JIA YAO HOLDINGS LIMITED
嘉耀控股有限公司

(Incorporated in the Cayman Islands with Limited Liability)
Stock Code: 1626

Annual Report 2014

Contents

Financial Highlights

The shares of Jia Yao Holdings Limited (the "Company") were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 27 June 2014 (the "Listing Date").

The board (the "Board") of directors (the "Directors") of the Company is pleased to announce the annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2014 (the "Year") together with the comparative figures for the corresponding period in 2013.

- Revenue for the year ended 31 December 2014 decreased by approximately 4.6% or RMB22.9 million to approximately RMB472.9 million as compared with the same period in 2013.
- Gross profit for the year ended 31 December 2014 decreased by approximately 13.7% or RMB21.6 million to approximately RMB136.3 million as compared with the same period in 2013.
- Gross profit margin for the year ended 31 December 2014 decreased by approximately 3.1% from approximately 31.9% to approximately 28.8% as compared with the same period in 2013.
- Profit attributable to owners of the Company for the year ended 31 December 2014 decreased by approximately 79.4% or RMB28.1 million to approximately RMB7.3 million as compared with the same period in 2013.
- Average trade and note receivables turnover days slightly increased from approximately 121 days for the year ended 31 December 2013 to approximately 122 days for the year ended 31 December 2014.
- Average trade and note payables turnover days increased from approximately 203 days for the year ended 31 December 2013 to approximately 205 days for the year ended 31 December 2014.
- Average inventory turnover days increased from approximately 71 days for the year ended 31 December 2013 to approximately 86 days for the year ended 31 December 2014.
- The Board does not recommend the payment of a final dividend for the year ended 31 December 2014.

Notes:

(i) Gross profit margin were calculated based on gross profit for the year from continuing operations divided by the revenue of continuing operations for the year.

(ii) Average trade and note receivables turnover days were calculated as the average of the beginning and ending of trade and note receivables balance from continuing operations of the year end divided by the revenue of continuing operations for the year and multiplied by the number of days for the year (365 days for each of the year ended 31 December 2014 and 2013).

(iii) Average trade and note payables turnover days were calculated as the average of the beginning and ending of trade and note payables balance from continuing operations of the year end divided by the cost of sales of continuing operations for the year and multiplied by the number of days for the year (365 days for each of the year ended 31 December 2014 and 2013).

(iv) Average inventory turnover days were calculated as the average of the beginning and ending of inventories balance from continuing operations of the year end divided by the cost of sales of continuing operations for the year and multiplied by the number of days for the year (365 days for each of the years ended 31 December 2014 and 2013).

Corporate Information

Board of Directors

Executive Directors

Mr. Yang Yoong An *(Chairman)*
Mr. Feng Bin *(Chief Executive Officer)*

Non-executive Director

Mr. Yang Fan

Independent Non-executive Directors

Mr. Gong Jinjun
Mr. Zeng Shiquan
Mr. Wang Ping

Company Secretary

Mr. Wu Hung Wai *(HKICPA)*

Registered Office

Clifton House
75 Fort Street, PO Box 1350
Grand Cayman, KY1-1108
Cayman Islands

Headquarter and Principal Place of Business in the PRC

No. 6 Qingdao Road
Dongshan Economic Developing District
Yichang, Hubei

Principal Place of Business in Hong Kong

Suite 3212, 32nd Floor, Tower One, Times Square
No.1 Matheson Street, Causeway Bay
Hong Kong

Audit Committee

Mr. Wang Ping *(Chairman)*
Mr. Yang Fan
Mr. Zeng Shiquan

Remuneration Committee

Mr. Gong Jinjun *(Chairman)*
Mr. Feng Bin
Mr. Wang Ping

Nomination Committee

Mr. Yang Yoong An *(Chairman)*
Mr. Zeng Shiquan
Mr. Gong Jinjun

Corporate Website Address

www.jiayaoholdings.com

Authorised Representatives

Mr. Feng Bin
Mr. Wu Hung Wai

Compliance Adviser

RaffAello Capital Limited
Room 2002, 20/F
Tower Two, Lippo Centre
89 Queensway
Hong Kong

Principal Bankers

China Minsheng Bank Yichang Branch
China Merchants Bank Yichang Branch
Hubei Bank Corporation Yichang Branch

Principal Share Registrar and Transfer Office

Appleby Trust (Cayman) Ltd.
Clifton House
75 Fort Street, PO Box 1350
Grand Cayman, KY1-1108
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Union Registrars Limited
A18/F
Asia Orient Tower
Town Place
33 Lockhart Road
Wanchai
Hong Kong

Legal Adviser as to Hong Kong Laws

Loong & Yeung
Suites 2001–2006, 20th Floor
Jardine House, 1 Connaught Place
Central
Hong Kong

Auditor

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31/F
Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Jia Yao Holdings Limited, I am pleased to present the annual report of the Company for the year ended 31 December 2014.

On 24 November 2014, the Legislative Affairs Office of the State Council released regulations of smoking control in public places for public consultation. The Chinese central government for the first time requires tobacco companies to put clear warnings on cigarette packages. The enforcement of the strict tobacco-control law has set a higher standard for promotion of tobacco products. Such regulations also boosts market demand for cigarette packaging manufacturers that have rich experience and technical know-how in manufacturing such products. Among them, Jia Yao Holdings Limited, and some other industry players with competitive advantages have been benefited.

For the year ended 31 December 2014, the Group's revenue amounted to approximately RMB472.9 million, representing a decrease of approximately 4.6% as compared with the same period in 2013. Gross profit was approximately RMB136.3 million, a decrease of approximately 13.7%. Gross profit margin was approximately 28.8%. Profit attributable to owners of the Company amounted to approximately RMB7.3 million. The decrease was mainly due to the recognition of the expenses of approximately RMB19.6 million in relation to the listing of the shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited; the decrease in sales in May and June 2014 as a result of a decrease in customers' orders; and the increase in production costs during the year.

In order to achieve higher sales amount, the Group strives to consolidate relationship with existing customers and explore potential customers. The Group, capitalising the foundation of the current marketing plans, will tap into new markets through different initiatives such as open tender and new product development. In addition to reinforcing relationship with existing customers and expanding our business, the Group plans to invest in domestic markets where we have not established our foothold, including Anhui, Lanzhou and Jiangxi, with a view to enlarging our customer base and delegating sales targets to each market. As regards personnel deployment, we have already assigned specialised salespersons to follow up in those targeted markets. We have also adopted stringent control on specialised market development. Representative offices will be set up upon duly entering into business partnerships.

In the coming year, the Group will focus on the development of cigarette packages and social product paper packages business as well as the handmade gift box business to increase competitive advantages and use economies of scale to further enhance the Group's competitive position in the printing industry.

I would like to express my gratitude to the continuous support of all the shareholders, investors and customers. The Group's management team and all staff members will endeavor to strive for better result and bringing returns to the shareholders.

YANG Yoong An
Chairman of the Board and Executive Director

Hong Kong, 26 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

During 2014, the PRC's economy faced a slowdown. The Chinese central government (the "Government") strictly prohibited any corruption and bribery. The "smoking ban" was contemplated for introduction. These factors posed challenges to cigarette packaging firms, yet the tobacco industry continued to consolidate, develop and grow steadily with the encouragement of the Government.

The Administrative Measures on Cigarette Brand Specifications was enacted in 2014 with the aim of fostering "famous national brands, prominent regional brands and novel specialty brands" in line with the objectives of "raising brand value, refining specifications and adopting premium pricing", to develop a market of competition on brand, to increase the pace of resources reallocation and consolidation and to allow for resources, such as planning, raw materials and market, to gravitate towards and focus on top-tier brands. From January to November 2014, the 28 principal tobacco brands booked over 39.5 million cases in combined sales and nearly RMB1.194 trillion in combined sales revenues. Revenue per case averaged RMB30,200 among top-tier brands, which is about RMB3,400 higher than the national mean of revenue per case and RMB1,800 higher compared with the corresponding period of 2013. The market share of top-tier brands in total cigarette sales has been rising year on year. While the cigarette industry gained steady growth, the market became increasingly demanding on cigarette products. This provided further upside for profit growth for prominent tobacco brands.

In addition, China has a large growing smoking population owing to its smoking culture. Out of the 1.2 billion smokers globally, around 320 million or one quarter of which are in China. In 2014, tobacco sales in China reached approximately RMB1.2 trillion. Given the huge smoking population, a rising demand for cigarettes and more sophisticated requirements for packaging, cigarette packaging still holds growth potential for the tobacco industry, especially in the high-end segment. The Group will seize the growth opportunities with a commitment to developing premium and high-quality cigarette packages and to further enhance its market position and market share.

Management Discussion and Analysis (Continued)

Business Review

The Group is principally engaged in the design, production and distribution of paper cigarette packages and, to a lesser extent, social product paper packages in China. Hubei Golden Three Gorges Printing Industry Co., Ltd. (湖北金三峽印務有限公司) ("Hubei Golden Three Gorges"), the Group's primary operating subsidiary, has been established in China for over 20 years. The Group provides paper cigarette packaging services for 15 out of the 30 key cigarette brands designated by the State Tobacco Monopoly Administration (STMA), including, among others, Pride (嬌子), Haomao (好貓), Double Happiness (雙喜) and Red Double Happiness (紅雙喜). In addition, the Group has further diversified its business to the paper packaging of medicine, wine, food and other consumer goods by leveraging its extensive experience and know-how in the cigarette packaging industry.

The Company was initially listed on the Listing Date under which a total of 75,000,000 shares were issued at an offer price of HK$1.26 per share.

Sales and Distribution

Currently, the Group's clients included 10 major provincial tobacco industrial companies (省級中煙工業公司) and 5 non-provincial tobacco companies under China Tobacco Industry Development Center (中國煙草實業發展中心), which are located in Hubei, Sichuan, Yunnan, Shaanxi, Henan and other provinces. To those existing clients, the Group will strive to make use of our current status as an "approved supplier" and include other cigarette brands or sub-brands manufactured by those clients but currently not being designed and/or printed by the Group into our product portfolio. To adhere to this business strategy, the Group intends to set up sales offices in cities where those major customers are located at the time when it appears to have significant business growth. Setting up sales offices at places near major customers will enable the Group to maintain good relationships with its clients and to improve the Group's after-sale services which, in turn, will enhance customer's satisfaction.

In addition to the strengthened marketing efforts for existing clients, the Group continued to explore its potentials and developed its handmade gift box business in 2014. At the end of 2014, the production line of handmade gift boxes had a team of 300 employees and a daily capacity of 15,000 cases of carton packages. In year 2015, the handmade gift box production is targeted to achieve an annual production capacity of 30,000 cases of carton packages and 10,000 cases of cigarette packets. The Group also aims to enhance the production capacity and production efficiency of the gift box production site, formulate customised quality solutions for each client to ensure an improvement in the quality of gift boxes, and strive to achieve enhancement in the automated production of gift boxes.

For the year ended 31 December 2014, the Group's production bases were mainly located in Yichang factory and Dangyang factory. Apart from production activities, Yichang factory also carried out design and development of paper packages. There were 13 factories and ancillary buildings with an aggregate gross floor area of approximately 32 thousand square meters. In addition to the production line in Yichang factory, in order to share the workload and cope with the potential business growth, the Company has two production lines for paper cigarette packages in Dangyang factory to further enhance the production capacity of the Company. There were 11 factories and ancillary buildings with an aggregate gross floor area of approximately 12 thousand square meters. It is expected that the production capacities and utilisation rates of Yichang factory and Dangyang factory can be increased. Furthermore, the Company has completed the infrastructure, road and greening construction as well as the installation of ancillary utilities supply, air-conditioners and air compressors for phase II of the Yichang production base for social product paper packages and such phase has been put into operation.

Management Discussion and Analysis (Continued)

Product Development and Design

The Group will continue to invest in machineries and equipment to upgrade our production bases and ensure the productivity is up to international standards. The management strives to reach the cutting edge of technology in order to reduce production costs while maintaining or even improving product quality. In addition to the continuous investment in and improvement on machineries in the production lines, such as intaglio printing machine (凹版印刷機), platen hot foil stamping die-cutting machine (平壓平燙金模切機), automatic platen waste cleaning die-cutting machine (自動平壓平清廢模切機) and quality checking machine, the Group will also invest in upgrading quality control equipment.

