優源
YOUYUAN

YOUYUAN INTERNATIONAL HOLDINGS LIMITED
優源國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2268)

ANNUAL REPORT
2014

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FINANCIAL HIGHLIGHTS

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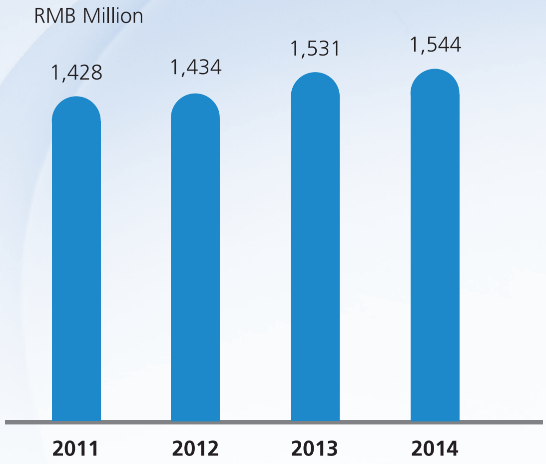
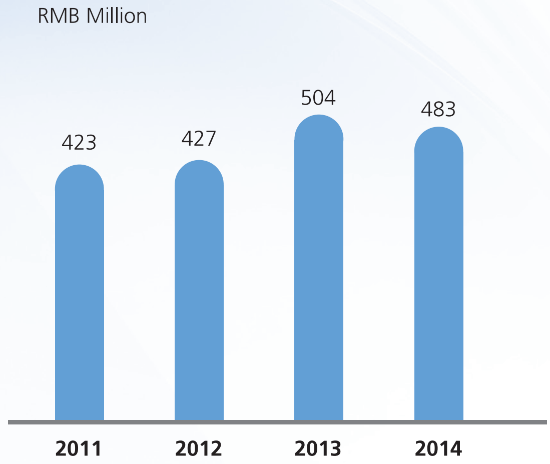
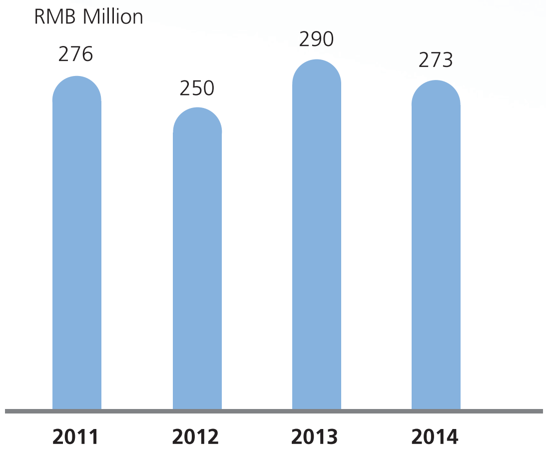


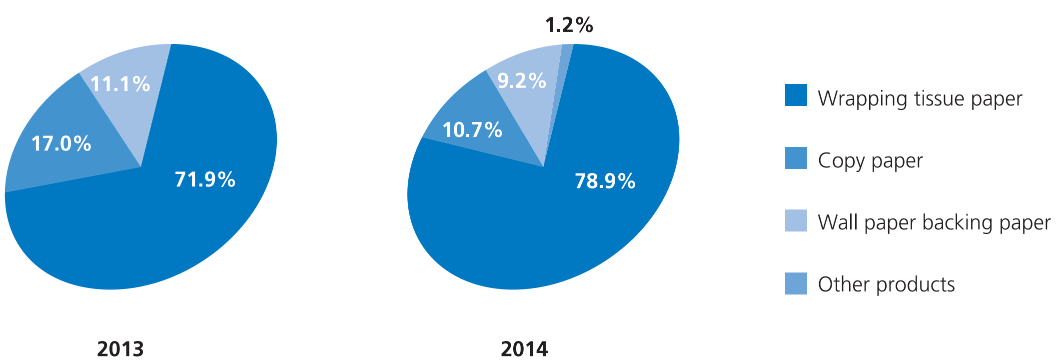
Gross Profit



Profit and total comprehensive income attributable to owners of the Company



Sales analysis by categories



Executive directors

Mr Ke Wentuo (柯文托)
Mr Ke Jixiong (柯吉熊)
Mr Cao Xu (曹旭)
Mr Zhang Guoduan (張國端)

Independent non-executive directors

Prof. Zhang Daopei (張道沛)
Prof. Chen Lihui (陳禮輝)
Mr Chow Kwok Wai (周國偉)

Audit committee

Mr Chow Kwok Wai *(Chairman)*
Prof. Zhang Daopei
Prof. Chen Lihui

Remuneration committee

Prof. Chen Lihui *(Chairman)*
Prof. Zhang Daopei
Mr Ke Wentuo

Nomination committee

Prof. Zhang Daopei *(Chairman)*
Prof. Chen Lihui
Mr Ke Wentuo

Company secretary

Mr Wong Yat Sum, *FCCA, FCPA*

Authorised representatives

Mr Ke Wentuo
Mr Wong Yat Sum

Cayman Islands share registrar and transfer office

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman, KY1-1110
Cayman Islands

Hong Kong share registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre,
183 Queen's Road East
Wanchai, Hong Kong

Registered office

Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Headquarters in the PRC

Xibin Industrial Zone
Jinjiang City
Fujian Province
The People's Republic of China

Principal place of business in Hong Kong

Unit 1601, 16th Floor
Bonham Trade Centre
50 Bonham Strand
Sheung Wan, Hong Kong

Company's website

www.youyuan.com.hk

CORPORATE INFORMATION

Place of listing and stock code

The Stock Exchange of Hong Kong Limited
2268

Principal bankers

In Hong Kong:

China CITIC Bank International Limited
The Hongkong and Shanghai Banking Corporation Limited

In the PRC:

Bank of China
China Merchants Bank
China CITIC Bank
Industrial and Commercial Bank of China Limited

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants

Legal advisors

Hong Kong law:

Orrick, Herrington & Sutcliffe

PRC law:

King & Wood Mallesons

Cayman Islands law:

Conyers Dill & Pearman

Investors and media relations

iPR Ogilvy Ltd

On behalf of Youyuan International Holdings Limited (the "Company", together with its subsidiaries, the "Group"), I am glad to present to you the audited annual results of the Group for the year ended 31 December 2014.

Ongoing adjustments to the drivers and momentum in China's economic structure throughout 2014 were finally confirmed to have slowed down the country's headline GDP growth for the year to levels below 7% with a bleak outlook for the medium term.

China has made its position explicit and clear that the return to moderate growth gradually evolve into a normal as the country is adapting to a more sustainable pace of development in the long run. As such, efforts to stimulate domestic consumption will continue, more to balance the mix of economic activities that contribute to overall growth, than to be highlighted as a key growth driver.

Meanwhile, as the key export market of consumer goods manufactured in China, the United State of America exhibited sustaining recovery momentum, with unemployment rate dived to the lowest level in a decade while growth is rebounding to almost 4%. The deep correction in oil prices, while providing an added boost to growth, will help dampen consumer price inflation and thereby postpone needs for the Federal Reserve of the United States to initiate upward adjustments to interest rates. This helps restore optimism to demand for consumer goods.

Business Review

For the year ended 31 December 2014, the Group's revenue was approximately RMB1,543.9 million (2013: RMB1,531.1 million), representing an increase of approximately 0.8% from that of the previous year. Profit attributable to owners of the Company decreased by approximately 6.0% to approximately RMB273.0 million (2013: RMB290.5 million). Basic earnings per share amounted to approximately RMB0.248 (2013: RMB0.264) per share.

In line with the changes in the overall sentiment, manufacturing activities and domestic consumption in China extended their sluggishness. That dampened demand for consumer goods both manufactured for exports and for domestic consumption, and in turn, demand for wrapping tissue paper as a key packaging material.

Along with the declines in commodity prices due to the struggling recoveries in economies around the world, prices of wood pulp remained relatively weak throughout the year. Meanwhile, prices of recycled and recovered paper, from which the Group manufactures de-inked pulp for its own use, did not experience the same weakness due to inelastic import logistics costs attached.

Nonetheless, as China continued to implement its industry consolidation and environment protection policies in the paper making industry, the sector stopped adding new capacities while obsolete, inefficient and non-environmental-friendly capacities continued to be eliminated, especially so in the specialty paper segment. This contributed to restoration of order on the product pricing front, making prices subject to less severe pressure than that experienced on the cost side. This helped maintain profit margin at steady levels.

In November 2014, the Group signed a contract to commission the construction of a 10,000-tonne production facility for food wrapping paper. Tentatively scheduled to commence production in late 2015, this facility will help the Group tap the vast fast food market of immense potential.

The Group received in December 2014 the Chain-of-Custody certificates issued by the Forest Stewardship Council ("FSC") in November 2014. The FSC is an international, independent, non-governmental, non-profit-making organization established to promote responsible management of the world's forests. With the certification, the Group will be allowed to use the FSC trademarks and labels to promote its products. This will help the Group tap customers and industries which are required to procedure paper products made via environmental-friendly production processes from environmentally appropriate, socially beneficial and economically viable sources of raw materials.

Between October and December 2014, the Company repurchased sum of 22.0 million shares for approximately RMB30.8 million. The repurchases were made to help better reflect the Company's value and protect Shareholder's interests.

CHAIRMAN'S STATEMENT

Prospect and Strategy

Looking ahead, the Board of Directors of the Company (the "Board") believes that as China gradually identifies a new economic development model featuring slower yet more sustainable growth, the general environment for the manufacturing and domestic consumption sectors will become more stable, contributing to gradual revival in demand across the board.

This will help prices of wood pulp to bottom out earlier. The Group, with its matured knowhow in manufacturing de-inked pulp for its own use and the increasingly efficient utilization of its de-inked pulp facilities, will see a return of its cost competitiveness.

Meanwhile, as consolidation within the paper making industry comes to an end, orders in pricing will finally be restored with resilience.

The Group remains cautiously optimistic about the outlook for the industry and its capability to reap benefits from this improving industry and market landscapes.

Acknowledgements

On behalf of the Board, I would like to extend my sincerest gratitude to all the shareholders, customers and business partners for their support. I would also like to take this opportunity to express my heartfelt appreciation to all employees for their dedication and contributions.

Ke Wentuo
Chairman

Hong Kong, 3 March 2015

Business Review

The manufacturing and consumption sectors in China remained relatively sluggish for the whole year of 2014 as the country gradually adjusted its pace of economic growth to moderate levels in an effort to become more sustainable for the long term.

China's major export markets, at the same time, were also struggling with weak growth momentum, impairing demand for exports of manufactured consumer goods. This in turn dragged on demand for wrapping tissue paper.

On the supply side, prices of wood pulp, both domestically sourced or imported, continued to decline due to weak demand from around the world. Nonetheless, prices of recovered or recycled paper, mostly imported, and raw materials declined less due to relatively robust demand and inelastic transportation costs.

This supply/demand cost dynamics put the Company in a relatively less favorable position against its competitive peers. The Company's established edge of self-producing recycled pulp from recovered or recycled paper to mitigate impact of fluctuations of wood pulp prices became less pronounced than before.

Nevertheless, the paper-making industry in China as a whole had stopped constructing new capacities and had been continuing to eliminate obsolete, inefficient and non-environmental-friendly capacities. The overall capacity reduction drive was especially evident in the specialty paper category because of the high entry barrier for fixed asset investments and the more stringent environmental requirements imposed on both incumbent and new industry participants. This provided considerable support to selling prices of products the Company specializes in and thereby helped maintain the Company's overall gross margin at relatively comfortable levels.

The three subsidiaries of the Company in China received in December 2014 the Chain-of-Custody ("CoC") certificate issued by the Forest Stewardship Council ("FSC") in November 2014. The FSC's CoC certification scheme is widely recognized as one of the world's highest standards for sustainable and responsible forest management. The FSC's CoC tracks paths of products. A product with FSC's CoC certification needs to have gone through an unbroken chain of certified organizations covering every change in its legal ownership from the certified forest all the way up to the point where the product is finished or sold at retail. It enables the Group with such FSC's CoC certification to illustrate compliance with public or private procurement policies and specifications.

It was with these inherent strengths and preparedness that the Group had been able to accomplish growths in both revenue and profit, against a backdrop of the adjusting operating environment.

Segmental Analysis

Wrapping tissue paper

Wrapping tissue paper includes double-sided machine-finished ("MF") tissue paper, single-sided MF tissue paper, food wrapping tissue paper, semi-transparent wrapping tissue paper, and colour wrapping tissue paper.

Total revenue generated from wrapping tissue paper was RMB1,218.4 million, contributed to approximately 78.9% of the Group's revenue for this reporting period.

Copy paper

Revenue generated from copy paper was RMB165.1 million, representing a decrease of 36.5% when compared with that of the year ended 31 December 2013, and contributed to approximately 10.7% of the Group's revenue. The decrease in revenue was mainly due to commencement of modification and upgrading work for one copy paper production line with a designed annual production capacity of 19,000 tonnes during this reporting period. The work represents part of the regular maintenance routine for the facilities to support product quality at high levels and improve efficiency.

BUSINESS REVIEW AND OUTLOOK

Wall paper backing paper

The wall paper backing paper production line, with a designed annual production capacity of 35,000 tonnes, completed trial operation during this reporting period. The first batch of standard products was delivered to customers in June 2014 and generated RMB18.5 million of sales for this reporting period, representing approximately 1.2% of the Group's revenue.

Other products

Other products, comprising paper towel and ivory boards, generated revenue of RMB141.9 million during the period and contributed to approximately 9.2% of the Group's revenue for this reporting period.

Geographical Analysis

The entire Group's revenue was generated from mainland China. Eastern China and Southern China are the largest markets of the Group (by breakdown of locations from which sales were originated), with over 91% of Group's revenue for the reporting period being derived from these two regions.

Operational Analysis

As at 31 December 2014, the Group operated 34 production lines with designed annual production capacities aggregating 345,000 tonnes, including 215,000 tonnes for wrapping tissue paper, 49,000 tonnes for copy paper, 35,000 tonnes for wall paper backing paper and 46,000 tonnes for other products.

