue our efforts to tap into new and favorable opportunities to strive for greater returns for our shareholders.

Appreciation

I would like to convey my sincere gratitude towards all the shareholders, investors, staff, business partners and friends for their support and contributions in developing this fruitful year for the Group.

Zheng Dunmu
Chairman

Hong Kong
13 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

The Group produces and sells a broad variety of upstream packaging paperboard products (including white top linerboard, kraftlinerboard and high performance corrugated medium), as well as downstream products comprising of corrugated medium boards and boxes and poker cards. All sales were to customers in the People’s Republic of China (the “PRC”).

The Group's revenue increased from approximately RMB1,024.6 million in 2013 to RMB1,074.2 million in 2014, representing a year-to-year growth of approximately 4.8%. Its production was at near full capacity, with paperboard production lines operating at 94.2%, corrugated medium boards and boxes at 84.7% and poker cards at 98.8% of their respective designed annual production capacities.

Financial Review

The following is a breakdown of the revenue of the Group by products:

	For the year ended 31 December			
	2014		2013	
	RMB'000	***% of total revenue***	*RMB'000*	*% of total revenue*
Paperboards	**734,874**	**68.4**	752,837	73.5
Corrugated medium boards and boxes	**186,966**	**17.4**	127,260	12.4
Poker cards	**152,366**	**14.2**	144,526	14.1
Total	**1,074,206**	**100.0**	1,024,623	100.0

Revenue

(i) Paperboards

The sales volume of the Group's paperboard products slightly increased from 196,016 tonnes in 2013 to 196,176 tonnes in 2014. The slowdown in growth was due to paperboard production lines operating at near full capacity and increased in self-consumption of paperboards for its downstream production.

Revenue from sales of paperboard products decreased from approximately RMB752.8 million for the year ended 31 December 2013 to approximately RMB734.9 million for the year ended 31 December 2014, at approximately 2.4%. The decrease was due to the Group's strategy to increase market share in the Fujian Province, the PRC by offering more competitive product prices to customers so that the average selling price of its paperboards lowered from RMB3,841 per tonne in 2013 to RMB3,746 per tonne in 2014.

In 2014, the Group increased the use of its paperboards in downstream productions to better control quality as well as to enhance its competitiveness through integration of production chain. The total quantities of self-produced (i) kraftlinerboard and (ii) high performance corrugated medium used in production of the Group's corrugated medium board and box products for the two years ended 31 December 2014 were (i) approximately 1,269 tonnes and 1,608 tonnes, and (ii) 426 tonnes and 938 tonnes respectively, representing an increase of approximately 26.7% for kraftlinerboard and 120.2% for high performance corrugated medium.

(ii) Corrugated medium boards and boxes

Revenue from sales of corrugated medium boards and boxes increased from approximately RMB127.3 million for the year ended 31 December 2013 to approximately RMB187.0 million for the year ended 31 December 2014, representing a year to year growth of approximately 46.9%, while sales volume grew by approximately 19,350,000 sq.m. or 58.9% as compared to the corresponding period in 2013. The growth was largely contributed by the increased sales efforts of the Group by building solid relationships with its existing customers and potential new customers.

(iii) Poker Cards

Revenue from sales of poker card products increased from approximately RMB144.5 million for the year ended 31 December 2013 to approximately RMB152.4 million for the year ended 31 December 2014, representing a growth of approximately 5.5% due to the growth in sales volume and average unit selling price. The sales volume of poker card products increased from approximately 167.8 million sets for the year ended 31 December 2013 to 171.2 million sets for the year ended 31 December 2014, representing a year-to-year growth of approximately 2.0%; whereas the average unit selling price increased by approximately 3.5% from approximately RMB86 cents per set for the year ended 31 December 2013 to RMB89 cents per set for the year ended 31 December 2014 due to the Group's launch of premium line of poker card products towards the end of 2014 at an average unit selling price of approximately RMB4.3 per set.

Gross profit and gross profit margin

The following is a breakdown of the gross profit and gross profit margin of the Group by products:

	For the year ended 31 December			
	2014		2013	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	RMB'000	***(%)***	*RMB'000*	*(%)*
Paperboards	**125,171**	**17.0**	125,764	16.7
Corrugated medium boards and boxes	**57,444**	**30.7**	41,224	32.4
Poker cards	**54,208**	**35.6**	50,309	34.8
Total	**236,823**	**22.0**	217,297	21.2

The gross profit increased by approximately RMB19.5 million or 9.0% from approximately RMB217.3 million for the year ended 31 December 2013 to approximately RMB236.8 million for the year ended 31 December 2014, while gross profit margin grew from 21.2% to 22.0% for the same period. The growth in gross profit margin was due to the increase in contribution from corrugated medium boards and boxes which commanded higher profit margin than paperboards. Segment gross profit margin remained relatively stable as the Group adopts cost plus pricing policy and tight control on costing.

(i) Paperboards

The gross profit of paperboard products decreased from approximately RMB125.8 million for the year ended 31 December 2013 to approximately RMB125.2 million for the year ended 31 December 2014, representing a decrease of approximately RMB0.6 million or 0.5%, whereas its gross profit margin slightly increased from 16.7% for the year ended 31 December 2013 to 17.0% for the year ended 31 December 2014. The growth in gross profit margin was due to the increase in percentage of contribution from white top lineboard, which has the highest gross profit margin among paperboard products.

(ii) Corrugated medium boards and boxes

The gross profit of corrugated medium boards and boxes increased from approximately RMB41.2 million for the year ended 31 December 2013 to approximately RMB57.4 million for the year ended 31 December 2014, representing an increase of approximately RMB16.2 million or 39.3%, whereas their gross profit margin slightly decreased from 32.4% for the year ended 31 December 2013 to 30.7% for the year ended 31 December 2014. During the year, the Group received larger sales orders for corrugated medium boards and boxes as a result of offering competitive prices, which allowed its production lines to operate more efficiently.

(iii) Poker cards

The gross profit of poker card products increased from RMB50.3 million for the year ended 31 December 2013 to approximately RMB54.2 million for the year ended 31 December 2014, representing an increase of approximately RMB3.9 million or 7.8%, whereas their gross profit margin increased from 34.8% for the year ended 31 December 2013 to 35.6% for the year ended 31 December 2014, the increase was attributable to the Group's launch of premium line of poker card products towards the end of 2014.

Distribution costs

The Group's distribution costs were RMB5.8 million, or 0.54% of revenue for the year ended 31 December 2014 compared to RMB 5.9 million or 0.58% for the year ended 31 December 2013. The slight decrease in distribution costs as a percentage of revenue was due to additional use of the Group's own truck fleet to reduce the use of third party logistic providers for product delivery during the year ended 31 December 2014.

Administrative expenses

The Group's administration expense was RMB37.3 million for the year ended 31 December 2014 compared to RMB22.6 million for the year ended 31 December 2013. It represented approximately 3.5% of revenue for the year ended 31 December 2014, which saw an increase when compared to 2.2% for the year ended 31 December 2013. The increase in administration expenses was primarily due to the inclusion of an one off listing expenses of RMB10.9 million in respect of the preparation for listing of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in June 2014 in the profit and loss account for the year ended 31 December 2014.

Finance costs

The Group's total cost of borrowing was RMB8.7 million for the year ended 31 December 2014 compared to RMB12.3 million for the year ended 31 December 2013. It represented approximately 0.8% of revenue for the year ended 31 December 2014, which had decreased when compared to 1.2% for the year ended 31 December 2013.

Income tax expense

Income tax expense increased by approximately RMB5.4 million or 11.2% from approximately RMB48.3 million for the year ended 31 December 2013 to approximately RMB53.7 million for the year ended 31 December 2014, which was primarily attributable to the increase in taxable profit generated from its operation activities.

The Group's effective tax rate slightly increased by approximately 1.5% from approximately 25.3% for the year ended 31 December 2013 to approximately 26.8% for the year ended 31 December 2014.

Profit for the year

Net profit for the year increased by approximately RMB4.1 million or 2.9%, from approximately RMB142.7 million for year ended 31 December 2013 to approximately RMB146.8 million for the year ended 31 December 2014. The net profit margin decreased slightly to 13.7% for year ended 31 December 2014 from 13.9% for year ended 31 December 2013 due to the listing expenses of RMB10.9 million incurred during the year. Excluding such listing expenses, the Group's net profit would increase by approximately RMB13.0 million or 8.9%, from approximately RMB144.7 million for year ended 31 December 2013 to approximately RMB157.7 million for the year ended 31 December 2014.

Inventories, debtors' and creditors' turnover

Inventories turnover days were approximately 26.2 days and 18.2 days for the two years ended 31 December 2014 respectively. The improvement in inventories turnover days was attributed to the Group's continuous effort to tighten control on inventory level.

The trade and bills payables turnover days were approximately 75.0 days and 59.1 days for the two years ended 31 December 2014 respectively. The decrease of 15.9 days from 2013 to 2014 was primarily attributable to shorter average credit period granted by the Group's new suppliers.

The trade and bills receivables turnover days were approximately 88.0 days and 80.0 days for the two years ended 31 December 2014 respectively. Trade and bills receivables turnover days also decreased by 8.0 days due to the Group's granting shorter average credit period to its customers to maintain stable operating cash flow.

Liquidity, Financial Resources and Capital Structure

The total shareholders' fund of the Group as at 31 December 2014 was RMB955.0 million (2013: RMB552.4 million). As at 31 December 2014, the Group had current assets of RMB938.5 million (2013: RMB458.7 million) and current liabilities of RMB310.5 million (2013: RMB244.1 million). The current ratio was 3.0 as at 31 December 2014 as compared to 1.9 at 31 December 2013. The significant increase in liquidity was due to the Company's public share offer in June 2014 raising net proceeds of approximately RMB256.1 million.

The Group's sources of capital primarily consist of cash generated from operating activities and borrowings from financial institutions from the PRC and Hong Kong. As at 31 December 2014, the Group had outstanding bank borrowings of RMB131.7 million (2013: RMB103.0 million). These banking facilities were secured against certain fixed assets held by the Group and corporate guarantee by the Company. As at 31 December 2014, the Group maintained cash and cash equivalent of RMB637.1 million (2013: RMB173.9 million). The Group's net debt-to-equity ratio (total borrowings net of cash and cash equivalents over shareholders' equity) decreased from –12.8% as at 31 December 2013 to –52.4% as at 31 December 2014 and the gearing ratio (total debt over total asset) had decreased from 18.6% as at 31 December 2013 to 13.8% as at 31 December 2014. The Group possesses sufficient cash and available banking facilities to meet its present commitments and working capital requirements.

The Group's transactions and the monetary assets are principally denominated in Renminbi and Hong Kong dollars. The Group had not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the year ended 31 December 2014.

Cost of Borrowing

The table below set out the ranges of effective interest rates of the Group's borrowings:

	As at 31 December	
	2014	2013
Variable-rate borrowings	**3.00%–8.10%**	3.40%–8.10%
Fixed-rate borrowings	**7.28%–7.56%**	4.30%–7.80%

All of the Group's bank loans were drawn for working capital purpose. The loans were 1 year short term loans and were secured against certain fixed assets of the Group.