Moreover, the Group was granted the 10-year patent of "a thermal printing structure becomes apparent binary code" ("一種熱變顯現二維碼的印刷結構") on 26 March 2014, being our 21st patent. The Group will continue to develop packaging technology to improve product quality with professional technologies.

Technology Development and Quality Control

The Group highly emphasises on product design and technology development. With its design and development capabilities, the Group strives to enhance its technological competitiveness. Resources will be continuously inputted in order to upgrade product development capability. During the period under review, the Group underwent regulated operation in strict compliance with the quality system criteria of ISO9000. Equipped with comprehensive inspection equipment and devices, the Group has formulated a complete system and structure with coverage of every single process for our products in terms of quality control of the flow, standards, record and appraisal on materials input, processes, inspection of finished products and inspection of products output, which in turn assures the continuous enhancement of product quality. In addition, the Group has passed the certification of quality control system of ISO9001, environmental management system of ISO14000, occupational health and safety management system of OHSAS18001 as well as the accreditation from China National Accreditation Board for Laboratories, while successfully obtaining the accreditation for laboratories from China National Accreditation Service for Conformity Assessment. Such accreditations will further boost customers' confidence in our product quality.

Meanwhile, the Group has signed agreements with several institutions in China to nurture appropriate technical experts in order to enhance our development capability, which in turn improves the Group's operation, especially in the aspects of product development, production efficiency and quality control ability. The Group believes that it can create more business opportunities from existing and potential customers.

Cost Control

The Company adopted various methods to control the effect of price fluctuation of paper package materials to the Company. Initially, by identifying reliable suppliers in the industry to commence strategic co-operation, we were able to maintain long-term business relationship with them. On the foundation of securing product quality, the Company aims to maintain the stability of paper price. Besides, with the gradual improvement in quality of domestic paper in China, the Company will reinforce our co-operation with domestic paper suppliers in China and increase the usage of domestic paper instead of imported paper from overseas in order to alleviate our production cost.

Management Discussion and Analysis (Continued)

Financial Review

Turnover

For the year ended 31 December 2014, the turnover was approximately RMB472.9 million, representing a decrease of approximately 4.6% as compared with the same period in 2013.

The following table sets forth the breakdown of the Group's sales for the year ended 31 December 2014:

	For the year ended 31 December		
	2014	2013	Change (%)
	RMB'000	RMB'000	(approximate)
Paper cigarette packages	**444,842**	469,513	–5.3%
Social product paper packages	**28,019**	26,260	+6.7%

For the year ended 31 December 2014, sales of paper cigarette packages decreased by approximately 5.3% to approximately RMB444.8 million in comparing with the corresponding period in 2013. It was mainly due to the decrease in sales in May and June 2014 as a result of a decrease in customers' orders. The decrease was mainly due to the fact that some major customers such as China Tobacco Hubei Industrial Co., Ltd. (湖北中煙工業有限責任公司) ("Hubei China Tobacco") and Heilongjiang Tobacco Industrial Co., Ltd. (黑龍江煙草工業有限責任公司) ("Heilongjiang Tobacco Industrial") deferred the completion of tendering process in 2014.

Gross Profit

The Group's gross profit decreased by approximately 13.7% from approximately RMB157.9 million for the year ended 31 December 2013 to approximately RMB136.3 million for the year ended 31 December 2014. The decrease in gross profit was due to the increase in production cost during the year. For the year ended 31 December 2014, the Group's gross profit margin was approximately 28.8%, which was decreased by approximately 3.1% as compared with the same period of 2013 (for the year ended 31 December 2013: approximately 31.9%). It was mainly due to the increase in paper price during the year.

Other Income

For the year ended 31 December 2014, other income mainly consists of interest income on bank deposits, sundry income from the sale of scrap material and non-recurring government grants. For the year ended 31 December 2014, the Group's other income decreased by approximately 17.9% to approximately RMB6.9 million. It was mainly due to the decrease of interest income from entrusted loans made to Maoming Xin Jia Chang Investment Company Limited from approximately RMB0.7 million for the year ended 31 December 2013 to nil for the year ended 31 December 2014 and the decrease in interest income on bank deposits by approximately RMB2.7 million to approximately RMB1.6 million for the year ended 31 December 2014 (for the year ended 31 December 2013: approximately RMB4.3 million).

Other Gains and Losses

For the year ended 31 December 2014, the net other gains mainly consists net losses arising from disposal of property, plant and equipment and impairment losses on property, plant and equipment. For the year ended 31 December 2014, the Group's net other losses decreased by approximately 38.5% to approximately RMB1.6 million. It was mainly due to the decrease of net losses arising from disposal of property, plant and equipment from approximately RMB2.5 million to approximately RMB0.2 million for the year ended 31 December 2014.

Management Discussion and Analysis (Continued)

Selling and Distribution Expenses

For the year ended 31 December 2014, selling and distribution expenses comprise: (i) delivery expenses for the transportation of our products to customers; (ii) staff costs and benefits relating to our Group's sales and marketing personnel; (iii) expenses incurred in customer hospitality activities during our normal course of business; (iv) travelling expenses of our staff incurred for the sales and distribution activities; (v) administrative expenses; and (vi) other selling and distribution related expenses. The Group's selling and distribution expenses decreased by approximately 1.9% from approximately RMB31.5 million for the year ended 31 December 2013 to approximately RMB30.9 million for the year ended 31 December 2014. The decrease was mainly due to the reduction of expenses incurred in customer hospitality activities during our normal course of business and travelling expenses of our staff incurred for the sales and distribution activities during the year.

Administrative and Other Operating Expenses

For the year ended 31 December 2014, administrative and other operating expenses consist of (i) staff cost and benefits relating to our Group's administrative personnel; (ii) travelling expenses of administrative staff; (iii) depreciation expenses arising from daily operation; (iv) entertainment expense of administrative staff; (v) research and development expenses; (vi) office expenses; (vii) regulatory expenses; and (viii) other expenses incurred in relation to our administrative operations. The expenses increased by approximately 12.7% from approximately RMB48.1 million for the year ended 31 December 2013 to approximately RMB54.2 million for the year ended 31 December 2014. The increase was mainly attributable to the increase in research and development expenses and the Company's regulatory compliance expenses during the year.

Listing Expenses

During the year ended 31 December 2014, the Group incurred listing expenses of approximately RMB19.6 million, which were primarily professional fees in connection with the listing (for the year ended 31 December 2013: approximately RMB5.8 million).

Finance Costs

For the year ended 31 December 2014, finance costs primarily consist of interest payments on interest-bearing obligations, finance costs arising on early redemption of note receivables when the Group sells our note receivables to the banks and other financial institutions at a discount in exchange for immediate cash and bank fees and charges. The finance costs decreased by approximately 33.8% from approximately RMB22.5 million for the year ended 31 December 2013 to approximately RMB14.9 million for the year ended 31 December 2014. Such decrease in finance costs was mainly due to the decrease of finance costs arising from early redemption of note receivables during the year.

Income Tax Expense

The Group's income tax expense increased by approximately 9.6% from approximately RMB8.3 million for the year ended 31 December 2013 to approximately RMB9.1 million for the year ended 31 December 2014. The increase was mainly due to the recognition of deferred tax expenses on undistributed earnings of the PRC subsidiaries of the Company.

Profit Attributable to Owners of the Company

The Group's profit attributable to owners of the Company decreased by approximately 79.4% from approximately RMB35.4 million for the year ended 31 December 2013 to approximately RMB7.3 million for the year ended 31 December 2014. The decrease was mainly due to (i) the recognition of the expenses of approximately RMB19.6 million in relation to the listing of the shares of the Company on the Main Board of the Stock Exchange; (ii) the decrease in sales in May and June 2014 as a result of a decrease in customers' orders; and (iii) the increase in production costs during the year.

Management Discussion and Analysis (Continued)

Trade and Other Receivables

Trade and other receivables increased by approximately 15.4% from approximately RMB183.9 million as at 31 December 2013 to approximately RMB212.2 million as at 31 December 2014. The increase was mainly attributed to: (i) increase of note receivables by approximately RMB18.5 million from approximately RMB1.3 million as at 31 December 2013 to approximately RMB19.8 million as at 31 December 2014; and (ii) increase of deposits paid for the purchase of property, plant and equipment by approximately RMB8.0 million from approximately RMB1.2 million as at 31 December 2013 to approximately RMB9.2 million as at 31 December 2014.

Trade and Other Payables

Trade and other payables decreased by approximately 2.9% from approximately RMB220.6 million as at 31 December 2013 to approximately RMB214.1 million as at 31 December 2014. The decrease was mainly due to the net effect of: (i) increase of note payables by approximately RMB15.1 million from approximately RMB109.1 million as at 31 December 2013 to approximately RMB124.2 million as approximately at 31 December 2014; (ii) decrease of other payables and accruals by approximately RMB4.6 million from approximately RMB23.4 million as at 31 December 2013 to approximately RMB18.8 million as at 31 December 2014; and (iii) dividends payable to the non-controlling interest shareholder of Hubei Golden Three Gorges, Hubei Three Gorges Tobacco Co., Ltd. of approximately RMB13.9 million as at 31 December 2013 and the dividends have been fully settled during the year ended 31 December 2014.

Liquidity and Financial Resources

The Group recorded net current assets of approximately RMB70.3 million as at 31 December 2014, compared with net current liabilities of approximately RMB78.2 million as at 31 December 2013. The Group maintained a greatly improved and healthy liquidity position during the year ended 31 December 2014. The Group's operations were principally financed by internal resources and bank borrowings during the year ended 31 December 2014.

As at 31 December 2014, the Group's cash and cash equivalents, which were held mainly in Renminbi and Hong Kong dollars, were approximately RMB104.4 million, compared with RMB30.0 million as at 31 December 2013. The increase in balance was mainly due to receipt of net listing proceeds during the year.

Borrowings and Gearing Ratio

The Group's interest-bearing borrowings was approximately RMB183.0 million as at 31 December 2014 (as at 31 December 2013: approximately RMB154.6 million). The increase of interest-bearing borrowings is mainly used for strengthening the cash flow of the Company. The gearing ratio (defined as total debt divided by total equity) decreased from approximately 443.7% as at 31 December 2013 to approximately 70.0% as at 31 December 2014. The decrease in gearing ratio was due to the increase in total equity of the Group. The Group's interest-bearing borrowings were mainly in Renminbi as at 31 December 2014 and 2013.

It is the policy of the Group to adopt a consistently prudent financial management strategy, sufficient liquidity is maintained with appropriate levels of borrowings to meet the funding requirements of the Group's investments and operations.

Capital Expenditure

During the year ended 31 December 2014, the Group's total capital expenditure amounted to approximately RMB14.2 million, which was mainly used in the construction of phase II of the Yichang production base and purchase of plant and machineries.

Management Discussion and Analysis (Continued)

Treasury Policies

The Group adopted a prudent strategy towards the treasury and funding policies, and attached high importance to the risk control and transactions directly related to the Group's principal business. Funds, primarily denominated in Renminbi and Hong Kong dollars, are normally placed with banks in short or medium term deposits for working capital of the Group.

Charge of Assets

The Group's assets with the following carrying amounts have been pledged to secure general banking facilities granted to the Group (including note payables and borrowings of the Group):

	2014	2013
	RMB'000	RMB'000
Prepaid lease payments	**22,339**	18,572
Property, plant and equipment	**132,390**	145,394
Trade receivables	**122,948**	117,310
Pledged bank deposits	**59,026**	59,293
	336,703	340,569

Significant Investments, Material Acquisitions and Disposals of Subsidiaries and Associated Companies

The Company underwent the Reorganisation due to the preparation of listing. Details are set out under the section headed "History, Reorganisation and Group Structure" and the paragraph headed "Corporate Reorganisation" in Appendix V to the prospectus.

Save as disclosed herein, there are no significant investments, material acquisition and disposal of subsidiaries and associated companies by the Group for the year ended 31 December 2014.

Contingent Liabilities

As at 31 December 2014, the Group did not have any significant contingent liabilities (as at 31 December 2013: Nil).

Foreign Exchange Risks

The Group's transactions were mainly conducted in RMB, the functional currency of the Group, and the major receivables and payables are denominated in RMB. The Group's exposure to foreign currency risk related primarily to certain bank balances and cash, other receivables and other payables maintained in Hong Kong Dollars. The Group did not use derivative financial instruments to hedge against the volatility associated with foreign currency transactions and other financial assets and liabilities arising in the ordinary course of business during the year ended 31 December 2014.