The Group is also equipped with three in-house de-inked pulp production lines with designed annual production capacities aggregating 150,000 tonnes for its own use.

Prospects

Looking ahead, China is likely to adopt slower growth as part of its effort to accommodate to a new economic model that triumphs sustainability and equitable development. This will be positive to the paper making industry and the Company as a whole, as raw material prices will become more stable while order can be restored in the country's paper product market due to the ongoing consolidation that eliminates excessive capacities.

With a more stable environment, the Board is confident that domestic consumption will gradually revive, supporting the demand for wrapping tissue paper. The FSC's CoC certificate obtained in December 2014 will open the Group's door to customers and industries where the use of FSC's certified paper has evolved into a norm.

As part of its ongoing endeavors to explore new markets, the Company commissioned in November 2014 the construction of a 10,000-tonne food wrapping paper facility which has been scheduled to commence production in late 2015.

Results

Revenue of the Group for the year ended 31 December 2014 was RMB1,543.9 million, representing an increase of approximately 0.8% from RMB1,531.1 million for the year ended 31 December 2013. Profit and total comprehensive income attributable to owners of the Company decreased by approximately 6.0% from RMB290.5 million for the year ended 31 December 2013 to RMB273.0 million for the year ended 31 December 2014. The decrease in profit and total comprehensive income attributable to owners of the Company was a result of the lower overall average selling price of the Group's products and the income tax charged for the deferred taxation, the impact of which was partly set off by an increase in sales volume of approximately 14,000 tonnes during this reporting period and the benefit from lower cost from increased use of de-inked pulp.

Basic earnings per share for the year ended 31 December 2014 decreased by 6.1% to RMB0.248 per share when compared with the RMB0.264 per share for the year ended 31 December 2013, based on the profit attributable to owners of the Company of RMB273.0 million (For the year ended 31 December 2013: RMB290.5 million) and the weighted average of 1,099,819,178 shares (For the year ended 31 December 2013: 1,100,000,000 shares) in issue during this reporting period.

Gross profit

Gross profit of the Group decreased modestly to RMB483.1 million for the year ended 31 December 2014 from RMB503.6 million for the year ended 31 December 2013. Overall gross profit margin of the Group slightly decreased from 32.9% for the year ended 31 December 2013 to 31.3% for the year ended 31 December 2014.

Other income and other gains and losses

Other income and other gains and losses of the Group slightly decreased from a net gain of RMB13.7 million for the year ended 31 December 2013 to RMB13.1 million for the year ended 31 December 2014.

Selling and distribution costs

Selling and distribution costs of the Group slightly increased by approximately 2.0% from RMB9.5 million for the year ended 31 December 2013 to RMB9.7 million for the year ended 31 December 2014, representing approximately 0.6% of the Group's revenue for both reporting periods.

Administrative expenses

Administrative expenses of the Group increased by approximately 2.8% from RMB76.4 million for the year ended 31 December 2013 to RMB78.5 million for the year ended 31 December 2014, representing approximately 5.0% and 5.1% of the Group's revenue for the reporting periods, respectively. The increase was primarily due to an increase in depreciation charges for property, plant and equipment and property tax.

Finance costs

Finance costs of the Group increased by approximately 47.4% from RMB39.9 million for the year ended 31 December 2013 to RMB58.8 million for the year ended 31 December 2014, primarily due to an increase in the average balance of bank borrowings and a reduction of the amount of capitalised interest for qualifying assets during this reporting period.

Interest rates of bank loans ranged from 1.67% to 8.45% for the year ended 31 December 2014, compared with 1.91% to 8.31% for the year ended 31 December 2013.

Other expenses

Other expenses mainly comprise research and development expenses on energy conservation, consumption reduction, environmental protection system and application of recycled materials as raw materials across the production process.

Taxation

Tax charge decreased by approximately 35.7% from RMB76.8 million for the year ended 31 December 2013 to RMB49.4 million for year ended 31 December 2014, primarily due to the lower tax rate applied to the Group's subsidiaries in mainland China starting from 2014. The Group's effective tax rates for the year ended 31 December 2013 and 2014 were 20.9% and 15.3%, respectively. The decrease in the effective tax rate was mainly due to entitlement of preferential tax rates for two of the Group's subsidiaries in mainland China and approximately RMB15.8 million in an overprovision of income tax for 2013 credited to profit and loss for this reporting period.

Profit and total comprehensive income attributable to owners of the Company

Profit and total comprehensive income attributable to owners of the Company decreased from RMB290.5 million for the year ended 31 December 2013 to RMB273.0 million for the year ended 31 December 2014. The ratio of profit and total comprehensive income attributable to owners of the Company to revenue decreased from approximately 19.0% for the year ended 31 December 2013 to approximately 17.7% for the year ended 31 December 2014.

Inventories, trade receivables and payables turnover cycle

The Group's inventories mainly comprise raw materials including wood pulp, recovered paper for de-inked pulp production. For the year ended 31 December 2014, the inventory turnover cycle was approximately 43.8 days (For the year ended 31 December 2013: 50.4 days). The improvement in inventory turnover cycle was mainly due to better control on inventory management exercised by the Group.

Due to continuing tightening of liquidity in China since 2013, the Group made a strategic decision to lengthen its standard credit term for customers to 90 days to 120 days from the previous 60 days to allow them more leeway to arrange their capital resources in 2013. That said, the turnover cycle of trade receivables for the year ended 31 December 2014 was 145.8 days. With deep understandings in its customers, the Group does not envisage any acute deterioration of credit quality of its trade receivables.

The turnover cycle for the Group's trade and bills payables for the year ended 31 December 2014 shortened to 65.4 days (For the year ended 31 December 2013: 72.2 days), which was similar to the 60-day credit period granted by the Group's suppliers.

Borrowings

During this reporting period, the Group secured a US$110 million (equivalent to approximately RMB663.5 million) facility from a syndicate of seven banks for a three-year tenor.

As at 31 December 2014, the Group's bank borrowings balance amounted to RMB1,435.2 million, of which RMB574.7 million will be due for repayment within the next twelve months (As at 31 December 2013: RMB970.8 million, of which RMB573.8 million would be due for repayment within the next twelve months).

As at 31 December 2014, the Group's bank borrowings amounted to RMB1,375.2 million, carried at variable interest rates (As at 31 December 2013: RMB799.8 million).

As at 31 December 2014, the Group's net gearing ratio, which was calculated on the basis of total borrowings less bank balances and cash and pledged bank deposits as a percentage of shareholder equity, was 29.9% (As at 31 December 2013: 35.8%).

Pledge of assets

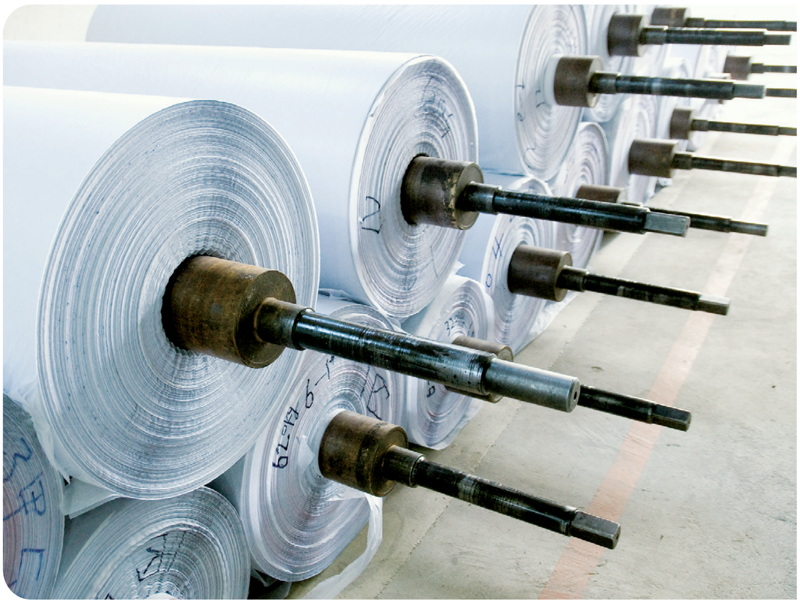
As at 31 December 2014, the Group pledged certain of its property, plant and equipment, land use rights and bank deposits with an aggregate carrying value of RMB500.5 million (As at 31 December 2013: RMB537.0 million) as collaterals for the credit facilities granted to the Group.

Capital expenditure

For the year ended 31 December 2014, the Group invested RMB153.9 million (For the year ended 31 December 2013: RMB274.2 million) in construction of production facilities and equipment and prepaid lease payments.

Human resources management

As at 31 December 2014, the Group employed approximately 1,700 staff members (As at 31 December 2013: approximately 1,800) and the total remuneration for the year ended 31 December 2014 amounted to approximately RMB64.1 million (For the year ended 31 December 2013: RMB64.2 million). The Group's remuneration packages commensurate with experiences and qualifications of individual employees and general market conditions. Bonuses are linked to the Group's financial results as well as individual performances. The Group also ensures that all employees are provided with adequate training and professional development opportunities to satisfy their career development needs.



Bonus issue of shares

The Board has proposed a bonus issue ("Bonus Issue") of one new share ("Bonus Share") credited as fully paid for every ten shares held by shareholders of the Company ("Shareholders") whose names appear on the register of members of the Company on 28 May 2015. The necessary resolution will be proposed at the forthcoming annual general meeting to be held on 8 May 2015 ("AGM"), and subject to approval by the Shareholders at the AGM and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting the listing of and permission to deal in the Bonus Shares, the relevant share certificates will be sent by post on or about 15 June 2015. For further details about the Bonus Issue, please refer to the separate announcement of the Company dated 3 March 2015.

Dividend

The Board has resolved to recommend payment of a final dividend for the year ended 31 December 2014 of HK 8.0 cents per share (For the year ended 31 December 2013: HK 6.3 cents per share), totaling approximately HK$86.2 million, amounted to approximately RMB69.5 million. The proposed final dividend is subject to the approval of the Shareholders at the AGM. The final dividend, if approved, will be paid on or before 15 June 2015 by way of cash, with an option for Shareholders to receive new fully paid shares of the Company ("Shares") or partly in Shares and partly in cash under the scrip dividend scheme of the Company ("Scrip Dividend Scheme"). The proposed final dividend, if approved by Shareholders at the AGM, will be paid to Shareholders whose names appear on the Company's register of members on 18 May 2015.

Subject to the Stock Exchange granting listing of and permission to deal in the new shares to be issued pursuant to the Scrip Dividend Scheme, new share entitlements will be calculated by reference to the par value of the Shares, being HK$0.10, or the average of the closing prices per share of the Company on the Stock Exchange for the five consecutive trading days up to and including 13 May 2015, whichever is higher. A circular containing full details of the Scrip Dividend Scheme and a form of election in relation to the Scrip Dividend Scheme will be sent to the Shareholders as soon as practicable.

An interim dividend of HK 3.9 cents per share (2013: HK 3.9 cents per share) has been paid in respect of the current financial year. Total dividends for the year will amount to HK 11.9 cents per share (2013: HK 10.2 cents per share), representing an increase of 16.7%. This represented 38.1% of the total earnings for the year 2014, up from 30.3% in 2013. The Board is confident about maintaining the payout ratio at a similar level given the Company's financial position and the prospect of its main businesses.

Closure of register of members

The register of members of the Company will be closed during the following periods:

(i) From 5 May 2015 to 8 May 2015 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for the right to attend and vote at the annual general meeting, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 pm on 4 May 2015 for registration of transfer.

(ii) From 14 May 2015 to 18 May 2015 (both days inclusive), during which period no transfer of Shares will be registered. In order to establish entitlement to the proposed final dividend (payable on or about 15 June 2015), all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 pm on 13 May 2015 for registration of transfer.

(iii) From 26 May 2015 to 28 May 2015 (both days inclusive), during which period no transfer of Shares will be registered. In order to establish entitlement to the proposed issue of bonus shares (which are expected to be payable on or about 15 June 2015), all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 pm on 22 May 2015 for registration of transfer.

Executive Directors

Mr Ke Wentuo (**柯文托**), aged 58, is the founder of our Group and Chairman of our Company. Mr Ke was appointed as Executive Director on 12 October 2009. He is primarily responsible for our overall strategies, planning and business development. Mr Ke graduated and earned a college diploma from Fujian College of Forestry (福建林學院) (now part of Fujian Agriculture and Forestry University* (福建農林大學)) in 1999, majoring in paper manufacturing. Mr Ke has more than 15 years of experience in paper manufacturing. Mr Ke has been a vice-president of the Fujian Paper Association* (福建省紙業協會) since December 1999. Mr Ke has been a committee member of the Jinjiang City National People's Congress Standing Committee* (晉江市人民代表大會常務委員會) since January 2004, and has been a committee member of the Tenth Quanzhou Committee of the PRC People's Political Consultative Conference* (中國人民政治協商會議第十屆泉州委員會) since December 2009. Mr Ke was recognised by the China Paper Association as an outstanding entrepreneur in the field of pulp and paper making* (中國造紙協會製漿造紙行業優秀企業家) in 2009. He was also named as a model entrepreneur in the light industry segment* (全國輕工行業勞動模範) in December 2007. In addition, Mr Ke is also committed to social charity, and was named as a Philanthropist in the Quanzhou Municipality* (泉州市慈善家) in 2006, appointed as an honorary president of Quanzhou Charity Association* (泉州市慈善總會永遠名譽會長) in September 2006 and as an honorary president of Jinjiang Charity Association* (晉江市慈善總會永遠榮譽會長) in December 2007.