Capital Commitment

The table below set out the Group's capital expenditure commitments mainly for the construction of factory building and the acquisition of production facilities:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Purchase of property, plant and equipment and prepaid land lease payments	**157,000**	1,765

Use of Net Proceeds from Listing

The Group has received net proceeds of approximately RMB256.1 million, after deducting underwriting fee and other related expenses, from the share offer in 2014. These proceeds will be applied in accordance with the proposed plans set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 16 June 2014.

The Group held the unutilised net proceeds in short-term deposits or time deposits with authorised financial institutions in the PRC as at 31 December 2014.

Employees

As at 31 December 2014, the Group had a total of about 671 employees. The total remuneration amounted to approximately RMB32.9 million during the year ended 31 December 2014. The remuneration levels of employees are commensurate with their qualifications, responsibilities, performance and contributions and in accordance with the recommendations of the Remuneration Committee (if applicable).

The Group has not experienced any significant problems with its employees or disruption to its operations due to labor disputes nor has it experience any difficulty in the recruitment and retention of experienced staff. The Group maintains good relationship with its employees.

Contingent Liabilities

As at 31 December 2014 and 31 December 2013, no contingent event was required to be disclosed by the Group.

Interim Dividend

The Board of Directors has resolved to pay an interim dividend of HK8.1 cents (equivalent to approximately RMB6.4 cents) per share (2013: nil) for the year ended 31 December 2014, to the shareholders whose names appear on the register of members of the Company on 10 April 2015. The interim dividend will be paid on or about 22 May 2015.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Zheng Dunmu, aged 47, is the chairman and an executive Director of the Company and one of the founders of the Group. Mr. Zheng has more than 20 years of management and operational experience in papermaking and packaging materials business. He is primarily responsible for the Group's strategic plan formulation as well as supervision of daily operation. Mr. Zheng is currently a standing committee member of Zhangzhou Changtai Committee of the Political Consultative Conference and a committee member of Fujian Committee of the Political Consultative Conference respectively. He has served as an executive committee member of Chinese Stationery & Sporting Goods Association and Changtai Federation of Industry and Commerce, and was formerly an executive committee member of Zhangzhou Federation of Industry and Commence. He was appointed as the consultant of Changtai Local Government for encouraging the foreign investment in 2005.

Mr. Zheng Dunqian, aged 43, an executive Director and the chief executive officer of the Company, is responsible for overseeing the operation of the Group's paperboard, corrugated medium board and box and poker card business. He has over 19 years of experience in the papermaking and packaging materials business. He assisted Mr. Zheng Dunmu to establish the Group in 2000 and was responsible for the sales and production operations until 2007. He rejoined the Group again in 2012. Mr. Zheng is actively involved in social affairs. He has served as the Honorable Chairman of the Changtai Culture Association since year 2012 and the Vice Chairman of the Changtai Federation of Returned Overseas since year 2011 respectively. He completed an EMBA at Central University of Finance and Economics, the PRC in 2004. He is a brother of Mr. Zheng Dunmu, the chairman and an executive Director of the Company, and is the brother-in-law of Mr. Chen Ruomao, an executive Director and the chief financial officer of the Company.

Mr. Chen Ruomao, aged 42, is an executive Director and the chief financial officer of the Company. He is responsible for overseeing the finance and operation matters of the Group as well as formulating internal accounting and reporting policy. He co-founded the Group with Mr. Zheng Dunmu in 2000. Prior to that, he worked in Changtai Branch of China Construction Bank as an accountant. He completed an Executive Training Program of Business Administration and Management in the Graduate School of Xiamen University, the PRC in 2007. He has over 17 years of experience in banking, finance and accounting through his previous employment with China Construction Bank and his time with the Group. Mr. Chen is the brother-in-law of Mr. Zheng Dunqian, an executive Director and the chief executive officer of the Company.

Independent Non-Executive Directors

Mr. Kwong Kwan Tong, aged 49, has been an independent non-executive Director of the Company since May 2013. He is currently the chief financial officer and company secretary of Weichai Power Co., Ltd, a company listed on the Stock Exchange and Shenzhen Stock Exchange. He is a fellow member of the Association of Chartered Certified Accountants, and an associate member of the Hong Kong Institute of Certified Public Accountants and the Chartered Institute of Management Accountants. Mr. Kwong has over 25 years of experience in accounting, auditing and financial control through his employment with various companies in Hong Kong and the PRC.

Mr. Ye Deshan, aged 42, has been an independent non-executive Director of the Company since May 2013. He graduated from Xiamen University with a bachelor degree in Business Administration in July 2004, and obtained a master degree in Business Administration from Xiamen University in 2007. Currently Mr. Ye is the Head of Haicang Station of Nan Chang Railway Bureau and has more than 21 years' working experience in the logistic industry.

Mr. Hu Zhenghui, aged 65, has been an independent non-executive Director of the Company since July 2013. He has over 13 years of management and administration experience in academia. He formerly held positions at Zhangzhou Normal University as deputy director of business administration faculty, deputy director of academic affairs and director of foreign language faculty. He also acted as professor for a post-graduate course on business language communication at Zhangzhou Normal University. Mr. Hu obtained a master degree in Theory of Curriculum and Teaching from Beijing Normal University and was awarded the title "Associate Professor" by Zhangzhou Normal University in 1999.

Senior Management

Mr. Jiang Da Can*, aged 38, is a deputy general manager of the Group responsible for the operation and management of poker card and high performance corrugated medium board and box production lines. He has over 19 years of management and operational experience in poker card and packaging material production. He joined the Group in November 2000.

Mr. Gao De Fa*, aged 51, is the deputy general manager of the Group responsible for the general operation and administration, environmental protection and human resources as well as supervision of its production infrastructure development. He has over 31 years of experience in handling the operation and development of coal-fired co-generation power plant. He joined the Group in January 2010 as a project manager of coal-fired co-generation power plant development project to coordinate the construction of stream and electricity supplies infrastructure. Prior to joining the Group, Mr. Gao was the head of a coal-fired co-generation power plant in a state-owned sugar production enterprise responsible for overseeing several sizable infrastructure and production plant construction projects. He graduated from Fujian Radio & TV University majoring in mechanics, and obtained professional qualification as an engineer awarded by Human Resources Bureau of Fujian Province in 1997.

Mr. Chou Ming-Yen, aged 62, joined the Group in 2007 and is the head of paperboard production line responsible for overseeing the operation of Group's paperboard production line. He has over 36 years of experience in paperboard production and sales. Prior to joining the Group, he had worked in a Taiwan listed company engaged in paper manufacturing for approximately 30 years.

Mr. Zheng Wen Bin*, aged 44, joined the Group in 2010 as a head of coal-fired co-generation power plant and is responsible for overseeing the daily operation and administration of the Group's coal-fired co-generation power plant. He has over 17 years of experience in stream and electricity generation industries. Mr. Zheng has received a diploma in Economics and Administration from Fujian Party School of the Communist Party of China in 2004.

Mr. Chen Qishi, aged 43, joined the Group in 2012. He is the secretary to the board of directors of Dunxin Paper Co., Ltd, a wholly owned subsidiary of the Company. Before joining the Group he had worked for two PRC companies engaged in waste paper trading as sales manager and general manager respectively. Moreover, he invested in a waste paper trading company in Hong Kong from 2007 to 2009.

* Denotes an English translation of a Chinese name and is for identification purposes only. If there is any inconsistency between the Chinese name and English translation, the Chinese version shall prevail.

Company Secretary

Mr. Lam Ho Keung, aged 35, joined the Group in 2012 as the company secretary. He is responsible for company secretarial and financial reporting matters of the Group, including preparation of financial reports and ensuring the Group's compliance with the Listing Rules and other statutory requirements. Mr. Lam has about 9 years of experience in finance and accounting and had worked in an international accounting firm prior to joining the Group. When acting as external auditor of listed companies, he gained experience in review and assessment of internal control system effectiveness of listed companies. Mr. Lam holds a Bachelor of Science degree from The Chinese University of Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants.

ENVIRONMENTAL AND SOCIAL GOVERNANCE REPORT

“Recycled resources, reflects livelihood”

In recent years, the PRC government has emphasized the importance of environmental protection development and strict environmental regulations have been imposed on numerous industries including the paper manufacturing industry. In the Group’s view, the government’s strict supervision will drive new standards, which is beneficial for both the economy and society.

The Group manufactures raw paper and other paper based products. It insists on using recycled waste paper as major raw material to reduce the negative impact on the environment, making it an environmental friendly enterprise.

This report illustrates how the Group has worked to achieve broader economic and social value, and highlights its active engagement in the communities to promote environmental sustainability and community development.

Workplace Quality

People are always the Group’s number one priority; it provides equal opportunity, flexible work arrangements, fair remuneration and benefits to its employees. The Group believes that provision of on-going training, sound working conditions and living environment will enhance the development of staff.

Health and safety

The Group's manufacturing process involves the operation of heavy machinery. In order to ensure safety in the workplace, the Group has built in safety design in its production lines and has fire prevention facilities such as fire engine in place.

In addition, various safety measures are adopted in its daily operations. The Group provides necessary work gears to workers including work clothes and helmets in accordance with strict national health standards.

Departmental heads will monitor safety compliances on a regular basis and report their findings to management.

Training is provided to new operators of machinery or equipment before commencement of service. For special machinery or equipment such as boiler and forklift truck which require licensed operators, the Group will recruit licensed staff or require such staff to pass the licensing examination before commencement of work. The Group ensures a high level of occupational health and safety awareness at all levels.

Development and training

The Group recognises the importance of having a team of well-trained employees. Other than the training provided to special machinery or equipment operators and initial training for new employees, the Group also conducts regular staff meetings on professional, operational and safety development at least once annually.

Both external and internal training programs are provided with the aim to provide update knowledge to employees so as to enhance their career development.

Living and working conditions

The Group aims to provide good living and working conditions for its employees.

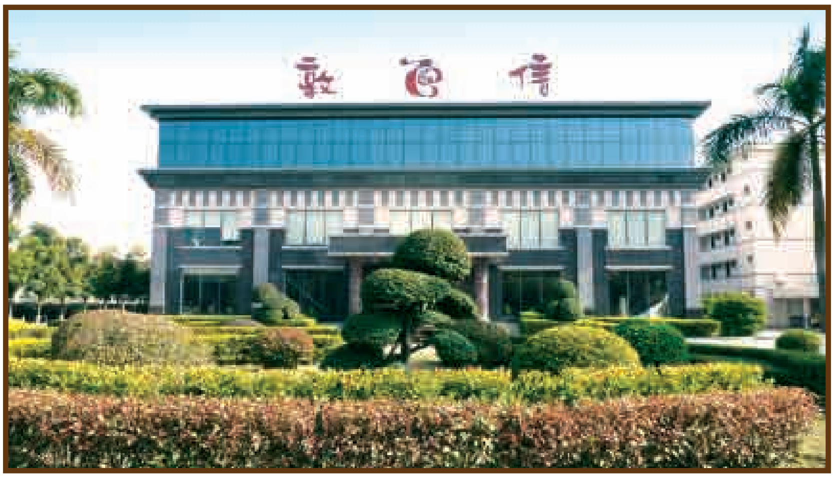
Village style dormitories are built on factory sites to provide a comfortable environment, because it understands many of its employees come from other parts of the country. Its housing complexes are well equipped with facilities which allow its employees to relax and enjoy after work.