Management Discussion and Analysis (Continued)

Human Resources and Remuneration

As at 31 December 2014, the Group's employed 1,000 employees (as compared with 947 employees as at 31 December 2013) with total staff cost of approximately RMB47.3 million incurred for the year ended 31 December 2014 (as compared with approximately RMB40.7 million for the year ended 31 December 2013). The Group's remuneration packages are generally structure with reference to market terms and individual merits.

Future Outlook

With a smoking population of over 300 million together with a focus on high-end products in China's cigarette market, market demand for cigarettes is expected to grow continuously in China's cigarette market in the future. The Group anticipates a favourable market environment in year 2015.

The Group strives to consolidate relationship with existing customers and explore potential customers. The Group, capitalising the foundation of the current marketing plans, will tap into new markets through different initiatives such as open tender and new product development. In addition to reinforcing relationship with existing customers and expanding our business, the Group plans to invest in domestic markets where we have not established our foothold, including Anhui, Lanzhou and Jiangxi, with a view to enlarging our customer base and delegating sales targets to each market. In regard to personnel deployment, we have already assigned specialised salespersons to follow up in those targeted markets. We have also adopted stringent control on specialised market development. Representative offices will be set up upon duly entering into business partnerships.

Moving onwards, the Group aims to boom the sales volume in year 2015 in accordance with our annual plan: to enhance our capabilities of technology development and design and strengthen our market competitiveness, while expanding in the market with technological innovation and brand design and development; to reinforce our internal corporate management and implement lean management in terms of cost, manufacturing, quality and procurement so as to lower operating costs and product quality risk, and thus enhance our risk aversion capability; to continuously expand our market scale through open tenders, new products development, new market development and manual business development to support the sustainable development of the Group.

The successful listing of the Group has provided us with a better and wider platform for development. To utilize the potential development presented by the successful listing, the Company will leverage its competitive advantages. Whilst enhancing its capability of tender bidding and stepping up efforts in product development, the Group will further develop our business in the future.

Biographies of Directors and Senior Management

Executive Directors

Mr. Yang Yoong An (楊詠安) (formerly known as **Yang An (楊安)**), aged 52, is the chairman of our Company. He is also a controlling shareholder of the Company. Mr. Yang was first appointed as a Director on 5 August 2013, and was redesignated as our executive Director on 24 March 2014. Mr. Yang is responsible for the overall management and formulation of business strategy of our Group.

Mr. Yang had engaged in various businesses since the 1980s such as trading of fishery products and cigarette-related accessories products.

With the acquisition of the equity interests in Hubei Golden Three Gorges in 2001, Mr. Yang developed the business of production of cigarette packages in the PRC. In 2010, Mr. Yang became the chairman of Hubei Golden Three Gorges and he has been responsible for the overall day to day management of Hubei Golden Three Gorges.

Since 2012, Mr. Yang has been the vice president of the Hubei Province Guangdong Chamber of Commerce (湖北省廣東商會). Mr. Yang brings over 10 years of extensive business and management experience in commercial business to our management team. Mr. Yang is now a director of all our subsidiaries, and the legal representative of Hubei Golden Three Gorges and Dangyang Liantong Printing Industry Co., Ltd. ("Dangyang Liantong"). Mr. Yang is the father of Mr. Yang Fan, our non-executive Director.

As at the date of this annual report, Mr. Yang is the beneficial owner of the entire issued capital of Spearhead Leader Limited, which in turn holds 209,362,000 shares representing approximately 69.79% of the issued share capital of the Company.

Mr. Feng Bin (豐斌), aged 44, was appointed as our executive Director on 24 March 2014.

Mr. Feng is also the chief executive officer of our Company, primarily responsible for the overall financial and operation of our Group.

Mr. Feng graduated from the Southwestern University of Finance and Economics (西南財經大學) majoring in accounting in June 1992 through higher education self-taught examination. An accountant qualification was conferred on him by Ministry of Finance of the PRC in October 1994. In June 2008, Mr. Feng obtained a self-study undergraduate certificate (Adult Higher Education) in accounting from the Zhongnan University of Economics and Law (中南財經政法大學). In January 2011, Mr. Feng obtained a part-time master degree (professional degree) in executive management business administration from the Tsinghua University (清華大學).

Mr. Feng has more than 13 years of experience in the cigarette packaging trading field. From August 1987 to December 1989, Mr. Feng worked at 四川省德昌縣王所鄉政府 (Dechang Wangsuo Township Government*). From December 1989 to July 2002, Mr. Feng worked at 中共德昌縣委辦公室 (Committee Office of Dechang County*), during which Mr. Feng was attached to work at 四川省德昌縣菸葉複烤廠 (Sichuan Dechang Tobacco Redrying Factory*) as a factory manager from June 1996 to February 2001. From October 2005 to June 2008, Mr. Feng served as deputy general manager of 成都今辰科技發展有限公司 (Chengdu Jinchen Sci-Tech. Development Co., Ltd.*).

Mr. Feng joined Hubei Golden Three Gorges in March 2001 and was appointed as the chief financial officer and was the deputy general manager when he left Hubei Golden Three Gorges in 2005. Mr. Feng re-joined Hubei Golden Three Gorges in July 2008 as the deputy general manager and has been the general manager of Hubei Golden Three Gorges since February 2012. Mr. Feng is responsible for the financial and overall management of our Group.

Mr. Feng is now a director of each of Hubei Golden Three Gorges and Dangyang Liantong. He is responsible for the overall operation of our Group.

Biographies of Directors and Senior Management (Continued)

As at the date of this annual report, Mr. Feng is the beneficial owner of the entire issued capital of Star Glide Limited, which in turn holds 15,638,000 shares representing approximately 5.21% of the issued share capital of the Company.

Non-executive Director

Mr. Yang Fan (楊帆), aged 28, was appointed as our non-executive Director on 24 March 2014.

Mr. Yang Fan obtained a Bachelor of Arts degree in economics from the University of Cambridge in June 2012. In August 2013, he obtained a Master of Science degree in financial economics from the University of Oxford.

Mr. Yang Fan is the son of Mr. Yang Yoong An, the executive Director and Chairman of the Company. He has been a director of Hubei Golden Three Gorges since March 2014.

Independent non-executive Directors

Mr. Gong Jinjun (龔進軍), aged 58, was appointed as an independent non-executive Director on 5 June 2014, the chairman of the remuneration committee and a member of the nomination committee on 6 June 2014. He is primarily responsible for overseeing the management independently.

Mr. Gong obtained a bachelor degree in economics and geography from Peking University (北京大學) in July 1982. He was accredited as an engineer by 中華人民共和國建設部 (The Ministry of Construction of People's Republic of China*) in March 1988. He was also accredited as a senior architectural engineer by 廣東省深圳建築工程技術人員高級職務評審委員會 (Constructional Engineering Technician Senior Title Evaluating Committee of Shenzhen, Guangdong Province*) in December 1994. In April 2001, Mr. Gong received the second class prize of the 廣東省科學技術獎勵 (Guangdong Province Science and Technology Achievements Award*) presented by the 廣東省人民政府 (People's Government of Guangdong Province*).

Prior to joining our Group, Mr. Gong was a civil servant of the PRC. He was appointed as an engineer by 中華人民共和國建設部 (The Ministry of Construction of People's Republic of China*) from March 1988 to December 1989. He was appointed as the party branch secretary of 深圳市國土資源局地礦處黨支部 (Mineral Resources Party Branch of the Shenzhen Municipal Bureau of Land and Resources*) in August 2002. He was then appointed as a researcher of 深圳市規化與國土資源局地質礦產處 (Shenzhen Municipality Geology and Mineral Resources Department*) in August 2003 and was then appointed as a researcher of 深圳市國土資源和房產管理局物業監管處 (Shenzhen Municipality Land Resources and Housing Administrative Bureau*) in June 2004. Mr. Gong retired in 2006.

Mr. Zeng Shiquan (曾石泉), aged 68, was appointed as an independent non-executive Director on 5 June 2014 and a member of the audit and nomination committees on 5 June 2014. He is primarily responsible for overseeing the management independently.

Mr. Zeng graduated from the department of economics of Wuhan University (武漢大學) in July 1970. He graduated from Sun Yat-sen University (中山大學) as a postgraduate in political economy in December 1981. He was accredited as a senior economist by 深圳市職稱改革領導小組 (Shenzhen City Job Title Reform Leadership Unit*) in February 1993. Mr. Zeng passed the Training Course for Independent Directors of Listed Companies (上市公司獨立董事培訓班) jointly held by The Securities Association of China (中國證券業協會) and the School of Management, Fudan University (復旦大學管理學院) in July 2003.

* For identification purpose only

Biographies of Directors and Senior Management (Continued)

Prior to joining our Group, Mr. Zeng had been the chairman of the board of directors of Shenzhen Tefa Group Co. Ltd (深圳市特發集團有限公司) from August 1998 to August 2002. He was also the deputy chairman of the board of directors of Concord Investments Company Limited (長和投資有限公司) from July 1995 to July 2007.

Mr. Zeng has been appointed as an independent director of each of Shenzhen Terca Technology Co., Ltd. (深圳市特爾佳科技股份有限公司) (Shenzhen Exchange stock code: 002213) since November 2008 and Shenzhen Keybridge Communications Co., Ltd. (深圳鍵橋通訊技術股份有限公司) (Shenzhen Exchange stock code: 002316), whose shares are listed on the Shenzhen Stock Exchange, since January 2013. Mr. Zeng has also been appointed as an independent non-executive director of Jin Cai Holdings Company Limited (金彩控股有限公司) (Stock code: 1250), whose shares are listed on the Main Board of the Stock Exchange since June 2013 whose principal activities are design, printing and sale of cigarette packages in the PRC. From December 2006 to March 2013, Mr. Zeng had been appointed as an independent non-executive director of SZZT Electronics Co., Ltd. (深圳市証通電子股份有限公司) (Shenzhen Exchange stock code: 002197), whose shares are listed on the Shenzhen Stock Exchange, since December 2007.

Mr. Wang Ping (王平), aged 44, was appointed as our independent non-executive Director on 5 June 2014, the chairman of the audit committee and a member of the remuneration committee on 6 June 2014. He is primarily responsible for overseeing the management independently.

Mr. Wang studied at Nanjing University (南京大學) and received a self-study undergraduate diploma in economic management in December 1993. Mr. Wang obtained a master degree in Business Administration from Sun Yat-Sen University (中山大學) in June 2004. He is a fellow non-practising member of the Chinese Institute of Certified Public Accountants and has over 15 years of experience in corporate finance, audit, accounting and taxation.

Mr. Wang worked at Deloitte Touche Tohmatsu CPA Ltd from September 1999 to August 2002 where he joined as a senior accountant and was later promoted to manager at the audit department. From February 2004 to March 2007, Mr. Wang was employed by China Jishan Holdings Limited (中國稽山控股有限公司), the shares of which are listed on the main board of Singapore Stock Exchange, as the chief financial officer. Mr. Wang worked for EV Capital Pte Ltd. (萬嘉資本私人有限公司) from May 2007 to March 2010 as the vice president.

In December 2010, Mr. Wang joined Guang Da (China) Automotive Components Holdings Limited (光大(中國)車輛零部件控股有限公司), a subsidiary of China Vehicle Components Technology Holdings Limited as a senior vice president. He is currently the chief financial officer of China Vehicle Components Technology Holdings Limited (中國車輛零部件科技控股有限公司) (Stock code: 1269), whose shares are listed on the Main Board of the Stock Exchange, and he was appointed as its executive director with effect from 1 April 2014.

Mr. Wang has been appointed as an independent non-executive director of each of Chongyi Zhangyuan Tungsten Co., Ltd. (崇義章源鎢業股份有限公司) (Shenzhen Exchange stock code: 002378), whose shares are listed on the Shenzhen Stock Exchange, since November 2010 and China Hanking Holdings Limited (Stock code: 3788), whose shares are listed on the Main Board of the Stock Exchange, since February 2011. He has also been appointed as an independent non-executive director of China Tianrui Group Cement Company Limited (Stock code: 1252), whose shares are listed on the Main Board of the Stock Exchange, since December 2012. Since December 2013, Mr. Wang has been serving as an independent non-executive director of Shenzhen Fuanna Bedding and Furnishing Co. Ltd. (深圳市富安娜家居用品股份有限公司) (Shenzhen Exchange Stock code: 002327), a company listed on the Shenzhen Stock Exchange. Since July 2014, Mr. Wang has been appointed as an independent non-executive director of Shihua Development Company Limited (Stock code: 485), a company listed on the Main Board of the Stock Exchange.