Mr Ke Jixiong (**柯吉熊**), aged 31, joined our Group in 2002 and is the chief executive officer of our Company. Mr Ke Jixiong was appointed as an Executive Director on 6 January 2010. Mr Ke Jixiong is the son of Mr Ke Wentuo and is primarily responsible for overseeing the manufacturing and sales functions of our Group, as well as the management of the daily operations of our Group. He completed a 4-year distant learning program at Fujian Normal University* (福建師範大學) majoring in business administration in July 2007. In 2004, Mr Ke Jixiong was awarded as the Third Jinjiang city's Young Entrepreneur award* (晉江市第三屆優秀青年企業家). He is currently a committee member of the Fujian Jinjiang PRC People's Political Consultative Conference* (中國人民政治協商會議福建省晉江市委員會). He plays an instrumental role in formulation of various directions, targets, policies and systems regarding sales and building distribution network for our Group, and has helped maintain stability in the supply and quality of the raw materials we source, ensuring the standards and quality of our products, and that our production plans, are implemented on schedule, such as introducing de-inking facilities to produce de-inked pulp in house.

Mr Cao Xu (**曹旭**), aged 50, joined our Group in 1997 and was appointed as an Executive Director on 6 January 2010. Mr Cao is responsible for the management of product development, technological innovation and manufacturing operations. In 1988, he graduated and earned a college diploma from the University of Mechanical Industry Anshan* (鞍山市機械工業職工大學) majoring in mechanical engineering. From 1988 to 1997, Mr Cao worked in Metallurgical Department No. 3 Corporation* (冶金工業部第三冶金建設公司), a state-owned enterprise in the PRC, and was responsible for production machinery design and processing.

Mr Zhang Guoduan (**張國端**), aged 51, joined our Group in 2008 and was appointed as an Executive Director on 6 January 2010. In 1998, Mr Zhang completed an 18-month course at Xiamen University* (廈門大學) majoring in economics and management. Mr Zhang has more than 27 years of experience in paper manufacturing. From September 1982 to October 1995, Mr Zhang worked in Fujian Jianning No. 2 Paper Manufacturer, during which he worked in different posts including as its departmental head and its deputy factory director, and was responsible for manufacturing quality control management, manufacturing technology and development management, and new products development. From November 1995 to August 2002, he worked in Fujian Naoshan Paper Industry Group* (福建鐃山紙業集團) as deputy general manager.

DIRECTORS AND SENIOR MANAGEMENT

Independent Non-Executive Directors

Prof. Zhang Daopei (**張道沛**), aged 78, was appointed as an Independent Non-executive Director on 6 January 2010. Prof. Zhang graduated from Dongbei Industrial College* (東北工學院) (now known as Northeastern University* (東北大學)) in 1966 majoring in mining machinery. Since 2005, Prof. Zhang has been a professor at Henan University* (河南大學). He was also a professor at Fujian College of Forestry* (福建林學院) (now part of Fujian Agriculture and Forestry University* (福建農林大學)) from 1995 to 1997. Before becoming a professor, Prof. Zhang spent over 40 years working in paper manufacturing in areas including paper product development, factory planning and management, and paper industry trading manufacturing. Prof. Zhang has also been the chairman of Alkaline Recycling Special Committee of the China Technology Association of Paper Industry* (中國造紙學會) since 1990, the vice chairman of Paper History Committee, of the China Technology Association of Paper Industry* (中國造紙學會) since 1994 and the honorary chairman of the Fourth Committee of the Fujian Technology Association of Paper Industry* (福建造紙學會) since 2007. Prof. Zhang was previously the chairman of Fujian Technology Association of Paper Industry* (福建造紙學會) from 1994 to 2007.

Prof. Chen Lihui (**陳禮輝**), aged 49, was appointed as an Independent Non-executive Director on 6 January 2010. Prof. Chen graduated from Fuzhou University* (福州大學) with a bachelor of engineering degree majoring in machine manufacturing processes and equipment in 1987. He then earned his master's degree in 1996 and his doctorate degree in 2003 majoring in pulp and paper engineering from South China University of Technology* (華南理工大學). From July 1987 to October 2000, Prof. Chen was with the Fujian College of Forestry* (福建林學院) (now part of Fujian Agriculture and Forestry University* (福建農林大學)), working in various capacities as an assistant professor, a lecturer, an associate professor and an instructor for master's degree research students. Since November 2000, Prof. Chen was with the Material Engineering College* (材料工程學院) of the Fujian Agriculture and Forestry University* (福建農林大學), serving as a professor, an instructor of doctorate and master degree students and a college dean. Prof. Chen was awarded the Fujian Young Scientist Award* (福建青年科技獎) in 2006 for his outstanding achievements in technology, and has won awards for numerous research projects in China, including the Fujian Technology Award* (福建省科學技術獎) in December 2003, 2004, 2005 and February 2009, and the Fuzhou Technological Advancement Award* (福州市科學技術進步獎) in September 2008.

Mr Chow Kwok Wai (**周國偉**), aged 48, was appointed as an Independent Non-executive Director on 6 January 2010. Mr Chow graduated from the University of Hong Kong with a bachelor's degree in Social Science in 1990. Mr Chow is a Fellow member of the Association of Chartered Certified Accountants, a Fellow CPA of the Hong Kong Institute of Certified Public Accountants and a Fellow member of the Taxation Institute of Hong Kong ("TIHK"). Mr Chow is also a registered Certified Tax Adviser (註冊稅務師) of the TIHK effective since 7 September 2010. He has over 20 years' of experience in accounting, financial management and corporate finance. He is an executive director of Silver Grant International Industries Limited (stock code: 171), a non-executive director of Cinda International Holdings Limited (stock code: 111) and an independent non-executive director of Lijun International Pharmaceutical (Holding) Co., Ltd. (stock code: 2005), all of which are listed on the Main Board of The Stock Exchange of Hong Kong Ltd.

Senior management

Mr Wong Yat Sum (**黃一心**), aged 38, is our Chief Financial Officer and our Company Secretary. Mr Wong joined our Group in 2009 and is responsible for the budget, financial management and control of our Group. Mr Wong has over seven years of experience in accounting and auditing in an international accounting firm. Mr Wong obtained a Bachelor of Science degree majoring in accounting from the University of Hull in the United Kingdom in 2000. He is currently a fellow member of the Hong Kong Institute of Certified Public Accountants and fellow member of Associate of Chartered Certified Accountants. Prior to joining our Group, Mr Wong was a financial controller for a wood-flooring company in Shanghai, China, where he was responsible for finance, treasury, business planning and risk management.

Mr Liao Chunxiang (**廖春祥**), aged 50, is Deputy General Manager of Quanzhou Huaxiang Paper Industry Co., Ltd. ("Huaxiang"). Mr Liao joined our Group in 2008 and is responsible for managing manufacturing processes at Huaxiang. As Mr Liao is also a member of our research and development centre, where he participates in our research and development projects. Mr Liao obtained his business administration accreditation from Fujian Economic Management School for Officials* (福建經濟管理幹部學院) in 1998. Prior to joining our Group, Mr Liao worked in Fujian Naoshan Paper Industry Group Co., Ltd.* (福建鐃山紙業集團有限公司) as a manager in its manufacturing department between September 1983 and December 2002, where he was responsible for manufacturing management, improving manufacturing techniques and management.

Mr Ke Hongchi (**柯鴻池**), aged 40, is Sales Manager of our Group and is responsible for business development and sales. Mr Ke Hongchi graduated from Jinjiang County Professional School* (晉江縣職業學校) (now known as Jinjiang Professional Technical Secondary School*) (晉江職業中專學校) in 1991 and joined our Group in 1994. Mr Ke Hongchi is responsible for sales development and the management of the sales team of Youlanfa Paper Co., Ltd. Fujian ("Youlanfa"). Since the establishment of Fujian Xiyuan Paper Co., Ltd. ("Xiyuan") and Huaxiang in 2006, he has also been responsible for overseeing sales development and managing the sales team of Xiyuan and Huaxiang.

Mr Chen Changxing (**陳長興**), aged 51, is Manager of our research and development centre. Mr Chen joined our Group in 2006 and is responsible for the development, execution and management of the research and development projects of our Group. In 1996, Mr Chen graduated with a college diploma from Open University of Fujian* (福建廣播電視大學), majoring in electronic technique applications. Mr Chen also graduated from Fujian Light Industry School* (福建輕工業學校) in 1985, majoring in paper manufacturing. Prior to joining our Group, Mr Chen worked in Fujian Pulp Quality Supervision and Testing Station* (福建省漿紙質量監督檢驗站) between March 2002 and April 2006 and was responsible for research and development of paper manufacturing technology and province-wide quality control supervision and management.

Mr Shuai Liangming (**帥亮明**), aged 50, is Quality Control Manager of Huaxiang. Mr Shuai joined our Group in 2008 and is responsible for quality control at Huaxiang. As Mr Shuai is also a member of our research and development centre, he participates in our research and development projects. Mr Shuai graduated with a college diploma from Minfeng Paper Factory Workers University* (民豐造紙廠職工大學), majoring in pulp and paper manufacturing in 1990, and graduated from Party School of the Central Committee of CPC* (中共中央黨校), majoring in law in 2002. Mr Shuai has obtained various awards in relation to his work in developing new paper products. Prior to joining our Group, Mr Shuai worked in Dongguan Baoli Paper Factory* (東莞市寶力造紙廠) between August 2001 and December 2007, where he was responsible for technology development and standard setting, and product quality testing and management.

Mr Wu Xiaoxi (**吳曉曦**), aged 53, is Head of Electrical Engineering Department of Huaxiang. Mr Wu joined our Group in 2000 and is responsible for the management of matters relating to electrical engineering at Huaxiang. As Mr Wu is also member of our research and development centre, he also participates in our research and development projects. Mr Wu graduated from Fuzhou University* (福州大學) in 1982 with a Bachelor's degree majoring in chemical machinery. Prior to joining our Group, Mr Wu worked in Jianning Jiaoheban Factory* (建寧縣膠合板廠) between March 1992 and December 1999, where he was responsible for manufacturing equipment and related technology improvements.

Mr Chen Taibin (**陳太斌**), aged 37, is Manager of Human Resources Department of Youlanfa. Mr Chen joined our Group in 2009 and is responsible for hiring and training at Youlanfa. Mr Chen graduated and obtained a college diploma from Fujian Normal School* (福建師範專科學校) in 1995 majoring in chemistry. Prior to joining our Group, Mr Chen worked in Fujian Jinjiang Sanyuan Food Enterprise Co., Ltd.* (福建省晉江三源食品實業有限公司) as its administrative manager between July 2005 and October 2008, where he was responsible for hiring, development and management of payroll scale systems, ongoing training, and the implementation of an administration system.

Ms Yan Yahong (**顏雅紅**), aged 32, is Deputy Manager of our Purchasing Department. Ms Yan joined our Group in 2009 and is responsible for raw materials purchasing of our Group. Ms Yan graduated from Sun Yat-sen University* (中山大學) with a master's degree in comparative and world literature in 2006. Prior to joining our Group, Ms Yan worked in Jinjiang Panpan Food Co., Ltd.* (晉江盼盼食品有限公司) as its manager for international trade from July 2006 to July 2008, where she was responsible for international market development, the development and implementation of business strategy, and business negotiation.

CORPORATE GOVERNANCE REPORT

Corporate Governance Code

Our Company has adopted the Corporate Governance Code (the "Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code of corporate governance. For the year ended 31 December 2014 (the "Review Period"), our Directors consider that our Company has complied with all the code provisions as set out in the Code, except for deviation under code provision E.1.2 of the Code which provides that the chairman of the board should attend the annual general meeting. Mr Ke Wentuo, the chairman and an executive director of the Company, did not attend the annual general meeting of the Company held on 8 May 2014 in Hong Kong (the "Annual General Meeting") due to other business commitment. The Annual General Meeting was chaired by Mr Ke Jixiong, the chief executive officer and an executive director of the Company, instead.

Our Directors are committed to upholding the corporate governance of the Company to ensure that formal and transparent procedures are in place to protect and maximise the interests of the shareholders of our Company ("Shareholders").

Set out below is a detailed discussion of the corporate governance practices adopted and observed by our Company under the Review Period.

Disclosure pursuant to Rule 13.18 and Rule 13.21 of the Listing Rules

On 7 April 2014, the Company as borrower entered into the facility agreement with a syndicate of seven banks for a three-year term loan in the principal amount of US$110 million (the "Facility Agreement"). The Facility Agreement includes a condition imposing specific performance obligations on Mr Ke Wentuo, the controlling shareholder of the Company (the "Controlling Shareholder") who is interested in approximately 57.38% of the issued share capital of the Company as of the date of the Facility Agreement. Pursuant to the Facility Agreement, it will be a change of control in the event that (i) the Controlling Shareholder and his associates collectively do not or cease to own at least 40% of the, direct or indirect, beneficial shareholding interest in the issued share capital of, and carrying 40% of the voting rights in the Company, free from any security; (ii) the Controlling shareholder and his associates collectively do not or cease to have management control of the Company; (iii) the Controlling Shareholder and his associates collectively are not or cease to be the single largest shareholder of the Company; or (iv) the Controlling Shareholder is not or ceases to be the chairman of the board of directors (the "Board").

If a change of control occurs, the facility agent to the Facility Agreement may cancel all the available facility and declare all or part of the loans, together with all accrued interest, and all other amounts accrued or outstanding pursuant to the Facility Agreement to become due and payable, whereupon the Facility Agreement will be cancelled and all such outstanding amounts will be immediately due and payable.

Model Code for Securities Transactions

Our Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct for Directors in their dealings in the securities of our Company. Having made specific enquiry to all our Directors, all our Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the Review Period.

Board of Directors

(i) Board Composition

The Board currently comprises four executive Directors and three independent non-executive Directors.

As at the date of this annual report, the Board consists of the following Directors:

Executive directors
Mr Ke Wentuo (Chairman)
Mr Ke Jixiong (Chief Executive Officer)
Mr Cao Xu
Mr Zhang Guoduan

Independent non-executive directors
Prof. Zhang Daopei
Prof. Chen Lihui
Mr Chow Kwok Wai

Among members of the Board, Mr Ke Jixiong, the Chief Executive Officer of the Company, is the son of Mr Ke Wentuo, the Chairman of the Board. Save as disclosed herein, to the best knowledge of the Company, there is no other financial, business or family relationship among the members of the Board.