The Group ensures that its employees are not over-worked by dividing its labor force into 3 shifts of approximately 8 hours a day including meal breaks, and providing adequate leaves and holidays.

The Group has strict policies against child labor. Its recruitment process screens and eliminates any possibilities of child labor. It has zero tolerance policy on child labor abuse, and any breach will be reported to the Board directly for immediate action.

Environmental Protection

"Environmental protection is related to everybody and every future generation comes after us, If we can take every step to sustain our environment, surely it will increase the chance of our survival."



Emissions monitoring and control, waste water treatment and use of natural resources

The Group takes pride on its sophisticated waste water treatment system to process and recycle waste water generated from the paper making process. The maximum capacity of waste water treatment system is approximately 10,000 cubic meters of waste water per day, which is sufficient to handle all the waste water produced by its Guanshan Production Plant. The system deploys a combination of biochemical and chemical technologies to purify waste water to an extent suitable for recycling in steam generation and system cooling purpose, enabling the Group to reduce overall water consumption. The Group's waster consumption level for each tonne of linerboard is approximately 13–15 tonnes, which is well below the standard of 25 tonnes of water for each tonne of paper as stipulated by the PRC authorities since May 2004.

Steam and electricity is crucial for the Group's paper making operation. The Group has operated its own coal-fired co-generation power plant since June 2011, with steam and electricity generation capacity per hour of approximately 75 tonnes and 6 mega watts respectively, which is capable of serving all the steam and over 95% of electricity needs of its Guanshan Productions Plant. The plant deploys steam and electricity generation until it reaches a suitable level for the drying process in paperboard production such that energy and cost efficiency is achieved. Thus, the power plant enables the Group to achieve energy and heat efficiency as the co-generation power plant can generate steam and electricity from a single fuel sources.

The Group established an compliance control committee in November 2012, consisting of the deputy general manager, the chief financial officer and the Company Secretary. One of their responsibilities is to monitor the daily emissions (including soot, SO_2, NO_x, waste water and organic pollutants) from production at both the Guanshan and Yanxi production plants. They are required to report their findings to the Board on a monthly basis to discuss the emission levels of the Group and ways to reduce such emissions. The Audit Committee reviews the documents on a half yearly basis on whether the Group has complied with the government's emission requirements and the Group's emission policies, as well as making suggestions on such policies.

Operating practices

Anti-corruption

The Group prioritizes the integrity of its management and staffs with utmost importance. Anti-corruption policies are stipulated in both the operational management manual and compliance manual. Any updates will be circulated amongst all employees on a timely basis, and the anti-corruption policies are also communicated to employees during training on an annual basis.

As at 31 December 2014, the Group was not involved in any legal proceedings relating to corruption.

Community involvement

There is no Group-wide formal policy on community involvement and management may make their own decision on these matters.

As at 31 December 2014, the Company had committed HK$1,000,000 (approximately RMB792,000) to The Community Chest of Hong Kong, and received its Platinum Award for 2014/2015 Corporate & Employee Contribution Programme Honours List.

CORPORATE GOVERNANCE REPORT

Introduction

The Directors of the Company (the "Board") are pleased to present the corporate governance report for the year ended 31 December 2014. The Company is committed to maintaining high standard corporate governance practices The Board believes that good corporate governance is beneficial for maintaining close and trustful relationships with the Group's employees, business partners, shareholders and investors.

Compliance with the Corporate Governance Code

From 26 June 2014 (the date of commencement of dealings in shares of the Company on the Stock Exchange) to 31 December 2014 (the "Relevant Period"), the Company had complied with the code provisions in the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules (the "Code").

Compliance with the Model Code for Securities Transaction by Directors

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct regarding Director's securities transactions. Having made specific enquiries to each Director of the Company, all Directors confirmed that during the Relevant Period, they had complied with the requirements as set out in the Model Code. Senior management who, because of their position in the Company, are likely to be in possession of inside information have been requested to comply with the provisions of the Model Code as well.

Board of Directors

Composition and Role

The Board currently comprises the following Directors:

Executive Directors

Mr. Zheng Dunmu *(Chairman)*
Mr. Zheng Dunqian *(Chief Executive Officer)*
Mr. Chen Ruomao

Independent Non-executive Directors

Mr. Kwong Kwan Tong
Mr. Ye Deshan
Mr. Hu Zhenghui

The Company is governed by the Board which has the responsibility for leadership and control of the Company. The Directors are collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board set strategies and directions for the Group's activities with a view to develop its business and to enhance shareholder value.

The independent non-executive Directors also serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. Pursuant to Rule 3.13 of the Listing Rules, the Company has received a written confirmation from each independent non-executive Director of his independence to the Company. The Company has assessed the independence and considers all of the independent non-executive Directors are independent based on the independence criteria in accordance with the requirements of the Listing Rules, their non-involvement in the daily operation and management of the Group and the absence of any relationships which will interfere with the exercise of their independent judgment.

During the year, the following meetings were held and the individual attendance of each Director is set out below:

	Board	Audit Committee	Remuneration Committee	Nomination Committee	General meeting
Executive Directors					
Mr. Zheng Dunmu* *(Chairman)*	7/7	3/3	1/1	1/1	1/1
Mr. Zheng Dunqian* *(Chief Executive Officer)*	7/7	3/3	1/1	1/1	1/1
Mr. Chen Ruomao* *(Chief Financial Officer)*	7/7	3/3	1/1	1/1	1/1
Independent Non-Executive Directors					
Mr. Kwong Kwan Tong	4/7	3/3	1/1	1/1	1/1
Mr. Ye Deshan	4/7	3/3	1/1	1/1	1/1
Mr. Hu Zhenghui	4/7	3/3	1/1	1/1	1/1

* Mr. Zheng Dunmu and Mr. Zheng Dunqian are brothers. Mr. Chen Ruomao is the brother-in-law of Mr. Zheng Dunqian.

Each newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his appointment to ensure proper understanding of the business and operations of the Company, and his responsibilities and obligations as Director under the Listing Rules and relevant statutory requirements.

The Directors acknowledge the need to continue to develop and refresh their knowledge and skills for making contributions to the Company.

A summary of Director's and Company Secretary's participation in the Director's training program and other external training for the year ended 31 December 2014 is as follows:

	Attend seminars/ briefings/ training sessions	**Reading regulatory updates**
Executive Directors		
Mr. Zheng Dunmu *(Chairman)*	✓	✓
Mr. Zheng Dunqian *(Chief Executive Officer)*	✓	✓
Mr. Chen Ruomao *(Chief Financial Officer)*	✓	✓
Independent Non-Executive Directors		
Mr. Kwong Kwan Tong	✓	✓
Mr. Ye Deshan	✓	✓
Mr. Hu Zhenghui	✓	✓
Company Secretary		
Mr. Lam Ho Keung	✓	✓

Chairman and Chief Executive

The roles of the Chairman and Chief Executive of the Company are separated, with a clear division of responsibilities.

The Chairman is responsible for the leadership of the Board, ensuring its effectiveness in all aspects of its role and for setting its agenda and taking into account any matters proposed by other directors for inclusion in the agenda. Through the Board, he is responsible for ensuring that good corporate governance practices and procedures are followed by the Group.

The Chief Executive is responsible for the day-to-day management of the Group's business.

Independent non-executive Directors

The independent non-executive Directors, namely Mr. Kwong Kwan Tong, Mr. Ye Deshan and Mr. Hu Zhenghui, entered into appointment letters dated 15 May 2013, 15 May 2013 and 9 July 2013, respectively with the Company for a term of three years from the respective dates of their appointment letters.

Corporate governance functions

The Board has adopted terms of reference for corporate governance functions set out in the Code and is responsible for performing the corporate governance duties set out therein.

Audit Committee

The Audit Committee is accountable to the Board and assists the Board to ensure an effective and adequate system is in place for internal controls and for meeting its external financial reporting obligations and compliance with other legal and regulatory requirements. The Audit Committee also reviews and monitors the scope and effectiveness of external auditors.

The Audit Committee comprises of three independent non-executives Directors, namely Mr. Kwong Kwan Tong, Mr. Ye Deshan and Mr. Hu Zhenghui. Mr. Kwong Kwan Tong is the chairman of the Audit Committee. He has profound financial experience, and is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants and the Chartered Institute of Management Accountants.

The Audit Committee meets at least two times each year with the purpose of monitoring the integrity of the Company's financial statements and to consider the nature and scope of external audit. The Audit Committee, together with the Company's external auditor, has reviewed the accounting principles and practices adopted by the Company and discussed all significant aspects involving internal control procedures, compliance controls and financial matters including the review of the Company's audited financial statements for the year ended 31 December 2014.

The Audit Committee is governed by its terms of reference approved and adopted on 15 May 2013 pursuant to a resolution passed by the Board at its meeting for the establishment of the Audit Committee. The terms of reference are available on the websites of the Company and the Stock Exchange.

The work performed by the Audit Committee during 2014 included consideration of the following matters:

- integrity, completeness and accuracy of the 2014 annual and interim financial statements;
- developments in accounting standards and the effect on the Company;
- the Company's financial controls, internal control and risk management systems;
- the Company's compliance with statutory and regulatory requirements including but not limited to the Listing Rules;
- external auditor's audit plan, auditor's management letter and engagement letter; and
- external auditor's remuneration for year 2014.

The Audit Committee recommended to the Board that, subject to shareholders' approval at the forthcoming annual general meeting, Messers. Martin C. K. Pong & Company be re-appointed as the Company's external auditor for 2015.

Remuneration Committee

The Remuneration Committee of the Company comprises of three independent non-executive directors, namely Mr. Ye Deshan, Mr. Hu Zhenghui and Mr. Kwong Kwan Tong. Mr. Ye Deshan is the chairman of the Remuneration Committee.

The primary functions of the Remuneration Committee are to make recommendations to the Board on the remuneration policy of the Directors and senior management and to determine on behalf of the Board specific remuneration packages and conditions that will retain and motivate high-caliber staff to reinforce the success of the Company and create value for our shareholders.

The work performed by the Remuneration Committee during 2014 included the following:

- review remuneration policy and the levels of remuneration paid to the Directors and senior management of the Group with reference to the Board's corporate goals and objectives;
- review the framework for determining the remuneration package; and
- assessment of the performance of executive Directors.

The Remuneration Committee is governed by its terms of reference approved and adopted on 15 May 2013. The terms of reference are available on the websites of the Company and the Stock Exchange.

Nomination Committee

The Nomination Committee of the Company comprises of three independent non-executive directors, namely Mr. Hu Zhenghui, Mr. Ye Deshan and Mr. Kwong Kwan Tong. Mr. Hu Zhenghui is the chairman of the Nomination Committee.

The Nomination Committee was established on 15 May 2013. It has the responsibility of reviewing and making recommendations on the composition of the Board, making recommendations on the selection of individuals nominated for directorship and senior management staff, assessing the independence of independent non-executive directors, reviewing the Board Diversity Policy against the Code and making recommendation on the appointment or re-appointment of Directors.