Biographies of Directors and Senior Management (Continued)

Senior Management

Ms. Song Chun (宋春), aged 46, has been the deputy general manager of Hubei Golden Three Gorges since 18 November 2010 and is responsible for the design, research and development for technology and products. Ms. Song graduated from Guizhou Academy of Arts (貴州藝術專科學校) majoring in arts in July 1993. Ms. Song has over 13 years of experience in design, printing and packaging industry. Before joining our Group, Ms. Song worked as a designer at Shenzhen Jinjia Color Printing Group Co., Ltd. (深圳勁嘉彩印集團股份有限公司) (Shenzhen Exchange stock code: 002191), shares of which are listed on the Shenzhen Stock Exchange, from November 2000 to July 2002. She then joined our Group as a designer from July 2002 until she left our Group to join Shenzhen Jinjia Color Printing Group Co., Ltd. as vice technical director in January 2008. In April 2009, Ms. Song rejoined our Group as deputy general manager. She was accredited as 全國十佳優秀煙標設計師 (National Top Ten Cigarette Package Designer*) by 中國煙草學會 (China Tobacco Society*) and 中國收藏家協會 (China Association of Collectors*) in 2006.

Mr. Yu Tianbing (余天兵), aged 46, is the production director of Hubei Golden Three Gorges since 24 March 2012 and is responsible for production management and quality control of all products. He graduated from the Hubei Radio & TV University (湖北廣播電視大學) majoring in political history in July 1989. In January 2007, Mr. Yu obtained an adult higher education graduation certificate in printing engineering from the Hunan University of Technology (湖南工業大學). From 1992 to 2001, Mr. Yu worked at Hubei Yuyang Chemical Fiber Co., Ltd (湖北玉陽化纖有限公司) as the head of finance and manager of the corporate management department. Mr. Yu held a number of positions including purchasing manager, deputy production director and production director of Hubei Golden Three Gorges since joining our Group in 2003.

Mr. Li Shaoan (李少安), aged 42, is the finance director of Hubei Golden Three Gorges since 17 May 2013 and is responsible for overall financial management. Mr. Li graduated from Hubei College of Finance and Economics (湖北財經高等專科學校, formerly known as 中南財經大學湖北財政分校) majoring in taxation in July 1994. Mr. Li completed the Global Capital Operation Programme held by School of Continuing Education, Tsinghua University (清華大學繼續教育學院) in December 2008. In July 2009, Mr. Li obtained a graduation certificate in accounting from Dongbei University of Finance and Economics (東北財經大學) through online course. Mr. Li became a PRC certified tax agent in November 2008 and a non-practising member of Hubei Institute of Certified Public Accountants (湖北省註冊會計師協會) in December 2009. Mr. Li has over 9 years of experience in the printing industry. Before joining our Group, Mr. Li worked at the finance department of Yichang Xiarun Cooperation Co. Ltd. (宜昌峽潤合作有限公司) from October 1998 to June 2004. Mr. Li held a number of positions at Hubei Golden Three Gorges including the finance manager and deputy finance director from July 2004 to May 2013.

Mr. Wu Hung Wai (吳鴻偉), aged 33, has been the chief financial officer and company secretary of our Company since June 2014, responsible for compliance and financial management of the Group. Mr. Wu obtained a bachelor degree in business from the University of Technology, Sydney in October 2003. Mr. Wu is a member of Hong Kong Institute of Certified Public Accountants. He worked in PKF Hong Kong from April 2005 to July 2010 and his last position in PKF Hong Kong was senior supervisor. From October 2010 to January 2013, Mr. Wu worked at Ernst & Young as senior accountant. From August 2013 to February 2014, he worked at Aussco Hong Kong Limited as finance manager. Mr. Wu has over 8 years of experience in audit and accounting industry.

* For identification purpose only

Corporate Governance Report

Overview

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The corporate governance duties of the Board have been set out in the terms of reference of the Board on corporate governance functions which are available on the website of the Company. We have complied with the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules. The Board considered that the Company had complied with all the applicable code provisions of the Code from the Listing Date up to 31 December 2014.

Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") on terms no less exacting than those set out in Appendix 10 to the Listing Rules as the code of conduct regarding directors' securities transactions. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the Model Code and the required standard set out in the Model Code regarding directors' securities transactions from the Listing Date up to 31 December 2014.

The Board of Directors

The Board consists of 6 Directors, comprising two executive Directors, one non-executive Director and three independent non-executive Directors. The following table sets forth certain information relating to our Directors:

Name	Age	Position	Date of appointment as Director	Roles and responsibilities	Relationship with the other Directors
Executive Directors					
Mr. Yang Yoong An (楊詠安)	52	Chairman and executive Director	5 August 2013	Overall management and formulation of business strategy of our Group	Father of Mr. Yang Fan
Mr. Feng Bin (豐斌)	44	Chief executive officer and executive Director	24 March 2014	Overall financial and operation of our Group	N/A
Non-executive Director					
Mr. Yang Fan (楊帆)	28	Non-executive Director	24 March 2014	Overseeing the general corporate, financial and compliance affairs of our Group	Son of Mr. Yang Yoong An
Independent non-executive Directors					
Mr. Gong Jinjun (龔進軍)	58	Independent non-executive Director	5 June 2014	Serves on the remuneration and nomination committees; responsible for overseeing the management independently	N/A

Corporate Governance Report (Continued)

Name	Age	Position	Date of appointment as Director	Roles and responsibilities	Relationship with the other Directors
Mr. Zeng Shiquan (曾石泉)	68	Independent non-executive Director	5 June 2014	Serves on the audit and remuneration committees; responsible for overseeing the management independently	N/A
Mr. Wang Ping (王平)	44	Independent non-executive Director	5 June 2014	Serves on the audit and remuneration committees; responsible for overseeing the management independently	N/A

The names and biographical details of the Directors are set out in the section entitled "Biographies of Directors and Senior Management" in this annual report. Mr. Yang Fan is the son of Mr. Yang Yoong An. Save as disclosed above, there are no other relationship (including financial, business, family or other material/relevant relationship(s)) among members of the Board.

Mr. Yang Fan and Mr. Wang Ping will retire from office as Directors at the forthcoming annual general meeting of the Company to be held on 29 May 2015, being eligible, offer themselves for re-election pursuant to the articles of association of the Company (the "Articles of Association ").

In compliance of Rule 3.10(1) of the Listing Rules, the Board currently comprises three independent non-executive Directors representing more than one-third of the Board. Each of the independent non-executive Directors has confirmed by annual confirmation that he has complied with the independence criteria set out in Rule 3.13 of the Listing Rules. The Directors consider that all three independent non-executive Directors are independent under these independence criteria and are capable to effectively exercise independent judgement. Amongst the three independent non-executive Directors, Mr. Wang Ping has the appropriate professional qualifications and accounting and related financial management expertise required under Rule 3.10(2) of the Listing Rules.

The Board is responsible for the leadership and control of the Company and overseeing the Group's businesses, strategic decisions and performance. The day-to-day management, administration and operation of the Company are delegated to the chief executive officer and the senior management of the Company. The delegated functions and work tasks are periodically reviewed. Approvals must be obtained from the Board prior to any significant transactions entered into by the aforesaid officers.

The Board is responsible for performing the corporate governance functions set out in code provision D.3.1 of the Code. As at the date of this report, the Board has reviewed and monitored: (a) the Company's corporate governance policies and practices, (b) training and continuous professional development of directors and senior management, (c) the Company's policies and practices on compliance with legal and regulatory requirements, (d) the Company's code of conduct and (e) the Company's compliance with the Code disclosures requirements.

The Board has delegated various responsibilities to the Board committees including the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") (collectively, the "Board Committees"). Further details of these committees are set out below.

Corporate Governance Report (Continued)

Continuous Professional Development

Newly appointed Directors will receive a comprehensive, formal and tailored induction on the first occasion of their appointment so as to ensure that they have appropriate understanding of the business of the Company and the obligation and responsibility of being a director. Directors' training is an ongoing process. During the year, Directors received regular updates and presentations on changes and developments to the Group's business and to the legislative and regulatory environments in which the Group operates. All Directors are also encouraged to attend relevant training courses at the Company's expense.

Below is a summary of the training the Directors had received during the year under review:

Name of Directors	Type of trainings
Mr. Yang Yoong An	A & B
Mr. Feng Bin	A & B
Mr. Yang Fan	A & B
Mr. Zeng Shiquan	A & B
Mr. Gong Jinjun	A & B
Mr. Wang Ping	A & B

A: attending seminars/workshops/forums

B: reading newspapers, journals and updates relating to the economy, tobacco industry or director's duties and responsibilities etc.

Board Meetings

Eleven Board meetings were held from the Listing Date to 31 December 2014. Ad-hoc meetings will also be convened if necessary to discuss the overall strategy as well as the operation and financial performance of the Group. Notice of Board meeting was sent to all Directors at least 14 days prior to a regular board meeting. Reasonable notices will be given to the Directors for ad-hoc board meetings. Directors may participate either in person or through electronic means of communications.

All relevant materials were sent to all the Directors relating to the matters brought before the meetings. All the Directors have been provided with sufficient resources to discharge their duties, and, upon reasonable request, the Directors will be able to seek independent professional advice in appropriate circumstances, at the Company's expenses. All Directors will have the opportunity to include matters in the agenda for Board meetings.

Corporate Governance Report (Continued)

The members and attendance of the Board meeting are as follows:

	Attendance/Meeting held from the Listing Date to 31 December 2014
Mr. Yang Yoong An (Chairman)	11/11
Mr. Feng Bin	11/11
Mr. Yang Fan	11/11
Mr. Zeng Shiquan	11/11
Mr. Gong Jinjun	11/11
Mr. Wang Ping	11/11

The forthcoming annual general meeting to be held on 29 May 2015 will be the first general meeting of the Company since the Listing Date.

Directors' Service Contract

Each of the executive Directors has entered into a service agreement with the Company for an initial term commencing on the Listing Date and ending on the conclusion of the 2016 annual general meeting of the Company to be held in 2017, subject to the termination provision therein. Each of the executive Directors or the Company may terminate the appointment by giving the other party not less than six months' prior notice in writing.

The non-executive Director has entered into a service agreement with the Company for an initial term commencing on the Listing Date and ending on the conclusion of the 2016 annual general meeting of the Company to be held in 2017, subject to the termination provision therein. The non-executive Director or the Company may terminate the appointment by giving the other party not less than six months' prior notice in writing.

Each of the independent non-executive Directors has entered into a service agreement with the Company as an independent non-executive Director for a term commencing on the Listing Date and ending on the conclusion of the 2014 annual general meeting of the Company to be held in 2015. Each of the independent non-executive Directors or the Company may terminate the appointment by giving the other party not less than six months' prior notice in writing.

No Director has entered into any service agreement with any member of the Group excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

Chairman and Chief Executive Officer

Under provision A.2.1 of the Code, the roles of the Chairman and the Chief Executive Officer should be separate and should not be performed by the same individual. From the Listing Date to 31 December 2014, Mr. Yang Yoong An is the Chairman who provides leadership to the Board but he would not be involved in the day-to-day management of the Group's business. Mr. Feng Bin, was appointed as the Chief Executive Officer of the Company and his role is to oversee the general management and daily operation of the Group.

Remuneration of Directors and Senior Management

Particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 10 to the consolidated financial statements in this annual report.

Corporate Governance Report (Continued)

Board Committees

The Board has established (i) Audit Committee, (ii) Remuneration Committee, and (iii) Nomination Committee with defined terms of reference. The terms of reference of the board committees, which explain their respective role and the authority delegated to them by the Board, are available on the websites of the Company and the Stock Exchange. The board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice and other assistance under appropriate circumstances, at the Company's expenses.

Audit committee

The Company has established the Audit Committee on 6 June 2014 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The Audit Committee consists of two independent non-executive Directors and one non-executive Director, namely Mr. Wang Ping (as Chairman), Mr. Zeng Shiquan and Mr. Yang Fan. The primary duties of the Audit Committee are, inter alia, to assist the Board in providing an independent view of the effectiveness of the financial reporting system, internal control procedures and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

From the Listing Date to 31 December 2014, the Audit Committee mainly performed the following duties:

— reviewed the Group's unaudited interim results for the six months ended 30 June 2014, met with the external auditors to discuss such interim results without the presence of the Company's management, and was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

From the Listing Date to 31 December 2014, one meeting was held by the Audit Committee. The attendance record of each member of the Audit Committee at the meeting of the Audit Committee is set out below:

Name of Director	Attendance/ Number of Audit Committee meeting(s)
Mr. Wang Ping	1/1
Mr. Yang Fan	1/1
Mr. Zeng Shiquan	1/1

There had been no disagreement between the Board and the Audit Committee from the Listing Date to 31 December 2014.