The roles of the Chairman and the Chief Executive Officer are segregated and assumed by Mr Ke Wentuo and Mr Ke Jixiong respectively.

The executive Directors, with assistance from the senior management, form the core management team of the Company. The executive Directors have the overall responsibility of formulating the business strategies and development plan of the Group and the senior management are responsible for supervising and executing the plans of the Company and its subsidiaries.

(ii) Board Functions and Duties

The principal functions and duties conferred to the Board include, among other things:

- convening general meetings and reporting the Board's work at general meetings;
- implementing resolutions passed by Shareholders in general meetings;
- deciding on business plans and investment plans;
- preparing annual financial budgets and final reports;
- formulating proposals for profit distributions, recovery of losses and for increases or reductions in the registered capital;
- developing and reviewing the Company's policies and practices on corporate governance; and
- exercising other powers, functions and duties conferred by Shareholders in general meetings.

(iii) Board Meetings

During the Review Period, there were six board meetings held, at which the Directors approved, among other things, the annual results of the Group for the year ended 31 December 2013 and the interim results for the six months ended 30 June 2014.

Prior notices of Board meeting were despatched to the Directors setting out the matters to be discussed. At the meetings, the Directors were provided with the relevant documents to be discussed and approved. The company secretary of the Company (the "Company Secretary") had been responsible for keeping minutes for the Board meetings.

(iv) Attendance Record

The following is the attendance record of the Board meetings held by the Board and general meeting of the Company during the Review Period:

	Attendance	
	board meetings	**general meeting**
Executive directors		
Mr Ke Wentuo (Chairman)	6/6	0/1
Mr Ke Jixiong (Chief Executive Officer)	6/6	1/1
Mr Cao Xu	6/6	0/1
Mr Zhang Guoduan	6/6	0/1
Independent non-executive directors		
Prof. Zhang Daopei	5/6	0/1
Prof. Chen Lihui	5/6	0/1
Mr Chow Kwok Wai	5/6	0/1

(v) Independent Non-executive Directors

In compliance with Rule 3.10(1) of the Listing Rules, the Company has appointed three independent non-executive Directors. The Board considers that all independent non-executive Directors have appropriate and sufficient industry or finance experiences and qualifications to carry out their duties so as to protect the interests of the Shareholders. One of the independent non-executive Directors, Mr Chow is a fellow member of the Association of Chartered Certified Accountants, a fellow member of the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong. He has over 20 years of experience in accounting, financial management and corporate finance.

The Company has also received a written annual confirmation from each of the independent non-executive Directors in respect of their independence. After considering the factors set out in Rule 3.09 of the Listing Rules, the Board considers that all independent non-executive Directors continue to be independent throughout the Review Period.

(vi) Appointment and Re-election of Directors

According to the articles of association of the Company ("Articles"), at each annual general meeting, one-third of the Directors are subject to retirement by rotation or, if the number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from the office and shall be eligible for re-election. The Directors to be retired by rotation shall be those who have been serving the longest in office since their last appointment or re-election. Every Director shall be subject to retirement at an annual general meeting at least once every three years.

Mr Ke Wentuo, Mr Cao Xu and Prof. Chen Lihui will retire from the Board by rotation at the forthcoming annual general meeting of the Company ("AGM") and, are eligible to offer themselves for re-election.

(vii) Terms of appointment of Directors

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from 30 April 2013, and each of the independent non-executive Directors has entered into a service contract with the Company for a term of three years commencing from 30 April 2013, renewable upon expiry in both cases, subject to compliance of the Listing Rules and the Articles.

No Director has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

(viii) Directors' Remuneration

The remuneration committee makes recommendations to the Board on the remuneration packages of the Directors and senior management personnel. It is the Company's policy that the remuneration package of each Director and senior management shall be determined by taking reference to, inter alia, their duties, responsibilities, experiences and qualifications.

(ix) Directors' Training

According to the code provision A.6.5 of the Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The Company should be responsible for arranging and funding training, placing an appropriate emphasis on the roles, function and duties of the Directors.

The Company had received from each of the Directors a confirmation that they have taken continuous professional training, together with supporting documentary proof in accordance with the code provision A.6.5 of the Code.

Specifically, members of the Board have undertaken the following training activities:

Name of Director	Training activities undertaken
Mr Ke Wentuo	Attendance at seminar relating to economy, perusal of industry publications and journals
Mr Ke Jixiong	Attendance at seminar relating to corporate management, perusal of industry and management related publications and journals
Mr Cao Xu	Attendance at seminars relating to economy and industry, perusal of industry publications and journals
Mr Zhang Guoduan	Attendance at seminars relating to industry, perusal of industry publications and journals
Prof. Zhang Daopei	Attendance at seminars and tours relating to industry and knowledge relating to listed companies
Prof. Chen Lihui	Attendance at industry conferences and industry related academic tours
Mr Chow Kwok Wai	Attendance at seminars and undertaking online trainings relating to accounting, management and the Listing Rules

Board Diversity Policy

Pursuant to the new code provisions of the Code relating to board diversity which has come into effect since 1 September 2013, the Board approved a new board diversity policy (the "Board Diversity Policy") in August 2013. The Company recognises and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of Director candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

Audit Committee

Our Company has established an audit committee on 30 April 2010 with written terms of reference based upon the provisions and recommended practices of the Code. The primary responsibilities of our audit committee are to, among other things, review and supervise financial reporting processes and internal control system of the Group. As at 31 December 2014, our audit committee comprises Mr Chow Kwok Wai, Prof. Zhang Daopei and Prof. Chen Lihui, being the three independent non-executive Directors. Mr. Chow Kwok Wai is the chairman of our audit committee.

During the Review Period, the audit committee held two meetings and subsequently on 3 March 2015, the audit committee held a meeting. The members of audit committee reviewed and discussed with the external auditors of the Company the Group's audited financial statements for the years ended 31 December 2013 and 2014 and the unaudited interim financial statements for the six months ended 30 June 2014. They were of the opinion that these statements had complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures had been made.

The following is the attendance record of the committee meetings held by the audit committee during the Review Period.

	Attendance at meetings
Mr Chow Kwok Wai *(Chairman)*	2/2
Prof. Zhang Daopei	2/2
Prof. Chen Lihui	2/2

Our audit committee is responsible for making recommendations to our Board as to the appointment, re-appointment and removal of the external auditor, approve the remuneration and terms of engagement of the external auditor and review its independence, which is subject to the approval by our Board and at general meetings of our Company by our Shareholders.

Auditor's Remuneration

The total fee paid/payable to the external auditor of our Group, Deloitte Touche Tohmatsu, was approximately RMB2.1 million and RMB0.2 million for the audit services and non-auditing services respectively for the year ended 31 December 2014. Non-auditing services mainly included tax advisory services. The audit committee is of the view that the auditors' independence is not affected by the services rendered.

Company Secretary

Mr. Wong Yat Sum is the Company Secretary. Mr. Wong has confirmed that, for the Review Period, he has taken no less than 15 hours of relevant professional training in compliance with the requirements of Rule 3.29 of the Listing Rules.

Director's Responsibility on the Financial Statements

Our Directors acknowledge that it is their responsibility to prepare accounts of our Group and other financial disclosures required under the Listing Rules and the management will provide information and explanation to our Board to enable it to make informed assessments of the financial and other decisions.

Internal Control

The internal control system has been designed to safeguard the assets of our Company, maintaining proper accounting records, execution with appropriate authority and compliance of the relevant laws and regulations.

Our Board is responsible for maintaining and reviewing the effectiveness of the internal control system of our Company.

Our Board has carried out an annual review of the implemented system and procedures, including areas covering financial, operational and legal compliance controls and risk management functions. The internal control system is implemented to minimise risk to which our Group is exposed and used as a management tool for the day-to-day operations of our businesses. The system can only provide reasonable but not absolute assurance against misstatements or losses.

Our Board is responsible for implementing the internal control system and reviewing its effectiveness. For the year ended 31 December 2014, our Board considered that the internal control system of our Group was adequate and effective and our Company had complied with the code provisions on internal control as set out in the Code during the Review Period.

Nomination Committee

Our Company established a nomination committee on 22 December 2011 with written terms of reference in compliance with the Code. The nomination committee comprised Prof. Zhang Daopei, Prof. Chen Lihui and Mr Ke Wentuo. Prof. Zhang Daopei is the chairman of the nomination committee.

The nomination committee considers and recommends to the Board suitably qualified persons to become directors and is responsible for reviewing the structure, size and composition of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategies.

Before a prospective director's name is formally proposed, the opinions of the existing Directors (including the independent non-executive Directors) are sought. The selection criteria of the qualified candidates are mainly based on assessments of their qualifications, experiences and expertise as well as the requirements under the Listing Rules. The nomination committee selects and recommends candidates for directorship with regards to balancing skills and experiences appropriate to the Group's businesses.

During the Review Period, the nomination committee held one meeting. The members of nomination committee reviewed and discussed the current structure, size and composition of the Board and the remuneration of the senior management.

The following is the attendance record of the committee meeting held by the nomination committee during the Review Period.

	Attendance at meeting
Prof. Zhang Daopei *(Chairman)*	1/1
Prof. Chen Lihui	1/1
Mr Ke Wentuo	1/1

Remuneration Committee

Our Company established a remuneration committee on 30 April 2010 with written terms of reference in compliance with the Code. As at 31 December 2014, our remuneration committee comprised Mr Ke Wentuo, Prof. Zhang Daopei and Prof. Chen Lihui. Prof. Chen Lihui is the chairman of the remuneration committee.

The primary responsibilities of our remuneration committee are to make recommendations to the Board on the remuneration packages of the Directors and senior management personnel of our Group and to ensure that no Director or any of his associates is involved in deciding his own remuneration.

Emolument Policies

The emolument policies of the Group are formulated based on performance of individual employees and on the basis of salary trends in Hong Kong and the PRC, and will be reviewed regularly. Subject to the profitability of our Group, our Group may also distribute discretionary bonuses to its employees as incentives for their contributions to our Group.

During the Review Period, the remuneration committee held one meeting. The members of remuneration committee reviewed and discussed the policies for the remuneration of executive Directors, the performances of executive Directors during the Review Period.

The following is the attendance record of the committee meeting held by the remuneration committee during the Review Period.

	Attendance at meeting
Prof. Chen Lihui *(Chairman)*	1/1
Prof. Zhang Daopei	1/1
Mr Ke Wentuo	1/1

Meeting with Independent Non-executive Directors

During the Review Period, the Chairman of the Company held one meeting with the independent non-executive Directors without the presence of the other executive Directors on 3 March 2014 to review and discuss, among other things, the independence of the independent non-executive Directors and confirmed that the independent non-executive Directors can express their views at the Board meetings without restrictions.

Corporate Governance Functions

The Board is responsible for performing the duties on corporate governance functions set out below:

- developing and reviewing the Company's policies and practices on corporate governance and making recommendations;
- reviewing and monitoring the training and continuous professional development of Directors and senior management;
- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- reviewing the Company's compliance with the Code and disclosure in the corporate governance report contained in the annual report of the Company.

The Board has held meetings from time to time to: (a) review the Company's policies and practices on corporate governance; (b) to review and monitor the training and continuous professional development of the Directors; and (c) to review the Company's compliance with the Code and disclosure in the corporate governance report.

Communication with Shareholders

The Company endeavors to develop and maintain continuing relationships and effective communications with its shareholders and investors. In an effort to facilitate and enhance the relationships and communication, the Company has established the following various channels:

1. The annual general meeting provides a forum for Shareholders to raise comments and exchange views with the Board. The Chairman and the Directors are available at the annual general meetings of the Company to address Shareholders' queries;
2. Separate resolutions are proposed at the general meetings on each substantially separate issue and procedures for demanding a poll in general meetings are included in the circulars to Shareholders to facilitate enforcement of Shareholders' rights;
3. Interim and annual results are announced as early as possible, to keep Shareholders informed of the Group's performances and operations; and
4. Updated key information of the Group is available on the Company's website to enable Shareholders and investors to have timely accesses to information about the Group.

Shareholders' Rights

Procedure by which Shareholders can convene an Extraordinary General Meeting ("EGM") and put forward proposals at general meetings of the Company

Pursuant to the Articles, each general meeting, other than an annual general meeting, shall be called an EGM.

Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company 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 at the Company's office in Hong Kong at Unit 1601, 16th Floor, Bonham Trade Centre, 50 Bonham Strand, Sheung Wan, Hong Kong, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Any Shareholder who wish to put forward proposals at general meetings of the Company shall submit such proposals to the Board in writing for the Board's consolidation not less than seven (7) days prior to the date of such general meeting through the Company Secretary whose contact details are set out above.

Shareholders' Enquiries

Shareholders should direct their questions about their shareholdings to the Company's registrar. Shareholders may also make enquiries to the Board by writing to the Company Secretary whose contact details are set out above.

Constitutional Documents

During the Review Period, there was no change in the constitutional documents of the Company.

The directors of our Company (the "Directors") are pleased to report the audited consolidated financial statements of our Company and its subsidiaries (hereinafter collectively referred to as our "Group") for the year ended 31 December 2014.

Corporate Reorganisation

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 12 October 2009, under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Through the corporate reorganisation undertaken in preparation of listing, our Company became the holding company of the Group on 14 January 2010. The Company's shares ("Shares") have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 27 May 2010.

Principal Activities

The principal activity of our Company is investment holding. Particulars of the subsidiaries of our Company are set out in note 31 to the consolidated financial statements.

Bonus issue of shares

On 3 March 2015, the board of directors (the "Board") of the Company has proposed a bonus issue ("Bonus Issue") of one new share ("Bonus Share") credited as fully paid for every ten shares held by shareholders of the Company ("Shareholders") whose names appear on the register of members of the Company on 28 May 2015. The necessary resolution will be proposed at the forthcoming annual general meeting on 8 May 2015 (the "AGM") and the Stock Exchange granting the listing of and permission to deal in the Bonus Shares, the relevant share certificates will be sent by post on or about 15 June 2015. For further details about the Bonus Issue, please refer to the separate announcement of the Company dated 3 March 2015.