The work performed by the Nomination Committee during 2014 included the following:

- review and supervise the structure, size, composition and diversity of the Board;
- assess the independence of the independent non-executive Directors; and
- make recommendations to the Board on the appointment, re-appointment and succession planning of Directors, and any proposed change to the Board to implement the Company's corporate strategy.

The Nomination Committee is governed by its terms of reference approved and adopted on 15 May 2013 and revised on 26 October 2013. The terms of reference are available on the websites of the Company and the Stock Exchange.

During the year, no candidate had been recommended for directorship.

Board Diversity Policy

The Board Diversity Policy was approved an adopted by the Board on 26 October 2013.

The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance, and sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and sustainable development.

The policy requires appointment of Directors based on a range of diversity perspectives, which would include but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, in order to maintain an appropriate mix and balance of talents on the Board. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee will review the Board Diversity Policy as appropriate to ensure the effectiveness of the same. It will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval. It will also monitor the implementation of the Board Diversity Policy. The Company reviewed the criteria sets out in the Board Diversity Policy and considers that the current composition of the Board is adequately diverse in terms of professional background and skills.

Company Secretary

The position of Company Secretary is held by Mr. Lam Ho Keung, a member of the Hong Kong Institute of Certified Public Accountants and an employee of the Company. The Company Secretary is responsible to the Board and reports to the chairman of the Company and the Board from time to time. All Directors have access to the advice and services of the Company Secretary to ensure that board procedures, and all applicable laws, rules and regulations are complied with.

Mr. Lam Ho Keung has taken no less than 15 hours of relevant professional training during the year 2014. He has fulfilled the requirement during the year under review.

Directors' and Officers' Insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

Accountability and Aduit

Financial Reporting

The Board aims to present a balance, clear and understandable assessment in annual and interim reports, inside information announcements and other financial disclosures required under the Listing Rules and other regulatory requirements.

The Directors have acknowledged their responsibility for the preparation of the accounts for each financial period which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that period.

The statement by the auditor of the Company regarding its reporting responsibilities on the financial statement of the Group is set out in the "Independent Auditor's Report" on pages 41 to 42.

The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. Hence the Board has decided that it is appropriate to prepare the financial statements on a going concern basis.

The Company Secretary provides the Board with sufficient explanation and information, such as the Group's major business activities and key financial information, to enable the Board to make an informed assessment of the financial information and position of the Company put before the Board for approval.

Internal Control and Risk Management

The Board is responsible for ensuring that an effective internal control and risk system is maintained within the Group. The Directors acknowledge their responsibility to establish, maintain and review from time to time the effectiveness of the Group's system of internal controls.

The Group adopts internal control policies and procedures relating to business, financial, compliance, operational and other risks, with the following objectives:

- safeguarding the Group's assets from inappropriate use or from loss and fraud, and ensuring that liabilities are identified and managed;
- maintaining proper records and processes that generate a flow of timely relevant and reliable information from within and outside the Group, to help ensure the quality of internal and external reporting; and
- ensuring compliance with applicable laws and regulations, and also with internal policies with respect to the conduct of business.

The Group set up a compliance monitoring committee in November 2012 comprising of Mr. Chen Ruomao, Mr. Lam Ho Keung and Mr. Gao De Fa. The responsibilities of the compliance monitoring committee include but are not limited to:

- update the operational management manual on a regular basis;
- identify business, financial, compliance and operational risks and analyzing such risks which may impede the achievement of the Company's objectives;
- review, design and strengthen internal control measures and risk management over appropriate areas; and
- report the effectiveness of the internal control operations and/or material findings to the Board on a monthly basis and the Audit Committee on a semi-annual basis for review.

External auditors will also report on the Group's internal control and accounting procedures which have come to their attention during the course of audit.

During the year under review, the Directors, through the Audit Committee, had reviewed the effectiveness of the Group's internal control system covering all controls, including financial, operational and compliance controls and risk management functions. In particular, such review has considered the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget. No critical issues had been identified.

Auditor's Remuneration

For the year ended 31 December 2014, the fees payable to the Company's external auditor in respect of audit and non-audit services provided to the Company and its subsidiaries were as follows, as compared with HK$1,335,000 in the previous year:

	HK$'000
Audit Service	1,915
Non-audit services (including tax matters, review and other reporting services)	400
	2,315

Compliance Adviser

Pursuant to the compliance adviser agreement entered into with the Company, Kingsway Capital Limited acts as the Company's compliance adviser for the period from the listing date to the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of the Company's financial results for the year ending 31 December 2015.

Pursuant to Rule 3A.23 of the Listing Rules, Kingsway Capital Limited will advise on the following circumstances:

- the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- where the Company proposes to use the proceeds of the initial public offering in a manner different from that detailed in the listing document or where the business activities, developments or results of the Company deviate from any forecast, estimate, or other information in the Prospectus; and
- where the Stock Exchange makes an inquiry of the Company regarding unusual movements in the price or trading volume of the securities of the Company.

Communication with Shareholders and Investors

The Company endeavors to uphold a high level of corporate transparency. Keeping shareholders, investors, analysts, bankers and other stakeholders informed of our corporate strategies, and business operations has been one of the key objectives of our investor relations plan.

The Board is committed to providing clear and full information about the Group's performance to shareholders through the publication of announcements on interim results and annual results in a timely manner. In addition to dispatching circulars, notices and financial reports to shareholders, information is also available to shareholders on the Company's website at www.dxwj.com and the Stock Exchange's website at www.hkex.com.hk.

General meetings of the Company provide excellent opportunities for communication between the Board and the shareholders. In addition to the general meetings, press conference and analysts briefings may be held subsequent to the interim and final results announcements in which the Directors and the management are available to answer questions about the Group.

Annual General Meeting

The annual general meeting provides a useful forum for shareholders to raise comments and exchange views with the Board. Shareholders are encouraged to attend general meetings for which the Company gives at least 20 clear business days' notice. The chairman of the Company and Directors and external auditors are available to answer questions on matters regarding the Company's business at the meeting.

Voting by Poll

Separate resolutions will be proposed at general meetings on each substantially separate issue, including the election of individual Directors. Voting at general meeting will be taken by poll (except resolution which relates purely to a procedural or administrative matter may be voted on a show of hand). The chairman of the meeting would explain the voting procedure and answer any questions from the shareholders regarding voting in poll in the annual general meeting. The poll voting results will be published on the websites of the Company and the Stock Exchange on the same day after the annual general meeting.

Shareholders' Rights

Pursuant to article 58 of the Company's Articles of Association, any one or more Shareholders holdings at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board of the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, Shareholders may hold the extraordinary general meeting, and all reasonable expenses incurred by the Shareholders as a result of the failure of the Board shall be reimbursed to the Shareholders by the Company.

An up-to-date version of the Company's Memorandum and Articles of Association is available on the websites of the Company and the Stock Exchange.

Shareholders' Enquires

- Shareholders should direct their questions about their shareholdings to the Company's Hong Kong Share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

- Shareholders may make enquires to the Board in writing to the Company Secretary at the principal office of the Company in Hong Kong at Office No. 3, 13th Floor, Boss Commercial Centre, No. 28 Ferry Street, Kowloon, Hong Kong, by email to lhq@dxzy.cc or by fax to (852) 3586 3801.

DIRECTORS' REPORT

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2014.

Principal activities

The principal activity of the Company is investment holding. The principal activities of its subsidiaries consist of the manufacturing of a broad variety of upstream packaging paperboard products (including white top linerboard, kraftlinerboard and high performance corrugated medium), as well as downstream products comprise of corrugated medium boards and boxes and poker cards.

Results and dividends

The Company's profit for the year ended 31 December 2014 and its state of affairs at that date are set out in the accompanying financial statements on pages 43 to 96.

The Directors of the Company have resolved to pay an interim dividend of HK8.1 cents (equivalent to RMB6.4 cents) per share for the year ended 31 December 2014 to shareholders on the register of members on 10 April 2015, amounting to approximately HK$80,416,800 (equivalent to RMB63,539,200) in aggregate.

Financial summary

A summary of the consolidated results and of the assets and liabilities of the Group for the last five financial years is set out on page 4.

Property, plant and equipment

Details of movements in the property, plant and equipment and investment properties of the Group during the year are set out in notes 17 and 18 respectively to the consolidated financial statements.

Share capital

Details of movements in the share capital of the Company during the year are set out in note 28 to the consolidated financial statement.

Distributable reserves of the Company

The Company's reserves available for distribution to shareholders as at 31 December 2014 amounted to approximately RMB237 million (31 December 2013: Nil).

Directors

The Directors during the year ended 31 December 2014 and up to the date of this annual report are as follows:

Executive Directors

Mr. Zheng Dunmu *(Chairman)*
Mr. Zheng Dunqian
Mr. Chen Ruomao

Independent Non-executive Directors

Mr. Kwong Kwan Tong
Mr. Ye Deshan
Mr. Hu Zhenghui

In accordance with Article 84(1) of the Articles of Association of the Company, Mr. Zheng Dunqian and Mr. Chen Ruomao shall retire from office as Directors by rotation and, being eligible, offer themselves for re-election at the annual general meeting.

Directors' service contracts

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Details of the remuneration paid by the Group to the Directors and the senior management of the Group for the year ended 31 December 2014 are set out in note 12 to the consolidated financial statements.

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business were entered into or existed during the year ended 31 December 2014.

Interests and short positions of the directors or chief executive in the shares, underlying shares and debentures of the Company and its associated corporations

As at 31 December 2014, the interests of the Directors and chief executives of the Company in the shares of the Company as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Name	Capacity	Number of shares held	Approximate percentage of shareholding interest
Zheng Dunmu *(Note)*	Interest of controlled corporations	558,450,000	56.25%

Note: 483,990,000 shares, 37,230,000 shares and 37,230,000 shares respectively are owned by Pure Sheen Limited, Radiant Path Limited and Radiant Prestige Limited, all of which are wholly-owned by Mr. Zheng Dunmu, an executive Director of the Company. Accordingly, he is deemed to be interested in these shares pursuant to the SFO. He is also the sole director of these companies.

Saved as disclosed above, as at 31 December 2014, no Directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests and short positions of substantial shareholders in the shares of the Company

As at 31 December 2014, the persons, not being Directors or chief executive of the Company, who had interests in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO are set out below:

Name	Capacity	Number of Shares held	Approximate percentage of shareholding interest
Pure Sheen Limited[1]	Beneficial owner	483,990,000	48.75%
Gang Bo Limited[2]	Beneficial owner	117,646,800	11.85%
Mr. Kung Kin Mang[2]	Corporate interest	117,646,800	11.85%

Notes:

1. Pure Sheen Limited is wholly-owned by Mr. Zheng Dunmu, an executive Director of the Company.

2. Gang Bo Limited is wholly-owned by Mr. Kung Kin Mang.

Saved as the disclosed above, as at 31 December 2014, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company.

Purchase, sale or redemption of the Company's listed securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2014.