Corporate Governance Report (Continued)

Remuneration committee

The Company has established the Remuneration Committee on 6 June 2014 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The Remuneration Committee consists of two independent non-executive Directors, namely Mr. Gong Jinjun (as Chairman) and Mr. Wang Ping, and one executive Director, Mr. Feng Bin. The primary duties of the Remuneration Committee are, inter alia, (1) to determine the remuneration policy of all Directors, to assess the performance of the Directors, to approve the terms of service contracts of the Directors, to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives, to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management, to make recommendations to the Board on the remuneration of the non-executive Director(s), (2) consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure they are consistent with relevant contractual terms and are otherwise reasonable and appropriate, (3) to review and approve compensation payable to executive director and senior management for any loss or termination of office or appointment to ensure that it is consistent with contracted terms and is otherwise fair and not excessive, and (4) to ensure that no Director or any of his associates is involved in deciding his own remuneration.

Since the Listing Date, the members of Remuneration Committee did not hold any meeting during the year under review.

Nomination committee

The Company has established the Nomination Committee on 6 June 2014 with written terms of reference in compliance with paragraph A.5 of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The Nomination Committee consists of two independent non-executive Directors, namely Mr. Zeng Shiquan and Mr. Gong Jinjun, and one executive Director, Mr. Yang Yoong An (as Chairman). The primary functions of the nomination committee are, inter alia, to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, to assess the independence of independent non-executive Directors, and to make recommendations to the Board on the appointment or re-appointment of Directors in particular the chairman and the chief executive officer and succession planning for Directors.

Since the Listing Date, the members of Nomination Committee did not hold any meeting during the year under review.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Group, in accordance with accounting principles generally accepted in Hong Kong. The statement by the auditors of the Company about their responsibilities for the financial statements is set out in the independent auditors' report contained in this annual report.

Corporate Governance Report (Continued)

External Auditor's Remuneration

The Company engaged HLB Hodgson Impey Cheng Limited as its external auditor for the year ended 31 December 2014. The Audit Committee has been notified of the nature and the service charges of non-audit services for reviewing interim results to be performed by HLB Hodgson Impey Cheng Limited and considered that these non-audit services have no adverse effect on the independence of the auditor. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor. Details of the fees paid/payable to HLB Hodgson Impey Cheng Limited during the year are as follows:

	HK$
Audit services	1,000,000
Non-audit services:	
— Acting as reporting accountants in connection to the proposed listing of the Company	3,100,000
— Interim review	280,000
	4,380,000

Internal Controls

The Board is responsible for the internal control of the Group and for reviewing its effectiveness. Procedures have been designed to ensure maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, ensure compliance of applicable laws, rules and regulations.

Procedures have been set up for safeguarding assets against unauthorized use or disposition, controlling over capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publication. Qualified management of the Group maintains and monitors the internal control systems on an ongoing basis. The Board has conducted a review of the effectiveness of the internal control system of the Group and is satisfied that the Group has fully complied with the Code in respect of internal controls from the Listing Date to 31 December 2014.

Company Secretary

The company secretary of the Company is Mr. Wu Hung Wai, whose biography details are set out in the section headed "Biographies of Directors and Senior Management" in this annual report.

Mr. Wu has been informed of the requirement of the Rule 3.29 of the Listing Rules, and he confirmed that he had attained no less than 15 hours of relevant professional training from the Listing Date to 31 December 2014.

Significant Changes in Constitutional Documents

On 26 June 2014, the Company has adopted an amended and restated memorandum and articles of association, a copy of which had been subsequently uploaded to the website of the Company and the Stock Exchange. Save as disclosed above, there had been no significant changes in the constitutional documents of the Company from the Listing Date to 31 December 2014.

Corporate Governance Report (Continued)

Procedures by which Enquiries may be Put to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the company secretary of the Company by mail at Suite 3212, 32nd floor, Tower One, Times Square, no. 1 Matheson Street, Causeway Bay, Hong Kong. The company secretary of the Company is responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions and inquiries, to the chief executive officer of the Company.

Procedures for Convening General Meetings by Shareholders

Pursuant to Article 64 of the Articles of Association, the Board may whenever it thinks fit call extraordinary general meetings. Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company Secretary by mail at Suite 3212, 32nd floor, Tower One, Times Square, no. 1 Matheson Street, Causeway Bay, Hong Kong for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Putting Forward Proposals at Shareholders' Meeting

Shareholders are requested to follow Article 64 of the Articles of Association for including a resolution at an extraordinary general meeting. The requirements and procedures are set out above in the paragraph headed "Procedures for convening general meetings by shareholders".

Pursuant to Article 113 of the Articles of Association, no person (other than a retiring Director) shall be eligible for election to the office of Director at any general meeting unless a notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the Head Office or at the Registration Office no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

Environmental, Social and Governance Report

The Group is one of the major active participators in the design, manufacture and sales of paper cigarette packages and social product paper packages in the PRC. The principal operating subsidiary, Hubei Golden Three Gorges, has been established in the PRC for over two decades. History can be traced back to 2001 when the controlling shareholder of the Company, Chairman and executive Director, Mr. Yang Yoong An, beneficially acquired a controlling stake in Hubei Golden Three Gorges. The Group has accumulated over 20 years of experience in the industry and established strong business relationship with the major customers. The factories have established a set of internal practices of quality, environmental and occupational health and safety comprehensive management, which cover many different aspects including but not limited to workplace practices, environmental protection etc., of which, the following are the most relevant and important to our business:

Workplace Conditions

The Group established and implemented "Staff Handbook", which contains the policies relating to human resources, covering areas such as compensation and dismissal, recruitment and promotion, working hours, rest periods, diversity and other benefits and welfare. Basically, every rule in the handbook is set in accordance with all relevant laws and regulations including but not limited to "The Labour Law" and "The Labour Contract Law" in the PRC. The Group strictly complied with the above said relevant standards, rules and regulations throughout the Year.

Total workforce in the factories in the PRC by age group and geographical region is set out below:

As at 31 December 2014

	By age group						By geographical region of employees' hometown		
Total number of employees	**Aged 16–18**	**Aged 19–25**	**Aged 26–35**	**Aged 36–45**	**Aged over 46**	**Total**	**Hubei Province**	**Outside Hubei Province**	**Total**
1,000	9	146	321	388	136	1,000	943	57	1,000

Occupational Health and Safety

The Group manages the hygiene and safety of its plants in accordance with the relevant laws and regulations of occupational health and safety. It also holds safe production and fire safety training on a regular basis, in order to raise the safety awareness of its employees. The Group provides its employees in the PRC with labor protection supplies such as gloves, masks and work uniforms, etc., so as to ensure the safety and health of the employees. Should the employees suffer from any illness or debilitating condition or are considered by the Group to be in need of health protection based on their health inspection results, the Group will limit their job duties, redesignate their post temporarily, applying treatment and other health care measures.

No severe industrial accidents were recorded by the Group during 2014.

Environmental, Social and Governance Report (Continued)

Staff Development and Training

Human resources are one of the important assets of the Group. The Group actively expands the horizon for the personal development of its employees and provides various types of training for its employees, including a wide range of staff development training and senior management and personnel training. Through education and training, the Group can enable its employees to enhance their personal accomplishments, strengthen their working skills and reinforce the team performance. Moreover, employees can grow with the Group by bolstering their own values on the basis of their personal interest and expertise.

At the beginning of each calendar year, the Group draws up educational training plans in accordance with the Group's training needs. Each department is responsible for determining its training needs for staff in its department and designing a unique training plan, which shall be submitted to the senior management of the Group for approval. The Group ensures that members of staff who are under the comprehensive management system can fulfill the relevant requirements in terms of education, training, technical and work experience.

Training activities provided to staff include:

(1) New employees orientation;

(2) Technical training for existing employees or internally transferred employees; and

(3) Enrolment in externally organized classes in relation to management knowledge and important position professional training.

Promotions are made in accordance with the needs from the Group's business development and the employees' competence. Vacancies of the Group's internal management positions will be filled up internally by promoting the most qualified employees within the Group according to its policies and practices in practicable situations. In accordance with the requirements of the positions, the Group will select candidates for the vacancies internally from the employees within the Group via public means. Where feasible, the vacancies and job duties will be filled up by the internal employees within the Group, thus offering the employees with the opportunities for promotion and enhancing the efficiency of the Group.

Communication with Staff

Recognising the indispensable importance of the communication with its employees, the Group encourages its employees to share their ideas with the Group, or raise questions or make suggestions to the Group. With the availability of a wide array of communication channels, the Group offers its employees access to the latest information of the Group through a number of means such as the Group's website, internal forums, company newspaper and instant messaging.

The Group has set aside reserved funds for activities. In 2014, the Group hosted a series of activities for its employees, including a diverse range of activities such as outing, sport competition, ball game, banquet etc. These events helped employees to relieve stress, and served to exemplify the Group's corporate culture of the spirit of solidarity and cohesion among its employees. Staff restaurant are available within the Group's production plants.

Environmental, Social and Governance Report (Continued)

Environmental Protection

The Group understands and has always been aware of the increasing awareness of environmental protection from both the government and the customers and therefore pays close attention to ensure that operations comply with the environmental protection laws and regulations in the PRC. The Group's operations comply with the environmental protection laws and regulations in the PRC, including the PRC Law on the Prevention and Treatment of Solid Waste Pollution (中華人民共和國固體廢物污染環境防治法) and Law of the People's Republic of China on the Promotion of Clean Production (中華人民共和國清潔生產促進法). The Directors are also of the view that our production process does not generate hazards that will cause any significant adverse impact on the environment. The Group also endeavours to implement more cost-effective and environmentally friendly printing technology and to comply with the environmental protection laws and regulation.

The Group has taken the following steps in relation to environmental protection:

(1) The production staff will ensure that the pollutant emissions during each production procedure will comply with the requirements of the PRC environmental regulations, such as measures have been taken to ensure that industrial wastes and by-products produced as a result of the operations are properly disposed of in order to minimise adverse effects to the environment;

(2) The Group also arranges professional industrial wastage processor to collect pollutants produced by us during our operations, which primarily include waste paper and ink; and

(3) The Group endeavours to procure raw materials that are environmentally friendly.

The Group incurred environmental costs of approximately RMB451,000 and RMB589,000 for the years ended 31 December 2014 and 2013, respectively.

Use of Resources

In order to promote saving on utilisation of energy and resources in the factories, the Group promotes various practices to staff as follow:

Water resources control

(1) The Group is committed to the guarantee of water supply installation and maintenance, and to ensuring that water supply is at its optimal working condition. When leakage is discovered, it will be repaired timely; and

(2) The Group educates each employee to save water, and to encourage the reuse of water in order to reduce water consumption, so as to reduce sewage from the source.

Environmental, Social and Governance Report (Continued)

Electricity control

(1) Lights and electronic appliances in living area or workplace must be turned off when not in use;

(2) The use of electricity in production must strictly comply with Electricity Law of the PRC to ensure normal production with adherence to the principles of power saving, safety first, high efficiency and low consumption;

(3) To ensure no unnecessary use of resources at production lines; and

(4) Every staff must turn off the power for each department's computers, photocopy machines, printers and facsimile machines when they are off duty or on leave.

Office consumables consumption management

(1) Other than formal documents materials that require the use of papers, each department is advised to handle documents electronically. When the use of paper is required, each paper must be printed double-sided. Single-sided printing is strictly prohibited (except for confidential documents); and

(2) No printing and photocopying of materials unrelated to work.

Supply Chain Management

The Group's relationships with its suppliers are stable and the Group did not experience any major difficulty in obtaining adequate supplies of raw materials and components to meet its production requirements in the past. The Group usually select suppliers based on the quality of raw materials supplied, pricing, production capacity, marketing history and quality assurance system to ensure we procure raw and auxiliary materials of good quality, as an initial step towards ensuring the high quality of the products. The Group has a set of internal manual on procurement standards of raw materials. When raw materials are delivered to factories, quality control staff selects samples and inspects raw materials with regard to their condition such as the surface quality of paper, the colour of the aluminium foil and ink and the VOC levels. They also review the quality testing reports provided by our suppliers. Raw materials that do not meet the requirements set by us are returned to the relevant suppliers.