Results and Appropriations

The results of the Group for the year ended 31 December 2014 are set out in the consolidated financial statement of comprehensive income on page 35 of this report.

The Directors has resolved to recommend the payment of a final dividend for the year ended 31 December 2014 of HK 8.0 cents (For the year ended 31 December 2013: HK 6.3 cents per share) per ordinary share, totalling approximately HK$86.2 million, amounted to approximately RMB69.5 million. The proposed final dividend is subject to the approval of the Shareholders at the AGM. The final dividend, if approved, will be paid on or before 15 June 2015 by way of cash, with an option for the Shareholders to receive new fully paid Shares, or partly in Shares and partly in cash under the scrip dividend scheme of the Company ("Scrip Dividend Scheme"). The proposed final dividend, if approved by Shareholders at the AGM, will be paid to Shareholders whose names appear on the Company's register of members on 18 May 2015.

Subject to the Stock Exchange granting listing of and permission to deal in the new shares to be issued pursuant to the Scrip Dividend Scheme, new share entitlements will be calculated by reference to the par value of the Shares, being HK$0.10, or the average of the closing prices per Share on the Stock Exchange for the five consecutive trading up to and including 13 May 2015, whichever is higher. A circular containing full details of the Scrip Dividend Scheme and a form of election in relation to the Scrip Dividend Scheme will be sent to the Shareholders as soon as practicable.

Reserves

Movements in reserves of the Group during the year ended 31 December 2014 are set out on page 37 of this report.

As at 31 December 2014, the reserves of our Group available for distribution to Shareholders amounted to RMB1,610,530,000 (As at 31 December 2013: RMB1,351,051,000).

Property, Plant and Equipment

Movements in property, plant and equipment of the Group are set out in note 17 to the consolidated financial statements.

Share Capital

Details of the share capital of the Company are set out in note 25 to the consolidated financial statements.

Directors

The list of Directors during the year is set out in the section headed "Directors and senior management" on page 13 of this report.

Financial Summary

A financial summary of the Group for the last five years are set out on page 80 of this report.

Borrowings

Details of bank borrowings of the Group as at 31 December 2014 are set out in note 23 to the consolidated financial statements.

Share Option Scheme

The following is a summary of the principal terms of the share option scheme (the "Scheme") adopted by a resolution of the Board and approved by the written resolution of all the Shareholders passed on 30 April 2010:

(1) The purpose of the Scheme

The purpose of the Scheme is to give the eligible persons (the "Eligible Person") (as mentioned in the following paragraph) an opportunity to have a personal stake in our Company to help motivate them to optimise their future performance and efficiency to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Person who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of Executives (as defined below), to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

(2) Who may join

The Board may, at its absolute discretion, offer options ("Options") to subscribe for such number of Shares in accordance with the terms set out in the Scheme to:

(a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group ("Employee"), any proposed Employee or any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of our Group ("Executive");

(b) a director or proposed director (including an independent non-executive director) of any member of our Group;

(c) a direct or indirect shareholder of any member of our Group;

(d) a supplier of goods or services to any member of our Group;

(e) a customer, consultant , business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group;

(f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Group; and

(g) an associate of any of the persons referred to in paragraphs (a) to (f) above.

(3) Maximum number of Shares

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of our Group shall not in aggregate exceed 10% of the Shares in issue as at 27 May 2010, the date on which the Shares are listed on the Stock Exchange, i.e. 100,000,000 Shares.

(4) Maximum entitlement of each participant

No Option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of Options granted and to be granted to that person in any 12 month period exceeds 1% of our Company's issued share capital from time to time. Where any further grant of Options to such an Eligible Person would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant shall be separately approved by the Shareholders in general meeting with such Eligible Person and his associates abstaining from voting. Our Company shall send a circular to our Shareholders disclosing the identity of the Eligible Person, the number and terms of the Options to be granted (and Options previously granted) to such Eligible Person, and containing the details and information required under the Listing Rules. The number and terms (including the subscription price) of the Options to be granted to such Eligible Person must be fixed before the approval of our Shareholders and the date of the Board meeting proposing such grant shall be taken as the offer date for the purpose of calculating the subscription price of those Options.

(5) Offer period

An offer of the grant of an Option shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the offer date provided that no such grant of an Option may be accepted after the expiry of the effective period of the Scheme. An Option shall be deemed to have been granted and accepted by the Eligible Person and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the Option duly signed by the Grantee together with a remittance in favour of our Company of HK$1.00 by way of consideration for the grant thereof is received by our Company on or before the date upon which an offer of an Option must be accepted by the relevant Eligible Person, being a date not later than 28 days after the offer date. Such remittance shall in no circumstances be refundable.

To the extent that the offer of the grant of an Option is not accepted by the acceptance date, it will be deemed to have been irrevocably declined.

(6) Minimum holding period, vesting and performance target

Subject to the provisions of the Listing Rules, the Board may in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Scheme as the Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period before the right to exercise the Option in respect of all or any of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Scheme. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an Option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the Option can be exercised.

(7) Amount payable for Options

The amount payable on acceptance of an Option is HK$1.00.

(8) Subscription Price

The subscription price in respect of any particular Option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the subscription price shall not be less than whichever is the highest of:

(a) the nominal value of a Share;

(b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date; and

(c) the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the 5 business days (as defined in the Listing Rules) immediately preceding the offer date.

(9) Life of Share Option Scheme

Subject to the terms of this Scheme, the Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting Options granted prior to the expiry of the 10-years period or otherwise as may be required in accordance with the provisions of the Scheme.

As at 31 December 2014, no Options have been granted or agreed to be granted under the Scheme.

Arrangement to Purchase Shares or Debentures

At no time during the year under review were there any rights to acquire benefits by means of the acquisition of securities of our Company granted to any Director or their respective spouse or children under 18 years of age, or were there any such rights exercised by them; or was our Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Directors' and Chief Executives' Interests in the Shares and Underlying Shares and Debentures of our Company or any Associated Corporation

As at 31 December 2014, the interests of each Director and chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to our Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 to the Listing Rules, were as follows:

Name of director	Capacity/Nature of interest	Number of Shares	Approximate percentage of interest in our Company
Mr Ke Wentuo	Interest in controlled corporation and interest of spouse[1]	631,125,000	58.55%
Mr Ke Jixiong	Interest in controlled corporation[2]	36,300,000	3.37%

Note 1: The interest in 631,125,000 Shares comprise of:

(i) 605,055,000 Shares held by Smart Port Holdings Limited ("Smart Port"), which is wholly owned by Mr Ke Wentuo; and

(ii) 26,070,000 Shares held by Denron International Limited ("Denron"), which in turn is wholly beneficially owned by Ms Cai Lishuang, and Mr Ke Wentuo, being the spouse of Ms Cai Lishuang, is deemed to be interested in the said 26,070,000 Shares held by Denron.

Note 2: The interest in 36,300,000 Shares refer to the same block of Shares held by Everproud International Limited, which is wholly owned by Mr Ke Jixiong.

Except as disclosed above, none of the Directors nor the chief executives of our Company or their associates had any interest or short positions in any of the shares, underlying shares or debentures of our Company or any of its associated corporations as defined in the SFO.

Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares

The register of substantial shareholders required to be kept by our Company under Section 336 of Part XV of the SFO shows that as at 31 December 2014, in addition to the interests disclosed under the paragraph headed "Directors and Chief Executives' Interests in the Shares and Underlying Shares and Debentures of our Company or any Associated Corporation", our Company was notified of the following substantial shareholders' interests and short positions in the Shares and underlying Shares, being interests of 5% or more.

Name	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding
Smart Port	Beneficial interest[1]	605,055,000	56.13%
Ms Cai Lishuang	Interest in controlled corporation and interest of spouse[2]	631,125,000	58.55%
Cathay Special Paper Limited	Beneficial interest[3]	97,185,000	9.02%

Note 1: Mr Ke Wentuo is deemed to be interested in the Shares held by Smart Port by virtue of Smart Port being wholly owned by Mr Ke Wentuo.

Note 2: Ms Cai Lishuang is deemed to be interested in the Shares held by Denron by virtue of Denron being wholly owned by Ms Cai Lishuang. In addition, she is deemed to be interested in the Shares held by Smart Port, which is wholly owned by Mr Ke Wentuo, by virtue of her being the spouse of Mr Ke Wentuo.

Note 3: Cathay Special Paper Limited is wholly owned by Cathay Capital Holdings II, L.P., a limited liability partnership.

Except as disclosed above, as at 31 December 2014, our Company has not been notified by any person or corporation who had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by our Company under Section 336 of Part XV of the SFO.

Management Contracts

Other than the service contracts of the Directors, our Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of our Company during the year .

Contracts of Significance

No contracts of significance in relation to the business of our Group, to which our Company, its holding companies, its subsidiaries or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

No contracts of significance for the provision of services to our Company or any of its subsidiaries by a controlling shareholder of our Company or any of its subsidiaries subsisted at the end of year or at any time during the year.

Directors' Interests in Competing Business

None of the Directors and their respective associates (as defined in the Listing Rules) has an interest in any business which competes or may compete with the business in which the Group is engaged.

Major Customers and Suppliers

Aggregate sales attributable to the Group's largest and five largest customers were 6.5% (2013: 5.4%) and 25.8% (2013: 21.2%) of the Group's total sales respectively.

Aggregate purchases attributable to the Group's largest and five largest suppliers were 37.3% (2013: 38.8%) and 89.7% (2013: 86.2%) of the Group's total purchases respectively.

None of the Directors, their associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of our Company's share capital) had an interest in the top five customers and suppliers of our Group.

Deed of Non-competition

Each of the controlling shareholders of the Company (the "Controlling Shareholders"), namely Mr Ke Wentuo and Smart Port, has confirmed to the Company of his or its compliance with the non-compete undertakings provided to the Company under the Deed of Non-competition (as defined in the prospectus of our Company dated 14 May 2010). The independent non-executive Directors of the Company have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-competition have been complied with by the Controlling Shareholders.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the articles of association of our Company or the Companies Law of the Cayman Islands where our Company is incorporated.

Purchase, Sale or Redemption of the Listed Securities of our Company

On 14 October 2014, the Company announced that the Directors had approved a share repurchase program pursuant to which the Company will repurchase the Shares from the open market, with immediate effect, until expiry of the prevailing share repurchase mandate granted to the Board at the Company's annual general meeting held on 8 May 2014 upon conclusion of the forthcoming AGM.

During the year ended 31 December 2014, the Company repurchased a total of 22,000,000 Shares of HK$0.10 per share through the Stock Exchange at an aggregate consideration of approximately RMB30.8 million (including transaction costs) and all of repurchased Shares were cancelled on 29 December 2014. Details of Shares repurchased during the period are set out as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per share Highest	Price per share Lowest	Aggregate consideration paid (including expenses)
		HK$	HK$	RMB'000
October 2014	1,123,000	1.74	1.68	1,531
November 2014	4,577,000	1.84	1.76	6,511
December 2014	16,300,000	1.78	1.68	22,723
	22,000,000			30,765

The Directors believed that repurchases of Shares were in the best interests of the Company and the Shareholders and that such repurchases of Shares would lead to an enhancement of the earnings per share of the Company.

Save as disclosed above, neither our Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of our Company during the year ended 31 December 2014.

Use of Net Proceeds from Initial Public Offering

The Shares were listed on 27 May 2010 on the Main Board of the Stock Exchange. The total net proceeds from the listing after the issue of the Shares amounted to approximately RMB 510.5 million, which are intended to be applied as set out in the section headed "Use of Proceeds" of the Prospectus.

On 15 September 2014, the Company announced that the Board had resolved to change the use of the unutilized net proceeds from marketing expenses for growing the Company's existing business in the PRC to working capital and other general corporate purposes of the Group.

As at 31 December 2014, the net proceeds from the listing of the Company have been fully utilized.

	Intended use of proceeds	Amount of net proceeds RMB' million	Proceeds utilized at of 31 Dec 2014 RMB' million
Purchase of machinery and equipment relating to new production facilities	45.0%	229.7	229.7
Construction of new plant and supporting facilities to support production of new products and increases to production capacity	40.0%	204.2	204.2
Working capital and other general corporate purposes	13.1%	66.8	66.8
Marketing expenses for growing our existing business in the PRC	1.9%	9.8	9.8
Total	100%	510.5	510.5

Sufficiency of Public Float

Based on the publicly available information and to the best of the Directors' knowledge, information and belief and at the date of this report, our Company has maintained sufficient public float during the year ended 31 December 2014.

Auditor

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as our auditor.

On behalf of the Board

Ke Wentuo
Chairman

Hong Kong, 3 March 2015

TO THE MEMBERS OF
YOUYUAN INTERNATIONAL HOLDINGS LIMITED
優源國際控股有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Youyuan International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 79, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards 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, in accordance with our agreed terms of engagement, 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.