Arrangements to purchase shares or debentures

At no time during the year ended 31 December 2014 was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Connected transactions

There was no connected transaction or continuing connect transaction between the Group and its connected persons (as defined under the Listing Rules) which were subject to the reporting, announcement and the independent shareholders' approval requirement under the Listing Rules for the year ended 31 December 2014.

Emolument policy

The Group remunerates its employees based on their performance, experience and prevailing market rate. Other employee benefits including insurance and medical cover are also provided.

The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

Remuneration of directors and senior management

Details of the remuneration paid by the Group to the Directors of the Company and the senior management of the Group for the year ended 31 December 2014 are set out in note 12 to the consolidated financial statement.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Memorandum and Articles of Association of the Company or the Companies Law of the Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

Sufficiency of public float

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float under the Listing Rules.

Donations

During the year ended 31 December 2014, the Group made charitable donations amounting to RMB792,000 (HK$1,000,000).

Major customers and suppliers

During the year, the aggregate purchases attributable to the Group's five largest suppliers were approximately 65% of the Group's total purchases and the purchases attributable to the Group's largest supplier was approximately 20% of the total purchases.

The aggregate sales during the year attributable to the Group's five largest customers were approximately 18% of the Group's total sales and the sales attributable to the Group's largest customer was approximately 4% of the total sales.

The Group is committed to ensure that its sales and purchases are not concentrated on any customers and suppliers, and that its sales and purchases are at fair market prices.

None of the Directors, their associates or any Shareholders which, to the knowledge of the Directors, owned more than 5% of the Company's issued Share capital, had any interest in the share capital of any of the Group's five largest customers or suppliers.

Events after the reporting period

Details of significant events occurring after the reporting period are set out in note 37 to the consolidated financial statements.

Auditors

A resolution will be proposed at the annual general meeting to re-appoint Messrs. Martin C.K. Pong & Company as auditors of the Company.

By order of the Board

Zheng Dunmu
Chairman

Hong Kong, 13 March 2015

INDEPENDENT AUDITOR'S REPORT

龐志鈞會計師行
Martin C. K. Pong &Company

To the Shareholders of
Changgang Dunxin Enterprise Company Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Changgang Dunxin Enterprise Company Limited (the "Company") and its subsidiaries (together "the Group") set out on pages 43 to 96, which comprise the consolidated and company statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the 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 Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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 judgment, 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.

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 2014 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Martin C.K. Pong & Company
Certified Public Accountants

Hong Kong
13 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Revenue	8	**1,074,206**	1,024,623
Cost of sales		**(837,383)**	(807,326)
Gross profit		**236,823**	217,297
Other income	9	**15,500**	14,544
Distribution costs		**(5,842)**	(5,897)
Administrative expenses		**(37,263)**	(22,589)
Finance costs	10	**(8,734)**	(12,315)
Profit before tax	11	**200,484**	191,040
Income tax expense	14	**(53,708)**	(48,339)
Profit for the year		**146,776**	142,701
Attributable to:			
Owners of the Company		**146,776**	142,701
Earnings per share attributable to ordinary equity holders of Company			
Basic and diluted	16	**RMB17 cents**	RMB19 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014 *RMB'000*	2013 *RMB'000*
Profit for the year	**146,776**	142,701
Other comprehensive income		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(321)**	18
Other comprehensive income for the year, net of tax	**(321)**	18
Total comprehensive income for the year	**146,455**	142,719
Attributable to:		
Owners of the Company	**146,455**	142,719

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Non-current Assets			
Property, plant and equipment	*17*	**292,432**	308,997
Investment properties	*18*	**4,376**	4,789
Prepaid land lease payments	*19*	**21,646**	22,179
Deposits for prepaid land lease payments and items of property, plant and equipment		**8,581**	1,815
		327,035	337,780
Current Assets			
Inventories	*21*	**39,375**	44,109
Trade receivables	*22*	**242,404**	228,533
Prepayments and other receivables	*23*	**473**	2,756
Pledged bank deposits	*24*	**24,242**	9,380
Cash and cash equivalents	*24*	**631,963**	173,944
		938,457	458,722
Current Liabilities			
Trade and bills payables	*25*	**155,543**	115,612
Other payables and accruals	*26*	**8,506**	12,556
Interest bearing bank borrowings	*27*	**131,707**	103,000
Income tax payable		**14,706**	12,885
		310,462	244,053
Net Current Assets		**627,995**	214,669
Net Assets		**955,030**	552,449

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	28	7,891	—
Reserves		947,139	552,449
Total Equity		955,030	552,449

Approved and authorised for issue by the board of directors on 13 March 2015.

Zheng Dunmu
Chairman

Chen Ruomao
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

		Attributable to owners of the Company						
	Notes	Share capital *RMB'000*	Share premium account *RMB'000* *(note 29)*	Capital reserve *RMB'000* *(note 29)*	Statutory surplus reserve *RMB'000*	Translation reserve *RMB'000*	Retained profits *RMB'000*	Total equity *RMB'000*
At 1 January 2013		—	—	90,001	48,343	1	271,385	409,730
Profit for the year		—	—	—	—	—	142,701	142,701
Other comprehensive income for the year:								
Exchange differences on translation of foreign operations		—	—	—	—	18	—	18
Total comprehensive income for the year		—	—	—	—	18	142,701	142,719
At 31 December 2013 and 1 January 2014		—	—	90,001	48,343	19	414,086	552,449
Profit for the year		**—**	**—**	**—**	**—**	**—**	**146,776**	**146,776**
Other comprehensive income for the year:								
Exchange differences on translation of foreign operations		**—**	**—**	**—**	**—**	**(321)**	**—**	**(321)**
Total comprehensive income for the year		**—**	**—**	**—**	**—**	**(321)**	**146,766**	**146,455**
Placing and public offer of new shares	*28*	**1,973**	**274,204**	**—**	**—**	**—**	**—**	**276,177**
Capitalisation Issue	*28*	**5,918**	**(5,918)**	**—**	**—**	**—**	**—**	**—**
Shares issue expenses	*28*	**—**	**(20,051)**	**—**	**—**	**—**	**—**	**(20,051)**
Appropriation to statutory surplus reserve		**—**		**—**	**16,060**	**—**	**(16,060)**	**—**
At 31 December 2014		**7,891**	**248,235**	**90,001**	**64,403**	**(302)**	**544,802**	**955,030**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Cash flows from operating activities			
Profit before tax		200,484	191,040
Adjustments for:			
Depreciation and amortisation		39,083	26,117
Interest income		(1,594)	(1,097)
Interest expenses		7,791	11,452
		245,764	227,512
Decrease in inventories		4,734	27,883
(Increase)/decrease in trade receivables		(13,871)	36,980
Decrease/(increase) in prepayments and other receivables		2,283	(248)
Increase/(decrease) in trade and bills payables		39,931	(100,669)
Decrease in other payables and accruals		(4,050)	(1,132)
Cash generated from operations		274,791	190,326
Income taxes paid		(51,887)	(50,574)
Net cash from operating activities		222,904	139,752
Cash flows from investing activities			
Purchases of items of property, plant and equipment		(21,572)	(162,130)
Payment to acquire land use rights		—	(5,700)
Deposits paid for land use right and property, plant and equipment		(6,766)	(1,815)
(Increase)/decrease in pledged bank deposits		(14,862)	1,220
Interest received		1,594	1,097
Net cash used in investing activities		(41,606)	(167,328)
Cash flows from financing activities			
Interest paid		(7,791)	(11,452)
Proceeds from placing and public offer of new shares	28	276,177	—
Shares issue expenses	28	(20,051)	—
Proceeds from new bank borrowings		190,225	139,956
Repayment of bank borrowings		(161,831)	(186,059)
Net cash from/(used in) financing activities		276,729	(57,555)
Net increase/(decrease) in cash and cash equivalents		458,027	(85,131)
Cash and cash equivalents, at beginning of year		173,944	259,057
Effect on foreign exchange rate changes		(8)	18
Cash and cash equivalents, at end of the year	24	631,963	173,944

STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Non-current Asset			
Investment in a subsidiary	20	247,678	–
Current Asset			
Prepayments and other receivables	23	187	–
Current Liability			
Other payables and accruals	26	3,850	–
Net Current Liabilities		(3,663)	–
Net Assets		244,015	–
EQUITY			
Share capital	28	7,891	–
Reserves	29	236,124	–
Total Equity		244,015	–

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate Information

Changgang Dunxin Enterprise Company Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's registered office address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under the Companies Ordinance and the principal place of business in Hong Kong registered is at Office No. 3, 13th Floor, Boss Commercial Centre, No. 28 Ferry Street, Kowloon, Hong Kong.

The Company is an investment holding company. During the year, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the production and sale of paperboards, corrugated medium boards and boxes and poker cards in the People's Republic of China (the "PRC").

Pursuant to a group reorganisation (the "Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group on 29 May 2014. Details of the Reorganisation are set out in the prospectus of the Company dated 16 June 2014 (the "Prospectus").

The shares of the Company were listed on the Main Board of the Stock Exchange on 26 June 2014.

In the opinion of the directors of the Company, the parent and ultimate holding company of the Company is Pure Sheen Limited which is incorporated in the British Virgin Islands (the "BVI").

2. Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

These financial statements have been prepared under the historical cost convention and are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of presentation

Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 29 May 2014. As the Reorganisation is undertaken to incorporate the Company as a holding company, the Group is a continuation of the existing group. The companies now comprising the Group were under common control of the controlling shareholders before and after the Reorganisation. Accordingly, the financial statements of the Group have been prepared by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the reporting period.

2. Basis of Preparation (Continued)

Basis of presentation (Continued)

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows have been prepared as if the current group structure had been in existence throughout the reporting period. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

As explained above, the acquisition of the subsidiary under common control has been accounted for using the merger accounting.

The merger accounting involves incorporating the financial statement items of the consolidating entities or businesses in which the common control consolidation occurs as if they had been consolidated from the date when the consolidating entities or businesses first came under the control of the controlling party. The net assets of the consolidating entities or businesses are consolidated using the existing book value. No amount is recognised in respect of goodwill or the excess of the acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control consolidation.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3. Application of New and Revised HKFRSs

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2014. The adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

4. Issued But Not Yet Effective HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

		Effective for annual periods beginning on or after
HKFRS 9	*Financial Instruments*	1 January 2018
HKFRS 10 and HKAS 28 (2011) (Amendments)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2016
HKFRS 10, 12 and HKAS 28 (2011) (Amendments)	*Investment Entities: Applying the Consolidation Exception*	1 January 2016
HKFRS 11 (Amendments)	*Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
HKFRS 14	*Regulatory Deferral Accounts*	1 January 2016
HKFRS 15	*Revenue from Contracts with Customers*	1 January 2017
HKAS 1 (Amendments)	*Disclosure Initiative*	1 January 2016
HKAS 16 and HKAS 38 (Amendments)	*Clarification of Acceptable Methods of Depreciation*	1 January 2016
HKAS 16 and HKAS 41 (Amendments)	*Agriculture: Bearer Plants*	1 January 2016
HKAS 19 (Amendments)	*Defined Benefit Plans: Employee Contributions*	1 July 2014
HKAS 27 (2011) (Amendments)	*Equity Method in Separate Financial Statements*	1 January 2016
HKFRSs (Amendments)	*Annual Improvements HKFRSs 2010–2012 Cycle*	1 July 2014
HKFRSs (Amendments)	*Annual Improvements HKFRSs 2011–2013 Cycle*	1 July 2014
HKFRSs (Amendments)	*Annual Improvements HKFRSs 2012–2014 Cycle*	1 January 2016

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed whether these new and revised HKFRSs would have any significant impact on its results of operations and financial position.