The Group communicates and verifies product specifications and requirements with customers before manufacture to ensure pre-production effectiveness. The Group also conducts pre-production technical testing to set the standard known by manufacturing personnel before mass manufacture.

Quality Control on Products

Directors believe that delivery of quality products to customers according to the agreed production plan and delivery schedule is crucial to the Group's development and success. Any defects in products may lead to customers returning the products to us and claiming compensation, and may result in financial loss and damage to the brand image and reputation. To maintain the competitiveness of products, we have adopted and maintained an effective quality control system covering all the major production stages from the procurement of raw materials to delivery of the products to customers. The Group has also obtained certification of quality management system of ISO9001.

Environmental, Social and Governance Report (Continued)

The Group has compiled a set of internal manual on standards for testing of product quality and these are implemented in each stage of the production process. In the pre-press stage, quality control staff inspects the samples before delivering them to the customers. From the press stage to the post-press stage, workers carry out self-check of work in progress, such as the colour and surface effects after different printing procedures and the quality of paper edges after die-cutting procedures. We also assign specific staff to conduct random inspection to identify possible defects. Staff is required to record the conditions of the work in progress.

In addition to visual inspection, the quality control staff uses monitoring machinery to examine the quality of finished goods, such as the coloring and positioning of artwork and the amount of VOC levels, before delivering the products to customers. Defective work in progress or finished goods found during the production process will be recorded and be disposed of by the quality control staff.

The Group's engineering department is responsible for conducting management, examination and maintenance of machinery and equipment with professional technology from time to time in order to ensure their proper functioning and safe operations, thus enhancing productivity and product quality. The Group has a set of internal guidelines on the maintenance of equipment. We plan the production schedule by taking into account, amongst other factors, the required routine maintenance so as to minimise any material impact on the Group's operation and financial performance. During 2014, the Group carried out periodic inspection of machinery and equipment. The Group also conducts regular maintenance during holiday periods in factories. The time slots of maintenance are not fixed and are adjusted depending on the production plans of the Group.

The Group provides training to production staff from time to time in order to update them on production techniques and the latest technology. The Group will also update the production staff in relation to any quality issues arising either from our inspection during our production process and/or feedback from our customers. With a view to increase the incentive of each of the production staff to produce quality products and actively participate in quality control, we have established an internal award-and-punishment system. The Group's staff manual sets out a scale and the basis upon which the workers will be awarded for making contribution to quality control or penalised for making substantial mistakes.

Anti-corruption

In the staff handbook, one of the most important rules that the Group requires all members of staff to observe is that they must maintain honesty, refuse corruption, refuse to accept kickbacks, and they must not misappropriate the Group's funds and properties, must not abuse power for own interests, and that all gifts received must be handed to the Company. Employees could whistle-blow to the supervisor for the suspected bribery, extortion, fraud and money laundering issues. Once discovered, it will be reported to police for prosecution. There was no any legal case regarding corrupt practices brought against the Group or its employees during the Year.

Directors' Report

The Directors are pleased to present to the Shareholders this annual report and the audited consolidated financial statements for the Year.

Group Reorganisation

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 5 August 2013. In preparing for the initial listing of the shares of the Company on the Main Board of the Stock Exchange, the companies now comprising the Group underwent the corporate reorganisation (the "Corporate Reorganisation") to rationalise the group structure. As a result of the Corporate Reorganisation, the Company became the holding company of the Group on 30 April 2014. Details of the Corporate Reorganisation are more fully explained in the section headed "History, Reorganisation and Group Structure" and in the paragraph headed "Corporate Reorganisation" in Appendix V to the prospectus of the Company dated 17 June 2014. The Group resulting from the Corporate Reorganisation is regarded as a continuing entity.

The shares of the Company were listed on the Stock Exchange on 27 June 2014.

Principal Activities

The principal business activity of the Company is investment holding. The principal activities and other particulars of the Company's subsidiaries are set out in note 37 to the consolidated financial statements in this annual report.

Results

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 45 of this annual report.

Final Dividend

The Board proposed not to declare any final dividend for the year ended 31 December 2014.

Closure of Register of Members

The annual general meeting is scheduled to be held on Friday, 29 May 2015.

For the purpose of determining shareholders who are entitled to attend and vote at the annual general meeting, the register of members of the Company will be closed from Wednesday, 27 May 2015 to Friday, 29 May 2015, both days inclusive. In order to qualify for the right to attend and vote at the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Union Registrars Limited at A18/F, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong for registration no later than 4:00 p.m. on Tuesday, 26 May 2015.

Directors' Report (Continued)

Major Customers and Suppliers

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the Year is as follows:

	Percentage of the Group's total sales	purchases
The largest customer	21.9%	
Five largest customers in aggregate	66.6%	
The largest supplier		27.1%
Five largest suppliers in aggregate		46.3%

At no time during the Year have the Directors, their close associates or any shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major customers or suppliers.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 15 to the consolidated financial statements in this annual report.

Bank Borrowings

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

Summary Financial Information

A summary of the published results and assets, liabilities of the Group for the last four financial years, as extracted from the audited financial statements in this annual report and the prospectus, is set out on page 108. This summary does not form part of the consolidated financial statements in this annual report.

Share Capital

Details of the Company's share capital for the Year are set out in note 26 to the consolidated financial statements in this annual report.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association or the laws of Cayman Islands.

Directors' Report (Continued)

Purchase, Sale or Redemption of the Company's Listed Securities

The shares of the Company have been listed on the Main Board of the Stock Exchange on the Listing Date. Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company on the Stock Exchange, any other stock exchange, by private arrangement or by general offer throughout the period from the Listing Date up to 31 December 2014.

Transfer to Reserves

No profit attributable to equity shareholders of the Group has been transferred to reserves (2013: nil). Other movements in reserves are set out in the consolidated statement of changes in equity in this annual report.

Listing and Use of Proceeds

The Shares of the Company was successfully listed on the Main Board of the Stock Exchange on the Listing Date by way of placing and public offer (the "Share Offer") of a total of 75,000,000 Shares at the offer price of HK$1.26 per Share (the "Listing").

The following table sets forth a breakdown of the use of net proceeds applied by the Group from the Listing Date up to 31 December 2014:

Use of net proceeds	Planned amount as stated in the prospectus RMB'000	Actual amount utilised from the Listing Date up to 31 December 2014 RMB'000	Balance as at 31 December 2014 RMB'000
Technical advance, renewal and upgrade of existing equipment	14,000	8,815	5,185
Procurement and installation of new equipment and machinery for expanding our product variety and enhancing our production capability	9,600	5,999	3,601
Development of phase II of our Yichang production base for social product paper packages	9,100	4,570	4,530
Enhancement of the design and development capabilities of the Group	3,500	3,500	—
Expansion of the sales and marketing network of our Group in order to enhance our Group's relationship with the existing customers and explore business opportunities with potential customers	2,300	2,300	—
General working capital purposes, including the repayment of shareholders' loan incurred by the Hong Kong subsidiaries as operating expenses	3,800	3,800	—
	42,300	28,984	13,316

The actual amount utilised up to the year ended 31 December 2014 for the repayment of shareholders' loan which incurred by the Hong Kong subsidiaries as operating expenses was approximately RMB2,650,000.

The unused net proceeds have been placed as interest bearing deposits with licensed bank in Hong Kong. As at the date of this annual report, the Directors do not anticipate any change to the plan as to use of proceeds.

Directors' Report (Continued)

Connected and Related Parties Transactions

Continuing Connected Transactions

The independent non-executive Directors have reviewed the continuing connected transactions set out below, disclosed in compliance with the requirements of Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), and have confirmed that these continuing connected transactions were entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

HLB Hodgson Impey Cheng Limited, the Company's independent auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. HLB Hodgson Impey Cheng Limited has issued its unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed below by the Group in accordance with relevant clauses of Rule 14A.38 of the Listing Rules. Among which, the auditor confirmed that there is nothing that has come to its attention that the continuing connected transaction: (1) have not been approved by the Board, (2) (where such transactions involve provision of goods or services by the Group) were not, in all material respects, in accordance with the pricing policies of the Group, (3) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions, and (4) have exceed their respective annual caps.

(A) Sale of paper cigarette packages by the Group to connected persons

During the Year, the Group sold paper cigarette packages to ten Provincial Tobacco Industrial Companies and five non-provincial companies under China Tobacco Industry Development Center and their respective branches, factories and other entities in which they respectively have 30% or more interest. A list of the Group's customers comprising Provincial Tobacco Industrial Companies or the enterprises under China Tobacco Industry Development Center (the "State-owned Tobacco Companies Customer(s)") is set out below:

Name of the State-owned Tobacco Companies Customers:

(1) China Tobacco Hubei Industrial Co., Ltd. ("China Tobacco Hubei");

(2) Heilongjiang Tobacco Industrial Co., Ltd. ("Heilongjiang Tobacco Industrial");

(3) China Tobacco Chuanyu Industrial Co., Ltd.;

(4) China Tobacco Shaanxi Industrial Co., Ltd.;

(5) China Tobacco Yunnan Industrial Co., Ltd. ("China Tobacco Yunnan");

(6) China Tobacco Shandong Industrial Co., Ltd.;

Directors' Report (Continued)

(7) China Tobacco Henan Industrial Co., Ltd. ("China Tobacco Henan");

(8) Hainan Hongta Cigarette Co., Ltd.;

(9) China Tobacco Fujian Industrial Co., Ltd.;

(10) China Tobacco Guizhou Industrial Co., Ltd.;

(11) Shanxi Kunming Tobacco Co., Ltd.;

(12) Shenzhen Tobacco Industrial Co., Ltd.;

(13) Inner Mongolia Kunming Cigarettes Co., Ltd.;

(14) China Tobacco Hunan Industrial Co., Ltd.; and

(15) China Tobacco Hebei Industrial Co., Ltd..

Hubei Golden Three Gorges is a company established in the PRC with limited liability and is indirectly owned as to 82.86% by the Company and 17.14% by Hubei Three Gorges Tobacco Co., Ltd. ("Hubei Three Gorges"). Hubei Golden Three Gorges is principally engaged in the design, manufacture and sales of paper cigarette packages and, to a lesser extent, social product paper packages, in the PRC.

Hubei Three Gorges holds 17.14% equity interest in Hubei Golden Three Gorges, which is a subsidiary of the Company. Hence, Hubei Three Gorges is a connected person of the Company. To the best knowledge of the Directors after making reasonable enquiries, although 湖北省煙草專賣局 (Hubei Tobacco Monopoly Administration) is the registered equity holder of Hubei Three Gorges, the Directors consider China Tobacco Hubei to be the de facto holding company of Hubei Three Gorges and hence, China Tobacco Hubei is an associate of Hubei Three Gorges under Rule 14A.13 of the Listing Rules, and accordingly a connected person of the Company.

Heilongjiang Tobacco Industrial, one of the Group's customers, is owned as to 35% by China Tobacco Hubei, and as to 65% by China Tobacco Industry Development Center. Hence, Heilongjiang Tobacco Industrial is also an associate of Hubei Three Gorges under Rule 1.01 of the Listing Rules, and hence a connected person of the Company. Heilongjiang Tobacco Industrial is one of the non-provincial companies under China Tobacco Industry Development Center.

All of the State-owned Tobacco Companies Customers (including China Tobacco Hubei and Heilongjiang Tobacco Industrial) are direct or indirect wholly-owned subsidiaries (i.e. "fellow subsidiaries") of CNTC, the holding company of China Tobacco Hubei. Hence, on a strict interpretation of Rule 1.01 of the Listing Rules, each of the State-owned Tobacco Companies Customers is an associate of Hubei Three Gorges and hence a connected person of the Company. Accordingly, transactions between the Group and each of the State-owned Tobacco Companies Customers would, on a strict interpretation of the Listing Rules, constitute connected transactions of the Company.