INDEPENDENT AUDITOR’S REPORT

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014 and of the Group’s profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
3 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	NOTES	2014	2013
		RMB'000	RMB'000
Revenue	7	1,543,920	1,531,102
Cost of sales		(1,060,798)	(1,027,518)
Gross profit		483,122	503,584
Other income and other gains and losses	9	13,052	13,667
Selling and distribution expenses		(9,661)	(9,469)
Administrative expenses		(78,505)	(76,375)
Finance costs	10	(58,815)	(39,890)
Other expenses		(26,863)	(24,229)
Profit before tax	11	322,330	367,288
Income tax expense	12	(49,360)	(76,822)
Profit and total comprehensive income for the year attributable to owners of the Company		272,970	290,466
		RMB	RMB
Earnings per share – Basic	16	0.248	0.264

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	NOTES	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**2,088,826**	2,018,393
Prepaid lease payments	18	**342,247**	364,555
Deposits paid for acquisition of property, plant and equipment		**15,190**	10,512
		2,446,263	2,393,460
CURRENT ASSETS			
Inventories	19	**114,452**	140,353
Trade and other receivables	20	**625,781**	730,585
Prepaid lease payments	18	**7,784**	7,874
Pledged bank deposits	21	**11,000**	60,170
Bank balances and cash	21	**735,384**	142,130
		1,494,401	1,081,112
CURRENT LIABILITIES			
Trade and other payables	22	**179,704**	330,249
Income tax payables		**13,293**	21,779
Bank borrowings	23	**574,722**	573,801
		767,719	925,829
NET CURRENT ASSETS		**726,682**	155,283
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,172,945**	2,548,743
NON-CURRENT LIABILITIES			
Bank borrowings	23	**860,497**	397,000
Deferred taxation	24	**10,500**	3,500
		870,997	400,500
NET ASSETS		**2,301,948**	2,148,243
CAPITAL AND RESERVES			
Share capital	25	**93,842**	95,580
Reserves		**2,208,106**	2,052,663
TOTAL EQUITY		**2,301,948**	2,148,243

The consolidated financial statements on pages 35 to 79 were approved and authorised for issue by the Board of Directors on 3 March 2015 and are signed on its behalf by:

DIRECTOR *DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to owners of the Company				
	Share capital RMB'000	**Share premium RMB'000**	**Other reserves RMB'000** (Note 26)	**Accumulated profits RMB'000**	**Total RMB'000**
At 1 January 2013	87,680	325,069	446,703	1,079,075	1,938,527
Profit and total comprehensive income for the year	—	—	—	290,466	290,466
Bonus issue (Note 25)	7,900	(7,900)	—	—	—
Dividends recognised as distribution (Note 15)	—	—	—	(80,750)	(80,750)
Transferred to accumulated profits (Note)	—	(92,250)	—	92,250	—
Appropriation	—	—	29,990	(29,990)	—
At 31 December 2013 and 1 January 2014	95,580	224,919	476,693	1,351,051	2,148,243
Profit and total comprehensive income for the year	—	—	—	**272,970**	**272,970**
Shares repurchased and cancelled (Note 25)	**(1,738)**	**(29,027)**	—	—	**(30,765)**
Dividends recognised as distribution (Note 15)	—	—	—	**(88,500)**	**(88,500)**
Transferred to accumulated profits (Note)	—	**(104,000)**	—	**104,000**	—
Appropriation	—	—	**28,991**	**(28,991)**	—
At 31 December 2014	**93,842**	**91,892**	**505,684**	**1,610,530**	**2,301,948**

Note: Pursuant to board resolutions of directors, the directors were authorised and resolved to transfer RMB104,000,000 (2013: RMB92,250,000) from share premium account to accumulated profits. Under the Companies Law of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business of the Company.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	322,330	367,288
Adjustments for:		
Depreciation of property, plant and equipment	83,413	65,034
Finance costs	58,815	39,890
Release of prepaid lease payments	7,784	7,874
Gain on disposal of land use rights	(4,762)	—
(Gain) loss on disposal of property, plant and equipment	(64)	29
Interest income	(9,125)	(3,340)
	458,391	476,775
Movements in working capital		
Decrease in inventories	25,901	2,935
Decrease (increase) in trade and other receivables	104,804	(400,373)
(Decrease) increase in trade and other payables	(150,545)	122,758
Cash generated from operations	438,551	202,095
Income taxes paid	(50,846)	(62,782)
NET CASH GENERATED BY OPERATING ACTIVITIES	387,705	139,313
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for acquisition of property, plant and equipment	(149,605)	(227,273)
Placement of pledged bank deposits	—	(15,000)
Withdrawal of pledged bank deposits	49,170	—
Interest received	9,125	3,340
Proceeds from disposal of land use rights	19,376	—
Proceeds from disposal of property, plant and equipment	84	2,895
NET CASH USED IN INVESTING ACTIVITIES	(71,850)	(236,038)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank borrowings raised	1,076,219	553,801
Repayments of bank borrowings	(611,801)	(510,735)
Payment on repurchase of shares	(30,765)	—
Interest paid	(67,754)	(60,256)
Dividend paid	(88,500)	(80,750)
NET CASH GENERATED BY (USED IN) FINANCING ACTIVITIES	277,399	(97,940)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	593,254	(194,665)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	142,130	336,795
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	735,384	142,130

1. GENERAL

The Company was incorporated in the Cayman Islands on 12 October 2009 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 27 May 2010. Its immediate and ultimate parent is Smart Port Holdings Limited (incorporated in the British Virgin Islands) and its ultimate controlling shareholder is Mr. Ke Wentuo ("Mr. Ke") who is also the Chairman of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section of the annual report.

The Company acts as an investment holding company. Details of the principal activities of its subsidiaries are set out in note 31.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and revised Standards, Amendments and Interpretations applied in the current year

The Group has applied the following new and revised Standards, Amendments and Interpretations for the first time in the current year:

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies

The application of the new or revised Standards, Amendments and Interpretations to IFRSs in the current year has had no material effect on the amounts reported and/or disclosures set out in these consolidated financial statements of the Group.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

New and revised Standards, Amendments and Interpretations issued but not yet effective

The Group has not early applied the following new and revised Standards, Amendments and Interpretations that have been issued but are not yet effective:

IFRS 9	Financial Instruments[1]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 15	Revenue from Contracts with Customers[3]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to IAS 1	Disclosure Initiative[5]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2010 - 2012 Cycle[6]
Amendments to IFRSs	Annual Improvements to IFRSs 2011 - 2013 Cycle[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2012 - 2014 Cycle[5]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[5]
Amendments to IAS 27	Equity Method in Separate Financial Statements[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[5]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2 Effective for first annual IFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
4 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
5 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of IFRS 9 are described below:

- All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate the adoption of IFRS 9 in the future will not have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the financial instruments as at 31 December 2014.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

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

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the Company do not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2010-2012 Cycle

The *Annual Improvements to IFRSs 2010-2012 Cycle* include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to IFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to IFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to IFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

Annual Improvements to IFRSs 2010-2012 Cycle (continued)

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments and Interpretations issued but not yet effective will have no material effect on amounts reported in the consolidated financial statements and/or disclosures set out in these consolidated financial statements of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance (Cap. 32).

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The 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 listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefit will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and accumulated impairment losses, if any.

Properties, plants and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties, plants and equipment are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Research and development expenditure

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

An internally-generated intangible asset arising from development activities is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to defined contribution retirement benefit plans or state-managed retirement benefit schemes or the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered services entitling them to the contributions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

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

Deferred tax

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial Instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial assets (continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 120 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instrument

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial liabilities and equity instrument (continued)

Financial liabilities

Financial liabilities including bank borrowings and trade and other payables, are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year.

Useful lives and impairment of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are expected to be shorter than estimated, or it will write off or write down obsolete or non-strategic assets that have been abandoned. Change in these estimations may have a material impact on the results of the Group. There is no change in these estimations during the current year. The carrying amount of property, plant and equipment is RMB2,088,826,000 (2013: RMB2,018,393,000).

Estimated impairment of trade receivables

When there is objective evidence of impairment of trade receivables, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2014, the carrying amount of trade receivables is RMB619,763,000 (2013: RMB613,619,000). There is no allowance for doubtful debts as at 31 December 2014 and 2013.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes bank borrowings, cash and cash equivalents and equity attributable to owners of the Company, comprising share capital, share premium, capital reserve, special reserve, statutory surplus reserve, and accumulated profits.

The management of the Group reviews the capital structure periodically. As part of this review, the Group considers the cost of capital and the risks associates with each class of capital and will balance its overall capital structure through the payment of dividends and share buy-backs as well as the issue of new debt or the redemption of existing debt.

During the year ended 31 December 2014, the Company has repurchased its own shares from the Stock Exchange (see note 25 for details).

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	2014 RMB'000	2013 RMB'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)	1,366,147	815,919
Financial liabilities:		
Amortised cost	1,583,212	1,264,454

6b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group has financial assets and liabilities denominated in foreign currencies, which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities including bank balances and cash and bank borrowings at the end of the reporting period are as follows:

	Assets		Liabilities	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Hong Kong Dollar ("HK$")	9,251	3,076	55,322	112,541
United States Dollar ("US$")	2,974	932	669,897	91,260

6. FINANCIAL INSTRUMENTS (continued)

6b. Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis

The Group is mainly exposed to foreign currency risk relating to HK$ and US$.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currencies. 5% is the sensitivity rate used for management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items. A positive number below indicates an increase in post-tax profit where RMB strengthens 5% against the relevant foreign currencies. A negative number indicates a decrease in post-tax profit. For a 5% weakening of RMB against the relevant foreign currencies, there would be an equal and opposite impact on post-tax profit.

	HK$		US$	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Profit or loss	**1,728**	4,105	**25,010**	3,387

(ii) Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate pledged bank deposits and bank borrowings. The Group's cash flow interest rate risk relates primarily to bank balances and variable-rate bank borrowings (see notes 23 for details of these borrowings).

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate risk exposure and will consider hedging significant interest rate risk should the need arises.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk of bank borrowings is mainly concentrated on the fluctuation of Benchmark Borrowing Rate ("Benchmark Borrowing Rate") of The People's Bank of China ("PBOC"), Hong Kong Interbanks Offered Rate ("HIBOR") and London Interbanks Offered Rate ("LIBOR") arising from the Group's RMB, HK$ and US$ denominated borrowings. The interest rates of bank balances and pledged bank deposit are mainly based on the benchmark saving rate quoted by PBOC.

6. FINANCIAL INSTRUMENTS (continued)

6b. Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rate risk which relates primarily to variable-rate bank balances and bank borrowings (see notes 21 and 23 for details of these balances). The analysis is prepared assuming these financial instruments outstanding at the end of the reporting period were outstanding for the whole year.

For the bank balances, if the interest rates for benchmark saving rate had been increased/decreased by 10 basis points and other variables were held constant, the Group's post-tax profit for the year ended would increase/decrease by approximately RMB560,000 (2013: RMB152,000) for the year ended 31 December 2014.

For the bank borrowings, if interest rates had been increased/decreased by 50 basis points and all other variables were held constant, the Group's post-tax profit for the year would decrease/increase by approximately RMB5,157,000 (2013: RMB2,999,000) for the year ended 31 December 2014.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

The credit risk on the Group's bank balances and pledged bank deposits is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical location is solely in the People's Republic of China (the "PRC"), as at 31 December 2014 and 2013.

The Group has concentration of credit risk as 27% (2013: 22%) of the total trade receivables was due from the Group's five largest customers in the paper industry in PRC as at 31 December 2014. The management is of the view that these trade debtors of the Group have good trade records without default history and consider that the trade receivables from these five customers are recoverable. In order to minimise the credit risk, management continuously monitors the level of exposure to ensure that follow-up actions and/or corrective actions are taken promptly to lower the risk exposure or to recover overdue balances.

6. FINANCIAL INSTRUMENTS (continued)

6b. Financial risk management objectives and policies (continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2014, the Group had available unutilised banking facilities of approximately RMB555,000,000 (2013: RMB1,235,000,000).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Liquidity tables

	Weighted average interest rate %	Less than 1 year RMB'000	1 - 2 years RMB'000	2 - 5 years RMB'000	Undiscounted cash flows RMB'000	Total Carrying amount RMB'000
At 31 December 2014						
Trade and other payables	—	147,993	—	—	147,993	147,993
Bank borrowings						
– fixed rate	8.45	5,470	28,876	37,272	71,618	60,000
– variable rate	5.00	620,187	414,996	418,348	1,453,531	1,375,219
		773,650	443,872	455,620	1,673,142	1,583,212
At 31 December 2013						
Trade and other payables	—	293,653	—	—	293,653	293,653
Bank borrowings						
– fixed rate	6.60	173,822	—	—	173,822	171,000
– variable rate	5.92	441,225	394,769	25,423	861,417	799,801
		908,700	394,769	25,423	1,328,892	1,264,454

6c. Fair value

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

7. REVENUE

An analysis of the Group's revenue is as follows:

	2014 RMB'000	2013 RMB'000
Revenue from the sales of:		
Wrapping tissue paper	**1,218,447**	1,101,538
Copy paper	**165,068**	259,787
Wall paper backing paper	**18,500**	—
Other products	**141,905**	169,777
	1,543,920	1,531,102

8. SEGMENT INFORMATION

(a) Products within each operating segment

Information reported to the Chief Executive Officer of the Company, being the chief operating decision maker, for the purposes of resources allocation and assessment of segment performance focuses on types of goods delivered. This is also the basis upon which the Group is organised. No operation segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's operating segments under IFRS 8 are as follows:

- Wrapping tissue paper – manufacturing for sale of wrapping tissue paper;
- Copy paper – manufacturing for sale of copy paper;
- Wall paper backing paper – manufacturing for sale of wall paper backing paper;
- Other products – manufacturing for sale of paper towels and ivory boards.

(b) Segment revenue and segment results

	Segment revenue		Segment results	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Wrapping tissue paper	**1,218,447**	1,101,538	**414,040**	398,111
Copy paper	**165,068**	259,787	**45,817**	77,781
Wall paper backing paper	**18,500**	—	**366**	—
Other products	**141,905**	169,777	**22,899**	27,692
	1,543,920	1,531,102	**483,122**	503,584
Other income and other gains and losses			**13,052**	13,667
Selling and distribution expenses			**(9,661)**	(9,469)
Administrative expenses			**(78,505)**	(76,375)
Finance costs			**(58,815)**	(39,890)
Other expenses			**(26,863)**	(24,229)
Profit before tax			**322,330**	367,288

8. SEGMENT INFORMATION (continued)

(b) Segment revenue and segment results (continued)

Revenue reported above represents revenue generated from external customers. There were no intersegment sales during both years.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represent the gross profit of each operating segment. This is the measure reported to Chief Executive Officer for the purposes of resources allocation and performance assessment.