5. Summary of Significant Accounting Policies

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

5. Summary of Significant Accounting Policies (Continued)

Fair value measurement (Continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises (only if there are revalued assets in the financial statements), unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

5. Summary of Significant Accounting Policies (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	5% to 14%
Plant and machinery	10% to 20%
Office equipment	20%
Power supply equipment	10%
Motor vehicles	20% to 50%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

5. Summary of Significant Accounting Policies (Continued)

Investment properties

Investment properties are properties held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over the shorter of unexpired lease terms and their expected economic useful lives of 20 years and after taking into account their estimated residual values, using the straight-line method.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Transfers between investment property and owner-occupied property do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes when the Group measures investment property using the cost model.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

5. Summary of Significant Accounting Policies (Continued)

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and cash equivalents and trade and other receivables, which are classified as loans and receivables.

Subsequent measurement of loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

5. Summary of Significant Accounting Policies (Continued)

Derecognition of financial assets (Continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

5. Summary of Significant Accounting Policies (Continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, an amount due to the ultimate holding company, derivative financial instruments and interest-bearing bank and other borrowings, which are classified as loans and borrowings.

Subsequent measurement of loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

5. Summary of Significant Accounting Policies (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

5. Summary of Significant Accounting Policies (Continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) rental income, on a time proportion basis over the lease terms;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(d) dividend income, when the shareholders' right to receive payment has been established.

Employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute 5% of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., 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. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

5. Summary of Significant Accounting Policies (Continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

5. Summary of Significant Accounting Policies (Continued)

Income tax (Continued)

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

5. Summary of Significant Accounting Policies (Continued)

Foreign currencies

These financial statements are presented in RMB, which is the Group's presentation currency. The functional currency of the Company is Hong Kong dollars ("HK$") while RMB is used as the presentation currency of the financial statements of the Company for the purpose of aligning with the presentation currency of the Group. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of certain subsidiaries that the functional currencies of such subsidiaries are currencies other than RMB which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

5. Summary of Significant Accounting Policies (Continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and 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 Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group 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;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (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).

6. Significant Accounting Judgments and Estimates

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Revenue recognition

The Group recognised revenue from the sales of goods when the significant risks and rewards of ownership have been transferred to the buyer. As the delivery term of sales contracts is general, management's judgment is required in assessing the time of transfer of risks and rewards of ownership. The management has concluded that the risk and reward is transferred when the goods are delivered to the buyers' designated places or transporters.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the 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 described below.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

6. Significant Accounting Judgments and Estimates (Continued)

Estimation uncertainty (Continued)

Impairment of loans and receivables

The provision policy for doubtful debts of the Group is based on the ongoing evaluation of the collectability and ageing analysis of the outstanding receivables and on the management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including creditworthiness and the past collection history of each customer and the related parties. If the financial conditions of the customers and other debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required.

Write down of inventories

Management reviews the ageing analysis of inventories of the Group at the end of each reporting period, and makes provision for obsolete and slow moving inventory items identified that are no longer suitable for sale. Management estimates the net realisable value for such inventories based primarily on the latest selling prices and current market conditions.

Estimated useful lives of property, plant and equipment and investment properties

In determining the useful lives of property, plant and equipment and investment properties, the Group has to consider various factors, such as expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is made based on the experience of the Group with similar assets that are used in a similar way. Depreciation charge is revised if the estimated useful lives of items of property, plant and equipment and investment properties are different from the previous estimation. Useful lives are reviewed at the end of each reporting period based on changes in circumstances.

7. Operating Segment Information

The Group identifies operating segments and prepares segment information based on the regular internal financial statements reported to the chief operating decision maker for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial statements reported to the executive directors are determined following the Group's major operations.

The Group's operating business are organised and managed separately according to the nature of products, which each segment representing a strategic business segment that offers different products in the PRC market. The Group's chief operating decision maker considered that all of the Group's revenue, operating result and asset for the year were mainly derived from its production and sale of paperboards, corrugated medium boards and boxes and poker cards.

The Company is an investment holding company and the principal place of the Group's operation is in the PRC. For the purpose of segment information disclosures under HKFRS 8 *Operating Segments*, the Group regarded the PRC as its country of domicile. All the Group's revenue and non-current assets are principally attributable to the PRC, being the single geographical region.

Segment assets exclude cash and cash equivalents and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude other borrowings, income tax payable, deferred tax liabilities and other unallocated corporate liabilities as these liabilities are managed on a group basis.

7. Operating Segment Information (Continued)

	Paperboards		Corrugated medium boards and boxes		Poker cards		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment revenue:								
Sales to external customers	**734,874**	752,837	**186,966**	127,260	**152,366**	144,526	**1,074,206**	1,024,623
Intersegment sales	**7,361**	5,081	**–**	–	**–**	–	**7,361**	5,081
	742,235	757,918	**186,966**	127,260	**152,366**	144,526	**1,081,567**	1,029,704
Reconciliation:								
Elimination of intersegment sales							**(7,361)**	(5,081)
							1,074,206	1,024,623
Segment results	**125,171**	125,764	**57,444**	41,224	**54,208**	50,309	**236,823**	217,297
Reconciliation:								
Interest income							**1,594**	1,097
Other income							**13,906**	13,447
Corporate and other unallocated expenses							**(43,105)**	(28,486)
Finance costs							**(8,734)**	(12,315)
Profit before tax							**200,484**	191,040

7. Operating Segment Information (Continued)

	Paperboards		Corrugated medium boards and boxes		Poker cards		Total	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Segment assets	431,076	424,356	48,902	43,907	44,962	41,307	524,940	509,570
Reconciliation:								
Corporate and other unallocated assets							740,552	286,932
Total assets							1,265,492	796,502
Segment liabilities	124,573	101,125	16,754	6,691	14,216	7,796	155,543	115,612
Reconciliation:								
Corporate and other unallocated liabilities							154,919	128,441
Total liabilities							310,462	244,053
Other segment information:								
Depreciation and amortisation	26,535	14,805	1,050	1,121	1,483	1,669	29,068	17,595
Corporate and other unallocated depreciation and amortisation							10,015	8,522
Total depreciation and amortisation							39,083	26,117
Capital expenditures*	21,545	142,669	–	98	–	–	21,545	142,767
Corporate and other unallocated capital expenditures							27	25,063
Total capital expenditures							21,572	167,830

* Capital expenditure consists of additions to property, plant and equipment and investment properties.

7. Operating Segment Information (Continued)

Geographical information

No geographical information is shown as the revenue from external customers and non-current assets of the Group are substantially derived from activities or located in the PRC.

Information about major customer

No single customer contributed 10% or more to the Group's revenue for both 2014 and 2013.

8. Revenue

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, during the year.

9. Other income

	2014 *RMB'000*	2013 *RMB'000*
Scrap sales	11,695	9,094
Bank interest income	1,594	1,097
Foreign exchange gains, net	1,259	276
Gross rental income	560	369
Sundry income	392	3,708
	15,500	14,544

10. Finance costs

	2014 *RMB'000*	2013 *RMB'000*
Interest on bank borrowings wholly repayable within five years	**7,791**	11,452
Bank charges	**943**	863
	8,734	12,315

11. Profit before Tax

The Group's profit before tax is arrived at after charging:

	2014 *RMB'000*	2013 *RMB'000*
Cost of inventories sold	**641,809**	598,335
Depreciation of:		
Property, plant and equipment	**38,137**	25,390
Investment properties	**413**	292
	38,550	25,682
Amortisation of prepaid land lease payments	**533**	435
Auditors' remuneration	**1,517**	68
Minimum lease payments under operating leases in respect of land and buildings	**90**	13,914
Employee benefit expenses (including directors' remuneration *(note 12)*:		
Wages and salaries	**32,853**	27,679
Pension scheme contributions	**3,516**	2,846
	36,369	30,525

12. Directors' Remuneration

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	Fees		Salaries, allowances and benefits in kind		Pension scheme contributions		Total	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000	**2014 RMB'000**	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Executive directors:								
Mr. Zheng Dunmu	**–**	–	**866**	157	**13**	3	**879**	160
Mr. Zheng Dunqian	**–**	–	**583**	107	**13**	3	**596**	110
Mr. Chen Ruomao	**–**	–	**600**	121	**13**	3	**613**	124
	–	–	**2,049**	385	**39**	9	**2,088**	394
Independent non-executive directors:								
Mr. Hu Zhenghui	**47**	15	**–**	–	**1**	–	**48**	15
Mr. Kwong Kwan Tong	**86**	35	**–**	–	**2**	–	**88**	35
Mr. Ye Deshan	**47**	20	**–**	–	**1**	–	**48**	20
Mr. Pang Cheung Wai Thomas	**–**	6	**–**		**–**		**–**	6
	180	76	**–**	–	**4**	–	**184**	76
	180	76	**2,049**	385	**43**	9	**2,272**	470

There was no arrangement under which a director waived or agreed to waive any remuneration during the year ended 31 December 2014 (2013: Nil).

13. Five Highest Paid Employees

The five highest paid employees during the year included three (2013: one) directors, details of whose remuneration are set out in note 12 above. Details of the remuneration for the year of the remaining two (2013: four) non-director, highest paid employees are as follows:

	2014 RMB'000	2013 RMB'000
Salaries, allowances and benefits in kind	320	563
Pension scheme contributions	10	12
	330	575

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	No. of employees	
	2014	2013
Nil to HK$1,000,000	2	4

During the year, no emoluments were paid to the five highest paid individuals (including directors and other employees) as inducement to join or upon joining the Group or as compensation for loss to office (2013: Nil).

14. Income Tax Expense

	2014 RMB'000	2013 RMB'000
Current — Hong Kong		
Charge for the year	173	—
Current — the PRC		
Charge for the year	53,535	48,339
Total tax charge for the year	53,708	48,339

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. The PRC subsidiaries are subject to the PRC Enterprise Income Tax ("EIT") at 25% (2013: 25%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

14. Income Tax Expense (Continued)

A reconciliation of the tax expense applicable to profit before tax at the PRC EIT rate of 25% in which the majority of the Company's subsidiaries are domiciled to the tax expense at the effective tax rates are as follows:

	2014 *RMB'000*	2013 *RMB'000*
Profit before tax	**200,484**	191,040
Tax at the PRC EIT rate of 25%	**50,121**	47,760
Effect of different tax rates of group entities operating in jurisdictions other than the PRC	**(89)**	
Income not subject to tax	**(569)**	—
Expenses not deductible for tax	**4,245**	579
Tax charge at the Group's effective rate	**53,708**	48,339

The Group has no material unrecognised temporary differences for the year ended 31 December 2014 (2013: Nil).

15. Dividends

No dividend was paid or proposed during 2014. Subsequent to the end of the reporting period, an interim dividend of HK$8.1 cents equivalent to approximately RMB6.4 cents (2013: HK$ nil) has been approved by the directors.