Directors' Report (Continued)

A table summarizing the details of the transactions during the year ended 31 December 2014 as below:

		Aggregate amount of the transaction during the year ended 31 December 2014 RMB (approximately)	Relevant annual cap for the year ended 31 December 2014 RMB (approximately)	Date of announcement/ prospectus of the Company	Terms of the agreement(s) for the transaction
(i)	Sale of products from the Group to the State-owned Tobacco Companies Customers	392,283,000	495,781,000	17 June 2014	Various (Please refer to the prospectus of the Company dated 17 June 2014 for details)
(ii)	Sale of products from the Group to China Tobacco Henan	15,521,000	25,222,300	31 July 2014	From 1 August 2014 to 31 July 2015
(iii)	Sale of products from the Group to China Tobacco Hubei	5,990,000	26,670,000	7 August 2014	From 7 August 2014 to 31 December 2014
(iv)	Sale of products from the Group to China Tobacco Henan	4,889,000	4,900,000	11 August 2014	From 1 August 2014 to 31 July 2015
(v)	Sale of products from the Group to Xiamen Tobacco	6,205,000	7,150,000	18 August 2014	From 1 July 2014 to 30 June 2015
(vi)	Sale of products from the Group to China Tobacco Henan	9,612,000	13,320,000	19 August 2014	From 19 August 2014 to 18 August 2015
(vii)	Sale of products from the Group to China Tobacco Hubei	236,000	9,740,000	27 August 2014	From 27 August 2014 to 31 December 2014
(viii)	Sale of products from the Group to China Tobacco Hubei	Nil	Nil	31 December 2014	From 31 December 2014 to 31 December 2015
(ix)	Sale of products from the Group to China Tobacco Henan	Nil	Nil	31 December 2014	From 31 December 2014 to 31 December 2015

The selling prices of paper cigarette packages are fixed under the agreements with the relevant State-owned Tobacco Companies Customers (which are, in general, within or determined with reference to, the price ranges specified in the relevant tender documents and for new products are determined with reference to the prices offered by the Group, which are in turn determined with reference to, inter alia, its costs of production).

Directors' Report (Continued)

(B) Purchase of paper by the Group from connected persons

The following are the suppliers of the Group which are our connected persons and the transactions with during the year ended 31 December 2014:

1. Zhuhai Huafeng Paper Company Limited (珠海華豐紙業有限公司) ("Zhuhai Huafeng"), an entity in which China Tobacco Yunnan indirectly owns more than 30% equity interest; and

2. Hongta Tobacco (Group) Co., Ltd. ("Hongta Group"), a wholly owned subsidiary of China Tobacco Yunnan.

One of the State-owned Tobacco Companies Customers, China Tobacco Yunnan, designated two suppliers to supply paper to the Group as its cigarette package manufacturer:

(1) the Group entered into a paper purchase contract with Zhuhai Huafeng dated 1 October 2013 for a term of one year for the supply of paper for a sub-brand of China Tobacco Yunnan in which the purchase by the Group was not be more than RMB3,370,000 for the year ended 31 December 2014. Hongta Group, being a wholly-owned subsidiary of China Tobacco Yunnan, owns approximately 32.5% interest in Zhuhai Huafeng. Hence, Zhuhai Huafang is a connected person of the Company under the Listing Rules. The selling prices of paper are fixed under the paper purchase contract.

(2) the Group entered into a contract with Hongta Group dated 17 February 2014 for a period from 17 February 2014 to 31 December 2015 for, inter alia, the supply of paper for a sub-brand of Hongta Group in which the purchase by the Group was not more than RMB1,940,000 and RMB1,940,000 for the year ended 31 December 2014 and the year ending 31 December 2015, respectively. Hongta Group, being a wholly-owned subsidiary of China Tobacco Yunnan, is a connected person of the Company under the Listing Rules. The selling prices of paper are fixed under the paper purchase contract.

A table summarizing the details of the transactions during the year ended 31 December 2014 is below:

		Aggregate amount of the transaction during the year ended 31 December 2014 RMB (approximately)	**Relevant annual cap for the year ended 31 December 2014** RMB (approximately)	**Date of prospectus of the Company**
(i)	Purchase of paper by the Group from Zhuhai Huafeng	3,180,000	3,370,000	17 June 2014
(ii)	Purchase of paper by the Group from Hongta Group	1,939,000	1,940,000	17 June 2014

(C) Compensation of Key Management personnel

The transactions under the compensation of key management personnel in note 30 were provided under the service contracts of relevant management and thus were all fully exempted pursuant to Chapter 14A of the Listing Rules.

The material related party transactions are set out in note 30 to the consolidated financial statements in this annual report.

Directors' Report (Continued)

Save as disclosed above in this report, there were no other material transactions which would constitute connected transactions or continuing connected transactions between the Group and its connected persons (as defined under the Listing Rules) which are not fully exempted from shareholders' approval, annual review and all disclosure requirements under the Listing Rules from the Listing Date up to 31 December 2014. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules from the Listing Date up to 31 December 2014.

Directors

As at the date of this report, the Directors are:

Executive Directors

Mr. Yang Yoong An
Mr. Feng Bin

Non-executive Director

Mr. Yang Fan

Independent non-executive Directors

Mr. Zeng Shiquan
Mr. Gong Jinjun
Mr. Wang Ping

In accordance with Article 108(a) of the Article of Association, at each annual general meeting, one-third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Directors' Service Agreements

Each of the executive Directors has entered into a service agreement with the Company for an initial term commencing on the Listing Date and ending on the conclusion of the 2016 annual general meeting of the Company to be held in 2017, subject to the termination provision therein. Each of the executive Directors or the Company may terminate the appointment by giving the other party not less than six months' prior notice in writing.

The non-executive Director has entered into a service agreement with the Company for an initial term commencing on the Listing Date and ending on the conclusion of the 2016 annual general meeting of the Company to be held in 2017, subject to the termination provision therein. The non-executive Director or the Company may terminate the appointment by giving the other party not less than six months' prior notice in writing.

Each of the independent non-executive Directors has entered into a service agreement with the Company as an independent non-executive Director for a term commencing on the Listing Date and ending on the conclusion of the 2014 annual general meeting of the Company to be held in 2015. Each of the independent non-executive Directors or the Company may terminate the appointment by giving the other party not less than six months' prior notice in writing.

Directors' Report (Continued)

No director proposed for re-election at the forthcoming annual general meeting 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 normal statutory obligations.

Biographies of Directors and Other Senior Management

The biographical details of Directors and other senior management are disclosed in the section headed "Biographies of Directors and Senior Management" on pages 13 to 16 of this annual report.

Emolument Policies and Directors' Remuneration

The directors' remuneration is subject to shareholders' approval at general meetings with reference to the recommendation of the Group's remuneration committee. The Group's emolument policies are formulated based on the performance of individual employees and are reviewed regularly. Subject to the Group's profitability, the Group may also provide a discretionary bonus to its employees as an incentive for their contribution to the Group. The primary goal of the remuneration policy with regard to the remuneration packages of the Group's executive directors is to enable the Group to retain and motivate executive directors by linking their compensation with performance as measured against corporate objectives achieved.

Directors' Interests in Contracts

There was no contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest subsisted as at 31 December 2014 or at any time from the Listing Date to 31 December 2014.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed from the Listing Date to 31 December 2014.

Retirement Benefits Schemes

The Group participates in a state-managed retirement scheme operated by the PRC government which covers the Group's eligible employees in the PRC and a defined contribution Mandatory Provident Fund Scheme for the employee in Hong Kong. Particulars of these retirement plans are set out in note 29 to the consolidated financial statements in this annual report.

Distributable Reserves

Pursuant to the relevant rules of the Cayman Islands, the Company's distributable reserves as at 31 December 2014 amounted to approximately RMB64.2 million.

Directors' Report (Continued)

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any of the Associated Corporations

As at 31 December 2014, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests which they are taken or deemed to have under such provisions of the SFO) or which, pursuant to section 352 of the SFO, have been entered in the register referred to therein, or have been, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules on the Stock Exchange, notified to the Company and the Stock Exchange were as follows:

(i) Long positions in the shares of the Company

Name	Capacity/Nature of interest	No. of ordinary shares held	Percentage of interest
Mr. Yang Yoong An ("Mr. Yang")	Interest of a controlled corporation (Note 1)	209,362,000	69.79%
Mr. Feng Bin ("Mr. Feng")	Interest of a controlled corporation (Note 2)	15,638,000	5.21%

(ii) Long position in the ordinary shares of associated corporation

Name	Name of associated corporation	Capacity/Nature of interest	No. of ordinary shares held	Percentage of interest
Mr. Yang (1)	Spearhead Leader Limited ("Spearhead Leader")	Beneficial owner	1	100%
Mr. Feng (2)	Star Glide Limited ("Star Glide")	Beneficial owner	1	100%

Notes:

1. Mr. Yang beneficially owns the entire issued share capital of Spearhead Leader. Therefore, Mr. Yang is deemed, or taken to be, interested in 209,362,000 shares of the Company held by Spearhead Leader for the purpose of the SFO. Mr. Yang is the sole director of Spearhead Leader.

2. Mr. Feng beneficially owns the entire issued share capital of Star Glide. Therefore, Mr. Feng is deemed, or taken to be, interested in 15,638,000 shares of the Company held by Star Glide for the purpose of the SFO. Mr. Feng is the sole director of Star Glide.

Directors' Report (Continued)

Other members of our Group

Name of subsidiary	Name of shareholder	Percentage of shareholding
Hubei Golden Three Gorges Printing Industry Co., Ltd.	Hubei Three Gorges Tobacco Co., Ltd.	17.14%

Interests of Substantial Shareholders in Shares and Underlying Shares of the Company

So far as is known to the Directors, as at 31 December 2014, the following persons (not being a Director or chief executive of the Company) had interests or short positions in shares or underlying shares of the Company which fell to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in the shares of the Company

Name of shareholders	Capacity/Nature of interest	No. of ordinary shares held/ interested	Percentage of shareholding
Spearhead Leader	Beneficial owner	209,362,000	69.79%
Star Glide	Beneficial owner	15,638,000	5.21%
Ms. Cai Yaohui ("Ms. Cai")	Interest of spouse (Note 1)	209,362,000	69.79%
Ms. Zhao Yi ("Ms. Zhao")	Interest of spouse (Note 2)	15,638,000	5.21%

Notes:

1. Ms. Cai is the spouse of Mr. Yang. Accordingly Ms. Cai is deemed, or taken to be, interested in all shares of the Company in which Mr. Yang is interested in for the purpose of the SFO.

2. Ms. Zhao is the spouse of Mr. Feng. Accordingly Ms. Zhao is deemed, or taken to be, interested in all shares of the Company in which Mr. Feng is interested in for the purpose of the SFO.

Save as disclosed above, as at 31 December 2014, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which fell to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Directors' Report (Continued)

Share Option Scheme

The Company adopted a share option scheme (the "Share Option Scheme") pursuant to a shareholders' resolution passed on 6 June 2014. The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 30,000,000 shares, being 10% of the shares of the Company in issue on the Listing Date, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders, independent non-executive Directors, or any of their respective associates (including a discretionary trust whose discretionary objects include a substantial shareholders, independent non-executive Directors, or any of their respective associates) in any 12-month period in excess of 0.1% of the Company's issued share capital in aggregate or with an aggregate value in excess of HK$5,000,000 must be also approved by the Company's shareholders.

The subscription price of share in respect of options granted under the Share Option Scheme shall be solely determined is determinable by the Board, but may not be less than the higher of (i) the Stock Exchange's closing price of the Company's shares on the date of the grant of the share options which must be a business day; (ii) the average Stock Exchange's closing price of the Company's shares for the five business days immediately preceding the date of the grant; and (iii) the nominal value of a share of the Company.

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the adoption date (i.e. 6 June 2014) and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

No options were granted, exercised, cancelled or lapsed and there were no outstanding options under the Share Option Scheme from the date of its adoption to the date of this report. A summary of the principal terms and conditions of the Share Option Scheme is set out in Appendix V to the prospectus of the Company dated 17 June 2014.

Competing Business and Conflicts of Interests

None of the Directors, management shareholders or substantial shareholders of the Company or any of their respective associates (as defined under the Listing Rules) is engaged in any business which competes or is likely to compete with the business of the Group, and none of them has any other conflicts of interests with the Group.

Corporate Governance

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 17 to 24 of this annual report.

Directors' Report (Continued)

Audit Committee

The Company has an Audit Committee with terms of reference aligned with the provision of the Code as set out in Appendix 14 to the Listing Rules for the purpose of reviewing and providing supervision on the financial reporting process and internal controls of the Group. The Audit Committee consists of two independent non-executive Directors and one non-executive Director, namely Mr. Wang Ping (as Chairman), Mr. Zeng Shiquan and Mr. Yang Fan. This annual report and the financial results for the year ended 31 December 2014 have been reviewed by the Audit Committee.