(c) Segment assets

	2014 RMB'000	2013 RMB'000
Wrapping tissue paper	697,194	577,383
Copy paper	115,980	121,235
Wall paper backing paper	193,323	197,350
Other products	114,589	114,009
Total segment assets	1,121,086	1,009,977
Unallocated		
– Property, plant and equipment	986,963	1,028,905
– Prepaid lease payments	350,031	372,429
– Deposit paid for acquisition of property, plant and equipment	15,190	10,512
– Inventories	95,229	119,864
– Trade and other receivables	625,781	730,585
– Pledged bank deposits	11,000	60,170
– Bank balances and cash	735,384	142,130
Consolidated assets	3,940,664	3,474,572

Segment assets include certain property, plant and equipment and inventories used specifically for the production of different products.

(d) Segment liabilities

Segment liabilities are not presented as liabilities are generally incurred for all operating segments and not reported separately to the Chief Executive Officer.

8. SEGMENT INFORMATION (continued)

(e) Other segment information

	Wrapping tissue paper RMB'000	Copy paper RMB'000	Wall paper backing paper RMB'000	Other products RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss or segment assets:						
Year ended 31 December 2014						
Addition to property, plant and equipment	**31,514**	**1,272**	**9,192**	**2,681**	**109,207**	**153,866**
Depreciation and amortisation	**34,854**	**5,407**	**4,829**	**5,554**	**40,553**	**91,197**
Gain on disposal of land use rights	—	—	—	—	**(4,762)**	**(4,762)**
Gain on disposal of property, plant and equipment	—	—	—	—	**(64)**	**(64)**
Year ended 31 December 2013						
Addition to property, plant and equipment	24,246	385	19,417	—	230,185	274,233
Depreciation and amortisation	20,876	6,982	—	6,711	38,339	72,908
Loss on disposal of property, plant and equipment	—	—	—	—	29	29

(f) Geographical information

The Group principally operates in the PRC (country of domicile of the operating subsidiaries). Nearly all non-current assets of the Group are located in the PRC except for insignificant non-current assets (such as office equipment in Hong Kong office) are located in Hong Kong.

All of the Group's revenue from external customers is attributed to the group entities' countries of domicile (i.e. the PRC).

(g) Information about major customers

During the year, there are no individual customers with sales of 10% or more of the Group's total revenue.

9. OTHER INCOME AND OTHER GAINS AND LOSSES

	2014	2013
	RMB'000	RMB'000
Bank interest income	9,125	3,340
Gain on disposal of land use rights	4,762	—
Gain (loss) on disposal of property, plant and equipment	64	(29)
Net foreign exchange (loss) gain	(1,310)	4,710
Government grants (Note)	372	1,883
Others	39	3,763
	13,052	13,667

Note: Government grants represented incentives granted by the local government authorities to the Group's subsidiaries located in the PRC for developing innovative production technology and maintaining a good reputation in the business community in 2013 and 2014. There are no unfulfilled conditions and other contingencies attaching to such grants. Such grants are for the purpose of giving immediate financial support to the Group with no future related costs and are therefore recognised in profit or loss during the year.

10. FINANCE COSTS

	2014	2013
	RMB'000	RMB'000
Interest on:		
Bank borrowings wholly repayable within five years	67,754	60,256
Less: Amounts capitalised	(8,939)	(20,366)
	58,815	39,890

During the year ended 31 December 2014, the borrowing costs RMB8,939,000 (2013: RMB20,366,000) capitalised are attributable to funds borrowed specifically for the purpose of constructing particular qualifying assets.

11. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting):

	2014	2013
	RMB'000	RMB'000
Employee benefits expenses (including directors):		
Salaries and other benefits	**61,640**	61,831
Retirement benefits scheme contributions	**2,501**	2,382
	64,141	64,213
Depreciation of property, plant and equipment	**83,413**	65,034
Release of prepaid lease payments	**7,784**	7,874
Total depreciation and amortisation expenses	**91,197**	72,908
Auditors' remuneration	**2,232**	2,136
Research and development cost recognised as an expense (included in other expenses)	**26,863**	24,229
Cost of inventories recognised as expenses	**1,060,798**	1,027,518

12. INCOME TAX EXPENSE

	2014	2013
	RMB'000	RMB'000
Income tax expense:		
Current tax		
Charge for the year	**58,121**	78,703
Overprovision in prior year	**(15,761)**	(5,381)
	42,360	73,322
Deferred tax (Note 24)		
Charge for the year	**7,000**	3,500
	49,360	76,822

The Company and Xi Yuan Paper Limited ("Xi Yuan BVI") were incorporated in the Cayman Islands and British Virgin Islands, respectively, and are not subject to income tax.

Sunwell Trading (HK) Company Limited ("Sunwell") was incorporated in Hong Kong and has had no assessable profit subject to Hong Kong Profits Tax for both years.

12. INCOME TAX EXPENSE (continued)

The income tax expense for the year represents the PRC Enterprise Income Tax ("EIT") which is calculated at the prevailing tax rate on the taxable income of the group entities in the PRC.

Quanzhou Huaxiang Paper Industry Co., Ltd. ("Huaxiang"), Fujian Xiyuan Paper Co., Ltd. ("Xiyuan") and Youlanfa Paper Co., Ltd. Fujian ("Youlanfa") (collectively referred as the "PRC Subsidiaries") are Foreign Investment Enterprises registered in the PRC and are subject to the PRC statutory EIT tax rate of 25% for both years.

Youlanfa obtained a high and new technology enterprise certificate in 2012 and was approved in 2013 to entitle to a preferential tax rate of 15% for three year period from 2012 to 2014, subject to annual review by the relevant tax authority.

Xiyuan obtained a high and new technology enterprise certificate in 2013 and was approved in 2014 to entitle to a preferential tax rate of 15% for three year period from 2013 to 2015, subject to annual review by the relevant tax authority. Subsequent to the annual review in 2014, an overprovision of approximately RMB15,761,000 of income tax for 2013 was credited to profit and loss in current year, representing the over provided EIT rate of 25% in 2013.

In current year, the preferential tax rate of 15% has applied to Youlanfa and Xiyuan, which is subject to annual review in 2015.

The tax charge for the year can be reconciled to the profit before tax per consolidated statement of profit or loss and other comprehensive income as follows:

	2014 **RMB'000**	2013 RMB'000
Profit before tax	**322,330**	367,288
Tax at the PRC statutory EIT rate of 25%	**80,583**	91,822
Effect of tax exemptions and tax concession	**(29,075)**	(14,928)
Overprovision in prior year	**(15,761)**	(5,381)
Deferred tax on PRC dividend withholding tax	**7,000**	3,500
Tax effect of expenses not deductible for tax purpose	**5,704**	1,665
Others	**909**	144
	49,360	76,822

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the 7 (2013: 7) directors and the chief executive were as follows:

For the year ended 31 December 2014

	Directors							
	Mr. Ke	Mr. Ke Jixiong	Mr. Cao Xu	Mr. Zhang Guoduan	Prof. Zhang Daopei	Prof. Chen Lihui	Mr. Chow Kwok Wai	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Fees	—	—	—	—	95	95	143	333
Other emoluments								
Salaries and other benefits	1,256	1,017	127	127	—	—	—	2,527
Contributions to retirement benefits schemes	15	11	11	12	—	—	—	49
Performance related incentive payments								
Share-based payment	—	—	—	—	—	—	—	—
Incentive paid on joining	—	—	—	—	—	—	—	—
Total emoluments	1,271	1,028	138	139	95	95	143	2,909
Pensions paid to directors	—	—	—	—	—	—	—	—
Payments for loss of office paid to directors, former directors and chief executive by:								
The Company	—	—	—	—	—	—	—	—
The Company's subsidiaries	—	—	—	—	—	—	—	—
	1,271	1,028	138	139	95	95	143	2,909

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

For the year ended 31 December 2013

	Directors							
	Mr. Ke RMB'000	Mr. Ke Jixiong RMB'000	Mr. Cao Xu RMB'000	Mr. Zhang Guoduan RMB'000	Prof. Zhang Daopei RMB'000	Prof. Chen Lihui RMB'000	Mr. Chow Kwok Wai RMB'000	Total RMB'000
Fees	—	—	—	—	96	96	143	335
Other emoluments								
Salaries and other benefits	1,253	1,015	128	130	—	—	—	2,526
Contributions to retirement benefits schemes	15	15	11	11	—	—	—	52
Performance related incentive payments								
Share-based payment	—	—	—	—	—	—	—	—
Incentive paid on joining	—	—	—	—	—	—	—	—
Total emoluments	1,268	1,030	139	141	96	96	143	2,913
Pensions paid to directors	—	—	—	—	—	—	—	—
Payments for loss of office paid to directors, former directors and chief executive by:								
The Company	—	—	—	—	—	—	—	—
The Company's subsidiaries	—	—	—	—	—	—	—	—
	1,268	1,030	139	141	96	96	143	2,913

Mr. Ke Jixiong is a director who is also Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

For the years ended 31 December 2014 and 2013, neither the chief executive nor any of the directors waived or agreed to waive any emoluments.

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2013: two) were directors and chief executive of the Company whose emoluments are included in the disclosures in note 13 above. The emoluments of the remaining three (2013: three) individuals were as follows:

	2014 RMB'000	2013 RMB'000
Salaries and other benefits	1,238	1,379
Contributions to retirement benefits schemes	28	38
	1,266	1,417

Their emoluments were within the following bands:

	2014 No. of employees	2013 No. of employees
Nil to HK$1,000,000 (equivalent to Nil to RMB798,000)	2	2
HK$1,000,001 to HK$1,500,000 (equivalent to RMB798,001 to RMB1,197,000)	1	1

No emoluments have been paid to these individuals as an inducements to join or upon joining the Group or as compensation for loss of office for the year ended 31 December 2014 and 2013.

15. DIVIDENDS

	2014 RMB'000	2013 RMB'000
Dividends recognised as distribution during the year:		
2013 final dividend of HK6.3 cents per share (2013: 2012 final dividend of HK5.3 cents per share)	54,000	46,750
2014 interim dividend of HK3.9 cents per share (2013: 2013 interim dividend of HK3.9 cents per share)	34,500	34,000
	88,500	80,750
Proposed final dividend of HK8.0 cents per share (2013: Proposed final dividend of HK6.3 cents per share)	69,500	54,000

On 3 March 2015, the Board proposed a final dividend in respect of the year ended 31 December 2014 of HK8.0 cents per share. Such dividend is to be approved by the shareholders at the annual general meeting of the Company. These financial statements do not reflect this dividend payable.

16. EARNINGS PER SHARE – BASIC

The calculation of basic earnings per share attributable to the owners of the Company is based on the following data:

	2014	2013
	RMB'000	RMB'000
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	272,970	290,466

	2014	2013
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,099,819,178	1,100,000,000

No diluted earnings per share are presented as there were no potential ordinary shares outstanding during both years.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2013	676,370	706,962	11,051	7,741	611,823	2,013,947
Additions	521	236	947	6	272,523	274,233
Transfer	194,067	195,676	821	288	(390,852)	—
Disposals/write off	—	(3,349)	(48)	(68)	—	(3,465)
At 31 December 2013 and 1 January 2014	**870,958**	**899,525**	**12,771**	**7,967**	**493,494**	**2,284,715**
Additions	**2**	**104**	**316**	**89**	**153,355**	**153,866**
Transfer	**145,078**	**177,195**	**129**	**64**	**(322,466)**	—
Disposals/write off	—	—	**(40)**	**(69)**	—	**(109)**
At 31 December 2014	**1,016,038**	**1,076,824**	**13,176**	**8,051**	**324,383**	**2,438,472**
DEPRECIATION						
At 1 January 2013	(65,221)	(128,116)	(6,113)	(2,379)	—	(201,829)
Provided for the year	(22,942)	(39,577)	(1,657)	(858)	—	(65,034)
Disposals/write off	—	452	39	50	—	541
At 31 December 2013 and 1 January 2014	**(88,163)**	**(167,241)**	**(7,731)**	**(3,187)**	—	**(266,322)**
Provided for the year	**(27,664)**	**(53,295)**	**(1,589)**	**(865)**	—	**(83,413)**
Disposals/write off	—	—	**32**	**57**	—	**89**
At 31 December 2014	**(115,827)**	**(220,536)**	**(9,288)**	**(3,995)**	—	**(349,646)**
CARRYING VALUES						
At 31 December 2014	**900,211**	**856,288**	**3,888**	**4,056**	**324,383**	**2,088,826**
At 31 December 2013	782,795	732,284	5,040	4,780	493,494	2,018,393

The above items of property, plant and equipment (other than construction in progress) are depreciated on straight-line basis at the following rates:

Buildings	Over the shorter of the term of the lease, or 30 years
Plant and machinery	10 - 20 years
Office equipment	5 years
Motor vehicles	5 years

Buildings are located on land in the PRC and are held under medium-term lease.

The Group has pledged several buildings with a net book value of approximately RMB233,022,000 (2013: RMB215,808,000) to secure banking facilities granted to the Group.

18. PREPAID LEASE PAYMENTS

	2014 RMB'000	2013 RMB'000
The Group's prepaid lease payments comprise:		
Leasehold lands in the PRC:		
– Medium-term lease	**350,031**	372,429
Analysed for reporting purpose as:		
– Current assets	**7,784**	7,874
– Non-current assets	**342,247**	364,555
	350,031	372,429

The Group's prepaid lease payments amounts represent the payments for land use rights situated in the PRC. The remaining unexpired lease term of the leasehold lands is in range of 35 to 46 years (2013: 36 to 47 years) for the year ended 31 December 2014.

19. INVENTORIES

	2014 RMB'000	2013 RMB'000
Raw materials	**95,229**	119,864
Work in progress	**183**	89
Finished goods	**19,040**	20,400
	114,452	140,353

20. TRADE AND OTHER RECEIVABLES

	2014 RMB'000	2013 RMB'000
Trade receivables	**619,763**	613,619
Prepayments to suppliers	**2,599**	94,632
Other prepayments	**1,366**	1,106
Other tax recoverable	**2,053**	21,228
	625,781	730,585

20. TRADE AND OTHER RECEIVABLES (continued)

The Group allows an average credit period of 120 days to its trade customers. The ageing of trade receivables presented based on the invoice date, which approximated the respective revenue recognition dates, at the end of the reporting period is as follows:

	2014 RMB'000	2013 RMB'000
0 to 30 days	166,594	172,189
31 to 60 days	166,194	156,328
61 to 90 days	149,321	164,814
91 to 120 days	137,654	120,288
	619,763	613,619

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed annually.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The customers with balances that are neither past due nor impaired has good repayment history and no impairment is considered necessary.