16. Earnings per Share

The calculation of the basic earnings per share amounts is based on the profit for the year ended 31 December 2014 attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 873,800,000 in issue during the year, as adjusted to reflect the issuance of 744,600,000 new ordinary shares prior to the Listing.

The calculations of basic earnings per share for the year ended 31 December 2013 are based on the profit attributable to owners of the Company and the 744,600,000 ordinary shares of the Company in issue prior to the Listing, as if these shares had been issued since 1 January 2013.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2014 and 2013 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

17. Property, Plant and Equipment

	Buildings	Plant and machinery	Office equipment	Power supply equipment	Motor vehicles	Construction in-progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:							
At 1 January 2013	75,923	119,228	640	49,208	4,202	—	249,201
Additions	36,286	129,828	—	—	456	—	166,570
Transfer	(4,730)	—	—	—	—	—	(4,730)
At 31 December 2013	107,479	249,056	640	49,208	4,658	—	411,041
Additions	—	443	—	27	—	21,102	21,572
At 31 December 2014	107,479	249,499	640	49,235	4,658	21,102	432,613
Accumulated depreciation:							
At 1 January 2013	17,080	49,080	404	7,668	2,913	—	77,145
Provided for the year	4,531	15,655	54	4,671	479	—	25,390
Transfer	(491)	—	—	—	—	—	(491)
At 31 December 2013	21,120	64,735	458	12,339	3,392	—	102,044
Provided for the year	7,247	25,704	51	4,670	465	—	38,137
At 31 December 2014	28,367	90,439	509	17,009	3,857	—	140,181
Net carrying amount:							
At 31 December 2014	79,112	159,060	131	32,226	801	21,102	292,432
At 31 December 2013	86,359	184,321	182	36,869	1,266	—	308,997

17. Property, Plant and Equipment (Continued)

At 31 December 2014, certain of the Group's property, plant and equipment with an aggregate net carrying amount of RMB65,582,000 (2013: RMB72,063,000) were pledged to secure banking facilities granted to the Group (note 30).

	2014 *RMB'000*	2013 *RMB'000*
Buildings	**47,702**	51,706
Plant and machinery	**16,254**	18,485
Power supply equipment	**1,626**	1,872
	65,582	72,063

The Group's buildings included above at cost, investment properties included in note 18 at cost and prepaid land lease payments included in note 19 at cost were valued at RMB191,200,000 as at 31 March 2014 in the prospectus issued on 16 June 2014 in connection with the listing of the Company's shares on 26 June 2014. Had these buildings, investment properties and prepaid land lease payments been included at such valuation amount throughout the year ended 31 December 2014, an additional depreciation and amortisation charge of RMB2,641,600 would have been recognised in the consolidated statement of profit or loss for the year ended 31 December 2014.

18. Investment Properties

	2014 *RMB'000*	2013 *RMB'000*
Cost:		
At 1 January	**9,570**	4,840
Transfer	**—**	4,730
At 31 December	**9,570**	9,570
Accumulated depreciation:		
At 1 January	**4,781**	3,998
Transfer	**—**	491
Provided for the year	**413**	292
At 31 December	**5,194**	4,781
Net carrying amount:		
At 31 December	**4,376**	4,789

The Group's investment properties are situated in the PRC and held under medium term leases.

18. Investment Properties (Continued)

The fair values of investment properties are set out below:

	2014 *RMB'000*	2013 *RMB'000*
Fair value:		
At 31 December	**6,900**	7,200

The Group's investment properties were revalued by Grant Sherman Appraisal Limited, independent professionally qualified valuers, using the investment method by capitalising the current rent derived from the existing tenancies with due provisions for reversionary income potential, or where appropriate, by direct comparison method by making reference to comparable sales evidence as available in the relevant market. The investment properties are leased to third parties under operating leases.

At 31 December 2014, the Group's investment properties with a carrying value of RMB4,376,000 (2013: RMB4,789,000) were pledged to secure general banking facilities granted to the Group (note 30).

19. Prepaid Land Lease Payments

	2014 *RMB'000*	2013 *RMB'000*
At 1 January	**22,179**	16,914
Additions	**—**	5,700
Amortisation	**(533)**	(435)
At 31 December	**21,646**	22,179

19. Prepaid Land Lease Payments (Continued)

An analysis of the carrying value of the prepaid land lease payments is set out below:

	2014 RMB'000	2013 RMB'000
For owner-occupied	21,499	22,028
For investment properties	147	151
	21,646	22,179

The Group's prepaid land lease payments represent payments for land use rights in the PRC and are held under medium-term leases.

At 31 December 2014, certain of the Group's prepaid land lease payments with a net carrying amount of RMB12,513,000 (2013: RMB12,999,000) were pledged to secure banking facilities granted to the Group (note 30).

20. Investments in Subsidiaries

	The Company	
	2014 RMB'000	2013 RMB'000
Unlisted shares, at cost	1	—
Advance to subsidiaries	247,677	—
	247,678	—

The amounts due to subsidiaries included in the Company's current liabilities are unsecured, interest-free and have no fixed terms of repayment. The amounts advanced to subsidiaries included in the investments in subsidiaries are unsecured, interest-free and not repayable within one year.

20. Investments in Subsidiaries (Continued)

Particulars of the subsidiaries as at 31 December 2014 are as follows:

Name	Place of incorporation/ registration	Nominal value of issued/ paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Tun's Paper Group Holdings Limited ("Dunxin BVI")	BVI	US$1,000	100%	—	Investment holding
Tun's Paper (Holdings) Limited	HK	HK$10,000	—	100%	Investment holding and trading of waste paper
Charmfield Investments Limited	HK	HK$1	—	100%	Investment holding
Lung Kei (International) Investment Limited	HK	HK$1,000	—	100%	Investment holding
Dunxin Paper Co., Ltd	PRC	RMB150,000,000	—	100%	Production and sale of paperboards, corrugated medium boards and boxes and poker cards

21. Inventories

	2014	2013
	RMB'000	*RMB'000*
Raw materials	**14,659**	18,747
Finished goods	**24,716**	25,362
	39,375	44,109

At 31 December 2014, the Group's inventories with a carrying amount of RMB35,046,000 (2013: RMB35,661,000) were pledged as security for the Group's banking facilities, as further detailed in note 30 to the financial statements.

22. Trade Receivables

	2014	2013
	RMB'000	*RMB'000*
Trade receivables	**242,857**	228,986
Impairment	**(453)**	(453)
	242,404	228,533

The Group's trading terms with customers are mainly on credit. The credit period is ranged from 30 days to 180 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivables balances. Trade receivables are non-interest bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2014	2013
	RMB'000	*RMB'000*
Within 1 month	**108,841**	109,753
1 to 2 months	**85,399**	73,840
2 to 3 months	**34,080**	32,916
4 to 6 months	**14,084**	12,024
	242,404	228,533

The movements in provision for impairment of trade receivables are as follows:

	2014	2013
	RMB'000	*RMB'000*
At 1 January	**453**	453
Amount written off as uncollectible	**—**	—
At 31 December	**453**	453

22. Trade Receivables (Continued)

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2014 RMB'000	2013 RMB'000
Neither past due nor impaired	242,404	226,176
Past due:		
Less than 1 month	–	–
1 to 3 month	–	2,357
	242,404	228,533

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

23. Prepayments and Other Receivables

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Prepayments	187	2,582	187	–
Other receivables	286	174	–	–
	473	2,756	187	–

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

24. Cash and Cash Equivalents and Pledged Bank Deposits

	2014 ***RMB'000***	2013 *RMB'000*
Cash and bank balances	**656,205**	183,324
Less: Pledged bank deposits for secured bills payables and bank borrowings (note 30)	**(24,242)**	(9,380)
Cash and cash equivalents	**631,963**	173,944

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB were RMB646,444,000 (2013: RMB182,310,000). The RMB is not freely convertible into other currencies and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged bank deposits are deposited with creditworthy banks with no recent history of default.

25. Trade and Bills Payables

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2014 ***RMB'000***	2013 *RMB'000*
Within 3 months	**129,018**	89,578
4 to 6 months	**26,525**	26,034
	155,543	115,612

The trade payables are non-interest bearing and are normally settled within 30 days to 180 days.

26. Other Payables and Accruals

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Other payables and accruals	**2,587**	2,079	**1,839**	—
Wages payables	**3,639**	2,477	**1,129**	—
Other tax payables	**2,198**	5,352	**—**	—
Due to subsidiaries	**—**	—	**882**	—
Due to a director	**82**	293	**—**	—
Due to shareholders	**—**	2,355	**—**	—
	8,506	12,556	**3,850**	—

Other payables are non-interest bearing. The amounts due to a director and shareholders are non-interest bearing, unsecured and have no fixed terms of repayment.

27. Interest Bearing Bank Borrowings

	2014	2013
	RMB'000	*RMB'000*
Secured and wholly repayable within one year:		
Bank advances for discounted bills	**28,648**	—
Bank loans	**103,059**	103,000
	131,707	103,000

27. Interest Bearing Bank Borrowings (Continued)

The ranges of effective interest rates of the Group's borrowings are as follows:

	2014	2013
Variable-rate borrowings	**3.00%–8.10%**	3.40%–8.10%
Fixed-rate borrowings	**7.28%–7.56%**	4.30%–7.80%

Notes:

(a) The bank advances for discounted bills are obtained in relation to bill receivables from a subsidiary amounted to RMB28,648,000.

(b) Details of banking facilities granted to the Group and pledged of the Group's assets at 31 December 2014 were set out in note 30 and 31 to the financial statements respectively.

(c) The carrying amounts of the Group's bank borrowings denominated currency other than RMB at the end of the reporting period are as follows:

	2014 *RMB'000*	2013 *RMB'000*
Hong Kong dollars ("HK$")	**33,525**	–

28. Share capital

	Number of shares *'000*	2014 *HK$'000*	2013 *HK$'000*
Authorised:			
Ordinary shares of HK$0.01 each			
At 1 January	38,000	**380**	380
Increase in authorised capital (note 28(b))	2,962,000	**29,620**	—
At 31 December	3,000,000	**30,000**	380

	2014 *RMB'000*	2013 *RMB'000*
Issued and fully paid:		
992,800,000 (2013: 750) ordinary shares of HK$0.01 each	**7,891**	—

28. Share capital (Continued)

A summary of movements in the Company's share capital is as follows:

	Notes	Number of shares in issue	Share capital		Share premium account		Total	
			HK$'000	*equivalent to RMB'000*	HK$'000	*equivalent to RMB'000*	HK$'000	*equivalent to RMB'000*
At 1 January 2013 and 31 December 2013		750	—	—	—	—	—	—
Issue of shares pursuant to the Reorganisation	*(a)*	9,250	—	—	—	—	—	—
Placing and public offer of new shares	*(c)*	248,200,000	2,482	1,973	344,998	274,204	347,480	276,177
Listing expenses taken against share premium		—	—	—	(25,228)	(20,051)	(25,228)	(20,051)
		248,200,000	2,482	1,973	319,770	254,153	322,252	256,126
Capitalisation Issue	*(d)*	744,590,000	7,446	5,918	(7,446)	(5,918)	—	—
At 31 December 2014		992,800,000	9,928	7,891	312,324	248,235	322,252	256,126

Notes:

(a) On 29 May 2014, pursuant to the Reorganisation, the Company issued totaling of 9,250 ordinary shares of HK$0.01 each to Pure Sheen Limited (5,850 shares), Radiant Prestige Limited (450 shares), Radiant Path Limited (450 shares), Gang Bo Limited (1,580 shares), Sebert Developments Limited (500 shares) and Man Hong International Investment Limited (420 shares) (collectively referred to as the "Controlling Shareholders"), as consideration for the acquisition of the entire issued share capital of Dunxin BVI.