As at 31 December 2014 and 2013, no trade receivable balance was past due nor impaired. The Group does not hold any collateral over the trade balances.

It is the Group's policy to provide fully for any receivables aged over two years because they are considered not recoverable. As at 31 December 2014 and 2013, the Group has neither provided any allowance for doubtful debts nor impaired any trade receivables.

21. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term deposits, mainly denominated in RMB, with an original maturity of three months or less. Pledged bank deposits represent deposits pledged to banks to secure short term banking facilities granted to the Group.

Bank balances of the Group carry market interest rates of range from 0.01% to 2.70% (2013: 0.01% to 0.385%) per annum as at 31 December 2014.

Pledged bank deposits of the Group carry fixed interest rates of 3.30% (2013: 3.75%) per annum as at 31 December 2014.

22. TRADE AND OTHER PAYABLES

	2014 RMB'000	2013 RMB'000
Trade payables	129,705	100,538
Notes payables	—	150,000
	129,705	250,538
Other payables for acquisition of plant and equipment	18,288	43,115
Other tax payables	10,964	13,234
Accrued staff costs and employee social security fund	7,388	6,972
Accrued electricity expenses	7,259	9,522
Other accrued expenses	6,100	6,868
	179,704	330,249

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2014 RMB'000	2013 RMB'000
Within 30 days	77,248	67,241
31 to 90 days	52,457	33,297
	129,705	100,538

The following is an aged analysis of notes payables presented based on the invoice date at the end of the reporting period:

	2014 RMB'000	2013 RMB'000
91 to 180 days	—	150,000

Trade payables and notes payables principally comprise amounts outstanding for purchase of goods. The average credit period for purchase of goods is 30 days to 180 days. The Group has financial risk management policies in place to ensure that all payables are within the credit time frame.

23. BANK BORROWINGS

	2014 RMB'000	2013 RMB'000
Secured bank borrowings	462,322	474,834
Unsecured bank borrowings	972,897	495,967
	1,435,219	970,801
Carrying amount repayable:		
Within one year	574,722	573,801
More than one year, but not exceeding two years	419,235	372,000
More than two years, but not exceeding five years	441,262	25,000
	1,435,219	970,801
Less: Amounts due within one year shown under current liabilities	(574,722)	(573,801)
Amounts shown under non-current liabilities	860,497	397,000
Analysed as:		
Fixed-rate borrowings	60,000	171,000
Variable-rate borrowings	1,375,219	799,801
	1,435,219	970,801

The ranges of effective interest rates (which are also equal to contractual interest rates) on the Group's borrowings are as follows:

	2014	2013
Effective interest rate:		
Fixed-rate borrowings		
RMB	8.45%	6.60%
Variable-rate borrowings		
HK$	HIBOR plus 1.30%	HIBOR plus 1.65% to 3.25%
US$	LIBOR plus 2.75%	LIBOR plus 1.70%
RMB	101% of Benchmark Borrowing Rate to 145% of Benchmark Borrowing Rate	Benchmark Borrowing Rate to 125% of Benchmark Borrowing Rate

23. BANK BORROWINGS (continued)

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

	2014 RMB'000	2013 RMB'000
Amounts shown under current liabilities:		
Fixed-rate borrowings		
RMB	400	171,000
Variable-rate borrowings		
HK$	55,322	112,541
US$	—	91,260
RMB	519,000	199,000
	574,722	573,801
Amounts shown under non-current liabilities:		
Fixed-rate borrowings		
RMB	59,600	—
Variable-rate borrowings		
US$	669,897	—
RMB	131,000	397,000
	860,497	397,000
	1,435,219	970,801

The bank borrowings are secured by assets or guaranteed by various parties. Details set out as follows:

	2014 RMB'000	2013 RMB'000
Borrowings are secured by assets of the Group (Note)	462,322	474,834
Borrowings are cross-guaranteed among subsidiaries of the Company	972,897	495,967
	1,435,219	970,801

Note: The Group has pledged several assets to secure banking facilities granted to the Group. The carrying values of the assets pledged are as follows:

	2014 RMB'000	2013 RMB'000
Bank deposits	11,000	60,170
Property, plant and equipment	233,022	215,808
Land use rights, classified as prepaid lease payments	256,493	261,041
	500,515	537,019

24. DEFERRED TAXATION

The following are the major deferred tax liabilities recognised and movements thereon during the current and prior years:

	Undistributable profits of PRC subsidiaries RMB'000
At 1 January 2013	—
Charge to profit or loss	3,500
At 31 December 2013 and 1 January 2014	**3,500**
Charge to profit or loss	**7,000**
At 31 December 2014	**10,500**

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries of the Group from 1 January 2008 onwards. As at 31 December 2014, deferred tax liability has been provided in respect of RMB105,000,000 (2013: RMB35,000,000) undistributed earnings of the Group's PRC subsidiaries. Deferred tax has not been provided in respect of the remaining temporary differences attributable to the undistributed earnings as the Group is in a position to control the quantum and timing of the distribution thereof, deferred taxation is only provided to the extent that such earnings are estimated to be distributable in the foreseeable future.

As at 31 December 2014, the aggregate amount of undistributed earnings of the Group's PRC subsidiaries in respect of which deferred liability tax has not been provided for were approximately RMB1,543,378,000 (2013: RMB1,336,425,000).

25. SHARE CAPITAL

	Number of shares	Share capital
		HK$
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014	10,000,000,000	1,000,000,000
Issued and fully paid:		
At 1 January 2013	1,000,000,000	100,000,000
Bonus issue (i)	100,000,000	10,000,000
At 31 December 2013 and 1 January 2014	1,100,000,000	110,000,000
Shares repurchased and cancelled (ii)	(22,000,000)	(2,200,000)
At 31 December 2014	1,078,000,000	107,800,000

	2014	2013
	RMB'000	RMB'000
Presented in RMB		
Share capital	**93,842**	95,580

Note:

(i) On 28 May 2013, 100,000,000 shares of HK$0.10 each of the Company, amounting to HK$10,000,000 (approximately RMB7,900,000), were issue at par value by way of transfer from the share premium account of the Company. Such bonus issue was approved by the Shareholders of the Company at the annual general meeting held on 3 May 2013.

(ii) During the year, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	**Number of ordinary shares of HK$0.10 each**	**Price per share Highest**	**Price per share Lowest**	**Aggregate consideration paid (including expenses)**
		HK$	HK$	RMB'000
October 2014	1,123,000	1.74	1.68	1,531
November 2014	4,577,000	1.84	1.76	6,511
December 2014	16,300,000	1.78	1.68	22,723
	22,000,000			30,765

The above shares were cancelled on 29 December 2014. None of the Company's subsidiaries repurchased, sold or redeemed any of the Company's shares during the year.

All shares issued rank pari passu with other shares in issue in all respects.

26. RESERVES

THE GROUP

	Capital reserve RMB'000 (Note a)	Special reserve RMB'000 (Note b)	Statutory surplus reserve RMB'000 (Note c)	Total RMB'000
At 1 January 2013	257,299	67,866	121,538	446,703
Appropriation	—	—	29,990	29,990
At 31 December 2013 and 1 January 2014	**257,299**	**67,866**	**151,528**	**476,693**
Appropriation	—	—	**28,991**	**28,991**
At 31 December 2014	**257,299**	**67,866**	**180,519**	**505,684**

THE COMPANY

	Share premium RMB'000	Capital reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2013	325,069	5,690	17,186	347,945
Loss and total comprehensive expense for the year	—	—	(2,886)	(2,886)
Bonus issue (Note 25)	(7,900)	—	—	(7,900)
Dividends recognised as distribution	—	—	(80,750)	(80,750)
Transfer to retained profits	(92,250)	—	92,250	—
At 31 December 2013 and 1 January 2014	**224,919**	**5,690**	**25,800**	**256,409**
Loss and total comprehensive expense for the year	—	—	**(21,595)**	**(21,595)**
Shares repurchase and cancelled (Note 25)	**(29,027)**	—	—	**(29,027)**
Dividends recognised as distribution	—	—	**(88,500)**	**(88,500)**
Transfer to retained profits	**(104,000)**	—	**104,000**	—
At 31 December 2014	**91,892**	**5,690**	**19,705**	**117,287**

Note a: Capital reserve represents the deemed contribution from shareholders of the Company as the result of debts waived by the shareholders of the Company in 2009 and 2010 and transfer of shares to a consulting company pursuant to the initial public offering of the Company in 2010.

Note b: The special reserve represents the difference between the nominal value of the aggregate share capital of the subsidiaries acquired by the Group pursuant to the corporate reorganisation, and the nominal value of the Company's shares issued for the acquisition.

Note c: According to the relevant laws in the PRC, the PRC subsidiaries are required to transfer at least 10% of their net profit after taxation under the generally accepted accounting principles in the PRC, as determined under the PRC accounting regulations, to a statutory surplus reserve until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before the distribution of a dividend to equity owners. The statutory surplus reserve can be used to offset the previous years' losses, if any. The statutory surplus reserve may also be used to increase capital or to meet unexpected or future losses. The statutory surplus reserve is non-distributable other than upon liquidation.

27. RETIREMENT BENEFIT SCHEMES

(a) Mandatory Provident Fund

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

Both the Group and the employee contribute a fixed percentage of the relevant payroll, subject to a maximum contribution of HK$1,500 (approximately RMB1,200) (2013: HK$1,250 (approximately RMB980)) to the MPF Scheme.

(b) Social security and benefits for PRC employees

The employees of the Group in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The Group is required to contribute a certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to profit or loss of RMB2,501,000 (2013: RMB2,382,000) represents contributions payable to these schemes by the Group in respect of the year ended 31 December 2014.

28. RELATED PARTY DISCLOSURE

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2014	2013
	RMB'000	RMB'000
Short-term benefits	**4,570**	4,620
Post-employment benefits	**128**	123
	4,698	4,743

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

29. OPERATING LEASE

The Group as lessee

The minimum lease payments paid under operating leases for the Group's office premise during the year ended 31 December 2014 were RMB296,000 (2013: RMB246,000).

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2014 RMB'000	2013 RMB'000
Within one year	253	249
In the second to fifth year inclusive	21	274
	274	523

Operating lease payments represent rentals payable by the Group's office premise. Leases are negotiated for an average term of two years and rentals are fixed for an average term of two years.

30. CAPITAL COMMITMENTS

	2014 RMB'000	2013 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	78,132	104,844

31. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries of the Group at 31 December 2014 and 2013 are as follows:

Name	Place of incorporation	Place of operation	Paid-up issued share capital	Proportion of ownership interest and voting power held by the Company		Principal activities
				2014	2013	
Xi Yuan BVI	British Virgin Islands	Hong Kong	1 ordinary share of US$1	**100% (directly)**	100% (directly)	Investment holding
Sunwell	Hong Kong	Hong Kong	10,000,000 ordinary shares of HK$1 each	**100% (indirectly)**	100% (indirectly)	Investment holding
Huaxiang*	PRC	PRC	RMB542,334,612	**100% (indirectly)**	100% (indirectly)	Manufacturing and trading of wrapping tissue paper and other products
Xiyuan*	PRC	PRC	HK$300,000,000	**100% (indirectly)**	100% (indirectly)	Manufacturing and trading of wrapping tissue paper, wall paper backing paper and copy paper
Youlanfa*	PRC	PRC	RMB128,880,000	**100% (indirectly)**	100% (indirectly)	Manufacturing and trading of wrapping tissue paper, copy paper and other products

* These subsidiaries are wholly foreign owned enterprises.

None of the subsidiaries had issued any debt securities at the end of the reporting period.

32. SUMMARY FINANCIAL INFORMATION OF THE COMPANY

	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS		
Investment in a subsidiary	161,834	128,506
Amount due from a subsidiary	755,964	337,348
	917,798	465,854
CURRENT ASSETS		
Prepayment	164	61
Bank balances and cash	22,280	1,936
	22,444	1,997
CURRENT LIABILITIES		
Other payables and accrued expenses	3,894	3,321
Bank borrowings	55,322	112,541
	59,216	115,862
NET CURRENT LIABILITIES	(36,772)	(113,865)
TOTAL ASSETS LESS CURRENT LIABILITIES	881,026	351,989
NON-CURRENT LIABILITY		
Bank borrowings	669,897	—
	669,897	—
NET ASSETS	211,129	351,989
CAPITAL AND RESERVES		
Share capital (Note 25)	93,842	95,580
Reserves (Note 26)	117,287	256,409
TOTAL EQUITY	211,129	351,989

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five financial year is as follows:

	For the year ended 31 December				
	2010	2011	2012	2013	**2014**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Results					
Revenue	1,224,297	1,428,235	1,434,379	1,531,102	**1,543,920**
Profit before tax	294,832	319,257	294,115	367,288	**322,330**
Income tax expense	(38,283)	(43,290)	(43,875)	(76,822)	**(49,360)**
Profit and total comprehensive income for the year	256,549	275,967	250,240	290,466	**272,970**
Profit and total comprehensive income attributable to owners of the Company	256,549	275,967	250,240	290,466	**272,970**

	As at 31 December				
	2010	2011	2012	2013	**2014**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Assets and Liabilities					
Total assets	2,272,281	2,523,920	3,084,992	3,474,572	**3,940,664**
Total liabilities	(776,061)	(751,733)	(1,146,465)	(1,326,329)	**(1,638,716)**
	1,496,220	1,772,187	1,938,527	2,148,243	**2,301,948**
Equity					
Equity attributable to owners of the Company	1,496,220	1,772,187	1,938,527	2,148,243	**2,301,948**
	1,496,220	1,772,187	1,938,527	2,148,243	**2,301,948**