(b) Pursuant to a written resolutions of the shareholders passed on 11 June 2014, the authorised share capital of the Company was increased from HK$380,000 to HK$30,000,000 by the creation of an additional of 2,962,000,000 ordinary shares of HK$0.01 each, ranking *pari passu* in all respects with the existing shares of the Company.

(c) On 23 June 2014, 248,200,000 new ordinary shares of HK$0.01 each ("Offer Share(s)") were allotted and issued by way of placing and public offer at an issue price of HK$1.40 per Offer Share for a total cash consideration, before expenses, of HK$347,480,000. A premium of HK$1.39 per Offer Share for cash, the excess of the issue price over the par value of the shares issued upon the placing and public offer, totaling HK$344,998,000 was credited to the share premium account of the Company.

(d) Immediately after the placing and public offer, 744,590,000 new ordinary shares were allotted and issued, credit as fully paid, at par, to the then shareholders in proportion to their respective shareholdings on the register of members of the Company as at the close of business on 11 June 2014 by way of the capitalisation of the share premium available (the "Capitalisation Issue").

29. Reserves

The Group

Capital reserve

Capital reserve represents the issued and fully paid up share capital and share premium of Dunxin BVI under the Reorganisation. The Group acquired Dunxin BVI during 2014 from the Controlling Shareholders which was an acquisition under common control and has been accounted for by applying the principle of merger accounting and the capital reserve has been debited for the purchase consideration for Dunxin BVI.

Statutory surplus reserve

In accordance with the Company Law of the PRC, the Company's subsidiary registered in the PRC is required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses) determined in accordance with generally accepted accounting principles in the PRC ("PRC GAAP") to the statutory surplus reserve until the balance of the reserve fund reaches 50% of the entity's registered capital. The statutory surplus reserve can be utilised to offset prior years' losses or to increase capital, provided the remaining balance of this reserve is not less than 25% of registered capital.

The Company

The amounts of the Company's reserves and the movements therein during the year are presented as follows:

	Share premium *RMB'000*	Accumulated losses *RMB'000*	Translation reserve *RMB'000*	Total *RMB'000*
At 1 January 2013	—	—	—	—
Total comprehensive income for the year				
Loss for the year	—	—	—	—
At 31 December 2013 and 1 January 2014	—	—	—	—
Loss for the year	—	(10,749)	—	(10,749)
Exchange difference on translation of functional currency to presentation currency	—	—	(1,362)	(1,362)
Total comprehensive income for the year	—	(10,749)	(1,362)	(12,111)
Placing and public offer of new shares	274,204	—	—	274,204
Listing expenses taken against share premium	(20,051)	—	—	(20,051)
	254,153	—	—	254,153
Capitalisation Issue	(5,918)	—	—	(5,918)
At 31 December 2014	**248,235**	**(10,749)**	**(1,362)**	**236,124**

30. Banking Facilities

The Group's banking facilities amounting to RMB168,316,000 (2013: RMB142,600,000), of which RMB131,707,000 (2013: RMB103,000,000) had been utilised as at the end of the reporting period, are secured by the pledge of certain of the Group's assets (note 31) amounting to RMB141,759,000 (2013: RMB134,892,000).

31. Pledge of Assets

Details of pledge of the Group's assets for the Group's other bank borrowings are set out below:

	Notes	2014 RMB'000	2013 RMB'000
Property, plant and equipment	17	65,582	72,063
Investment properties	18	4,376	4,789
Prepaid land lease payments	19	12,513	12,999
Inventories	21	35,046	35,661
Pledged bank deposits	24	24,242	9,380
		141,759	134,892

32. Operating Lease Arrangement

(a) As lessor

The Group leases its investment properties under operating leases arrangements, with leases negotiated for terms ranging from two to four years with fixed monthly rentals. None of the leases include any contingent rentals.

At 31 December 2014, the Group's had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2014 RMB'000	2013 RMB'000
Within one year	566	523
In the second to fifth years, inclusive	508	836
	1,074	1,359

32. Operating Lease Arrangement (Continued)

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms of two years. None of the leases include any contingent rentals.

At 31 December 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2014	2013
	RMB'000	*RMB'000*
Within one year	**55**	90
In the second to fifth years, inclusive	**–**	55
	55	145

33. Capital Commitments

The Group had the following capital commitments at the end of the reporting period:

	2014	2013
	RMB'000	*RMB'000*
Contracted but not provided for:		
Property, plant and equipment and prepaid land lease payments	**157,000**	1,765

34. Related Party Transactions

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	2014 RMB'000	2013 RMB'000
Related company in which two close members of a director are the controlling shareholders		
Purchases of raw materials	–	50,185
Related company in which a director of the Company is a controlling shareholder		
Rental expenses	–	675

The above related party transactions also constitute connected transactions as defined in Chapter 14A of the Listing Rules.

(b) Outstanding balances with related parties

(i) Details of amounts payables to the above-mentioned related companies amounted to Nil (2013: Nil) and Nil (2013: Nil) are included trade and bills payables in note 25 to the financial statements.

(ii) Details of amounts due to a director and shareholders are included in note 26 to the financial statements.

(c) Compensation of key management personnel of the Group

	2014 RMB'000	2013 RMB'000
Short term employee benefits	2,272	470

Further details of directors' emoluments are included in note 12 to the financial statements.

35. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Loans and receivables				
Trade receivables	**242,404**	228,533	**–**	–
Financial assets included in prepayments, deposits and other receivables	**286**	174	**–**	–
Pledged bank deposits	**24,242**	9,380	**–**	–
Cash and cash equivalents	**631,963**	173,944	**–**	–
	898,895	412,031	**–**	–

Financial liabilities

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Financial liabilities at amortised cost				
Trade and bills payables	**155,543**	115,612	**–**	–
Financial liabilities included in other payables and accruals	**6,308**	7,204	**3,850**	–
Interest bearing bank borrowings	**131,707**	103,000	**–**	–
	293,558	225,816	**3,850**	–

36. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise trade and bills receivables, other receivables, pledged bank deposits, cash and cash equivalents, trade and bills payables, accruals and other payables, amounts due to a director and shareholders and bank borrowings. These financial instruments mainly arise from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of the directors of the Company reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's bank balance and bank borrowings. The interest rate risk for bank balance is low as the maturity is short. The following table demonstrates the sensitivity on bank borrowings to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before income tax (through the impact on the Group's bank borrowings which is subject to floating interest rate) and the Group's equity.

	2014 ***RMB'000***	2013 *RMB'000*
Increase/(decrease) in profit before tax and equity if:		
100 basis points increase	**(965)**	(700)
100 basis points decrease	**965**	700

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies.

36. Financial Risk Management Objectives and Policies (Continued)

Carrying amounts of financial assets and financial liabilities at the end of each reporting period exposed to foreign currency risk were as follows:

	2014 RMB'000	2013 RMB'000
Financial assets denominated in foreign currencies:		
Other receivables	–	25
Cash and bank balances	6,237	1,014
	6,237	1,039
Financial liabilities denominated in foreign currencies:		
Trade and bills payables	20,781	2,673
Other payables and accruals	–	2,696
	20,781	5,369
Net financial liabilities exposed to foreign currency risk	(14,544)	(4,330)

The Group's financial assets and financial liabilities exposed to currency risk were primarily denominated in United States dollars and Hong Kong dollars as follows:

	2014 RMB'000	2013 RMB'000
Denominated in:		
Hong Kong dollars	(9,764)	(4,628)
United States dollars	(4,780)	298
	(14,544)	(4,330)

36. Financial Risk Management Objectives and Policies (Continued)

Should RMB at the end of each reporting period fluctuate by 10% against all the foreign currencies, the carrying amount of the Group's net financial liabilities exposed to currency risk at the end of each reporting period determined in accordance with HKAS 21 "The Effects of Changes in Foreign Exchange Rates" would increase/decrease as summarised below:

	2014	2013
	RMB'000	*RMB'000*
Increase/(decrease) in profit before tax and equity if:		
Increase 10% exchange rates	**1,454**	433
Decrease 10% exchange rates	**(1,454)**	(433)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to management review. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

The credit risk of the Group's other financial assets, which mainly comprise of pledged bank deposits and cash and cash equivalents, arises from potential default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. Credit risk in pledged bank deposits and cash and cash equivalents is mitigated as cash is deposited in banks of high credit rating.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 22 to the financial statements.

Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents and have available funding through an adequate amount of committed credit facilities to meet its commitments.

36. Financial Risk Management Objectives and Policies (Continued)

Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities as at the end of each reporting period, based on the contractual undiscounted payments, are as follows:

	On demand or within 1 year	
	2014	2013
	RMB'000	*RMB'000*
Trade and bills payables	**155,543**	115,612
Financial liabilities included in other payables and accruals	**6,308**	7,204
Bank borrowings	**134,025**	109,574
	295,876	232,390

Fair value estimation

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as inputs.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as going concern and to maintain reasonable capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Year.

The Group monitors capital using a gearing ratio, which is net debts divided by total capital. Net debts include interest-bearing bank borrowings, trade and bills payables, other payables and accruals, income tax payable and less cash and bank balances.

36. Financial Risk Management Objectives and Policies (Continued)

At the end of each reporting period, the Group's strategy was to maintain the gearing ratio at a healthy capital level in order to support its businesses. The principal strategies adopted by the Group include, without limitation, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due. The gearing ratios at the end of the reporting period were as follows:

	2014 ***RMB'000***	2013 *RMB'000*
Interest bearing bank borrowings	**131,707**	103,000
Trade and bills payables	**155,543**	115,612
Other payables and accruals	**8,506**	12,556
Income tax payable	**14,706**	12,885
Less: Cash and bank balances	**(656,205)**	(183,324)
Net debts	**(345,743)**	60,729
Total capital	**955,030**	552,449
Gearing ratio	**(36.20)%**	10.99%

37. Events After the Reporting Period

(a) On 22 December 2014, the Group entered into the Asset Acquisition Agreement with Zhangzhou Zhenglin (the "Vendor"), pursuant to which the Group agreed to acquire the Production Facilities from the Vendor at a total cash consideration of RMB162,000,000. The transaction was not yet completed at the date of this report.

(b) The Company and the Placing Agent entered into a placing agreement on 2 January 2015 (after trading hours) for the placing of up to HK$200 million seven year 6.5% coupon unlisted Corporate Bonds for cash at par on a best effort basis during a period of six months from the date of the Placing Agreement.

38. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 13 March 2015.