Charitable Donations

Charitable donations made by the Group during the year ended 31 December 2014 amounted to approximately RMB792,000 (2013: Nil).

Confirmation of Independence

The Company has received from the independent non-executive Directors confirmations of independence (including an annual confirmation from each of the independent non-executive Directors) pursuant to Rule 3.13 of the Listing Rules and considers that all the independent non-executive Directors are independent of the Company under the Listing Rules.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float since the Listing Date to the date of this annual report as required under the Listing Rules.

Auditor

HLB Hodgson Imply Cheng Limited have been appointed as auditors of the Company for the year ended 31 December 2014. The Company has not changed its external auditors since the Listing Date and up to the date of this annual report.

HLB Hodgson Imply Cheng Limited will retire at the forthcoming annual general meeting.

A resolution will be proposed to the forthcoming annual general meeting to re-appoint HLB Hodgson Impey Cheng Limited as auditors of the Company.

On behalf of the Board

Yang Yoong An
Chairman
Hong Kong, 26 March 2015

Independent Auditors' Report

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF JIA YAO HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Jia Yao Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 45 to 107, which comprise the consolidated and company statements 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 Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 Auditors' Report (Continued)

Opinion

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

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Kwok Kin Leung
Practising Certificate Number: P05769

Hong Kong, 26 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Continuing operations			
Revenue	5	**472,861**	495,773
Cost of sales		**(336,607)**	(337,851)
Gross profit		**136,254**	157,922
Other income	6	**6,938**	8,412
Other gains and losses	6	**(1,605)**	(2,578)
Selling and distribution expenses		**(30,939)**	(31,502)
Administrative and other operating expenses		**(54,172)**	(48,113)
Listing expenses		**(19,596)**	(5,819)
Finance costs	7	**(14,856)**	(22,545)
Profit before tax		**22,024**	55,777
Income tax expense	8	**(9,130)**	(8,297)
Profit for the year from continuing operations	9	**12,894**	47,480
Discontinued operation			
Loss for the year from discontinued operation	13	**—**	(3,816)
Profit for the year		**12,894**	43,664
Other comprehensive income for the year, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**216**	—
Total comprehensive income for the year		**13,110**	43,664
Profit for the year attributable to:			
Owners of the Company		**7,321**	35,427
Non-controlling interests		**5,573**	8,237
		12,894	43,664
Total comprehensive income for the year attributable to:			
Owners of the Company		**7,537**	35,427
Non-controlling interests		**5,573**	8,237
		13,110	43,664
Earnings per share			
For continuing and discontinued operations			
— Basic and diluted (RMB)	12	**0.03**	0.16
For continuing operations			
— Basic and diluted (RMB)	12	**0.03**	0.18

Consolidated Statement of Financial Position

As at 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	15	**170,396**	178,325
Prepaid lease payments	16	**21,759**	22,339
Deferred tax assets	24	**1,987**	2,453
		194,142	203,117
Current assets			
Inventories	17	**87,192**	70,539
Trade and other receivables	18	**212,219**	183,927
Prepaid lease payments	16	**580**	580
Amounts due from former equity holders of a subsidiary	19	**—**	17,258
Amount due from a non-controlling equity holder of a subsidiary	19	**—**	164
Current tax assets		**43**	—
Pledged bank deposits	20	**59,026**	59,293
Bank balances and cash	20	**104,416**	29,963
		463,476	361,724
Assets classified as held for sale	14	**3,909**	3,909
		467,385	365,633
Total assets		**661,527**	568,750

Consolidated Statement of Financial Position (Continued)

As at 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Current liabilities			
Trade and other payables	21	**214,062**	220,583
Borrowings	23	**183,000**	94,550
Amounts due to former equity holders of a subsidiary	22	**—**	93,026
Amounts due to directors	22	**—**	31,987
Current tax liabilities		**—**	3,733
		397,062	443,879
Net current assets/(liabilities)		**70,323**	(78,246)
Total assets less current liabilities		**264,465**	124,871
Non-current liabilities			
Borrowings	23	**—**	60,000
Deferred tax liabilities	24	**3,111**	1,866
		3,111	61,866
Net assets		**261,354**	63,005
Capital and reserves			
Share capital	26	**2,382**	62
Reserves	28	**223,844**	33,388
Equity attributable to owners of the Company		**226,226**	33,450
Non-controlling interests		**35,128**	29,555
Total equity		**261,354**	63,005

Statement of Financial Position

As at 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Non-current assets			
Investment in a subsidiary	37	191,120	—
Current assets			
Trade and other receivables	18	—	897
Amounts due from subsidiaries	37	41,009	—
Bank balances and cash	20	15	—
		41,024	897
Total assets		232,144	897
Current liabilities			
Other payables	21	792	—
Amounts due to former equity holders of a subsidiary	22	—	5,716
Amount due to a subsidiary	37	1,636	—
		2,428	5,716
Net current assets/(liabilities)		38,596	(4,819)
Total assets less current liabilities		229,716	(4,819)
Capital and reserves			
Share capital	26	2,382	—
Reserves	28	227,334	(4,819)
Total equity		229,716	(4,819)

Consolidated Statement of Changes in Equity

	Attributable to owners of the Company								
	Share capital RMB'000 (Note 26)	Share premium RMB'000	Special reserve RMB'000 (Note 28)	PRC statutory reserve RMB'000 (Note 28)	Retained profits RMB'000	Translation reserve RMB'000 (Note 28)	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 31 December 2012	75,279	—	16,107	41,188	51,327	—	183,901	44,565	228,466
Total comprehensive income for the year	—	—	—	—	35,427	—	35,427	8,237	43,664
Dividends recognised as distribution (Note 11)	—	—	—	—	(67,283)	—	(67,283)	(13,914)	(81,197)
Disposal of subsidiaries	—	—	—	—	—	—	—	(9,333)	(9,333)
Issue of ordinary shares of Giant Harmony	62	—	—	—	—	—	62	—	62
Effect of Reorganisation	(75,279)	—	(43,378)	—	—	—	(118,657)	—	(118,657)
Balance at 31 December 2013	62	—	(27,271)	41,188	19,471	—	33,450	29,555	63,005
Profit for the year	—	—	—	—	7,321	—	7,321	5,573	12,894
Other comprehensive income for the year	—	—	—	—	—	216	216	—	216
Total comprehensive income for the year	—	—	—	—	7,321	216	7,537	5,573	13,110
Issue of new shares	595	74,453	—	—	—	—	75,048	—	75,048
Capitalisation Issue (Note 34)	1,787	(1,787)	—	—	—	—	—	—	—
Transaction costs attributable to issue of new shares	—	(8,466)	—	—	—	—	(8,466)	—	(8,466)
Effect of Reorganisation	(62)	—	62	—	—	—	—	—	—
Deemed contribution from Mr. Yang and Mr. Feng (Note 34)	—	—	118,657	—	—	—	118,657	—	118,657
Balance at 31 December 2014	2,382	64,200	91,448	41,188	26,792	216	226,226	35,128	261,354

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Profit for the year		**12,894**	43,664
Adjustments for:			
Income tax expense recognised in profit or loss		**9,130**	8,705
Finance costs		**14,856**	22,681
Interest income		**(1,605)**	(4,349)
Amortisation of prepaid lease payments		**580**	702
Depreciation of property, plant and equipment		**19,908**	21,533
Impairment losses on property, plant and equipment		**1,778**	361
Reversal of provision for slow-moving inventories		**(243)**	—
Loss on disposal of property, plant and equipment		**200**	2,538
Loss on disposals of subsidiaries		**—**	5,130
Gain on disposal of available-for-sale investments		**—**	(458)
(Reversal)/recognition of impairment losses on trade receivables		**(130)**	47
Operating cash flows before movements in working capital		**57,368**	100,554
Increase in inventories		**(16,410)**	(18,095)
(Increase)/decrease in trade and other receivables		**(37,699)**	10
Decrease in amount due from a director		**—**	59
Decrease in amount due from a non-controlling equity holder of a subsidiary		**164**	—
Increase in trade and other payables		**7,393**	9,064
(Decrease)/increase in amount due to a former equity holder of a subsidiary		**(5,770)**	5,770
Cash generated from operations		**5,046**	97,362
Interest received		**1,605**	4,349
Income tax paid		**(11,195)**	(8,855)
Net cash (used in)/generated by operating activities		**(4,544)**	92,856

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Cash flows from investing activities			
Decrease in amounts due from former equity holders of a subsidiary		**17,258**	5,416
Advances from directors		**86,670**	31,987
Decrease/(increase) in pledged bank deposits		**267**	(196)
Net cash outflows on disposal of a subsidiary	25(a)	**—**	(9,401)
Proceeds from disposals of available-for-sale investments		**—**	1,658
Purchase of property, plant and equipment and related deposits paid		**(5,536)**	(4,991)
Proceeds from disposal of property, plant and equipment		**219**	13,751
Consideration paid to former equity holders of a subsidiary in respect of the transfer of equity interests in the subsidiaries arising from the Reorganisation		**(87,256)**	(31,401)
Net cash generated by investing activities		**11,622**	6,823
Cash flows from financing activities			
Proceeds from borrowings		**308,000**	232,566
Repayments of borrowings		**(279,550)**	(321,501)
Issue of ordinary shares		**75,048**	62
Dividend paid to non-controlling interests		**(13,914)**	—
Interest paid		**(12,377)**	(14,196)
Other finance costs paid		**(2,479)**	(8,485)
Prepayments for listing expenses		**(7,569)**	—
Net cash generated by/(used in) financing activities		**67,159**	(111,554)
Net increase/(decrease) in cash and cash equivalents		**74,237**	(11,875)
Cash and cash equivalents at the beginning of year		**29,963**	41,838
Effect of foreign currency exchange difference		**216**	—
Cash and cash equivalents at the end of year		**104,416**	29,963
Representing:			
Bank balances and cash		**104,416**	29,963

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

1. General

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 5 August 2013 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 27 June 2014 (the "Listing Date"). The Company's parent and ultimate holding company is Spearhead Leader Limited ("Spearhead Leader"), which is incorporated in the British Virgin Islands (the "BVI"). The Company's ultimate controlling party is Mr. Yang Yoong An ("Mr. Yang"), who is also the Chairman and an executive Director of the Company. The addresses of registered office and principal place of business of the Company are disclosed in the Corporate Information section of this annual report.

The Company acts as an investment holding company while its principal subsidiaries are principally engaged in the design, printing and sales of paper cigarette packages and social product paper packages in the People's Republic of China (the "PRC") as set out in Note 37 to the consolidated financial statements.

In preparing for the initial listing of the shares of the Company on the Main Board of the Stock Exchange, the companies now comprising the Group underwent the corporate reorganisation (the "Reorganisation") to rationalise the group structure. As a result of the Reorganisation, the Company became the holding company of the Group on 30 April 2014. Details of the Reorganisation are fully explained in the section headed "History, Reorganisation and Group Structure" and in the paragraph headed "Corporate Reorganisation" in Appendix V to the prospectus of the Company dated 17 June 2014. Accordingly, for the purpose of the preparation of the consolidated financial statements of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the years presented. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity and it has been under the control of Mr. Yang prior to and after the Reorganisation.

The consolidated financial statements have been prepared as if the Company had been the holding company of the Group throughout the years presented in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). 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 years presented, which include the results, changes in equity and cash flows of the companies now comprising the Group, have been prepared as if the current group structure had been in existence throughout the years presented, or since their respective dates of incorporation, whichever is a shorter period. The consolidated statement of financial position as at the respective reporting dates has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates.

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the respective entity operates. The functional currency of the Company is Hong Kong dollars ("HK$"). The consolidated financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand, which is different from the functional currency of the Company as the Group's dominated operations are substantially based in the PRC and the directors consider that the choice of presentation currency would better reflect the Group's business transactions.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

The Group has applied for the first time in the current year the following new and revised HKFRSs issued by the HKICPA:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)-Int 21	Levies

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions and/or on the disclosures set out in these consolidated financial statements.

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

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

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2 Effective for first annual HKFRS 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 exception. Earlier application is permitted.

The Group has not applied other new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of other new and revised HKFRSs but is not yet in a position to state whether these other new and revised HKFRSs would have a material impact on its results of operations and financial position. The Group does not plan to adopt these standards prior to their mandatory effective date.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

3. Significant Accounting Policies

Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. 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 (the "Listing Rules") and by the Hong Kong Companies Ordinance.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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 Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 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 set out below.

Basis of consolidation

The consolidated financial statements incorporates 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

3. Significant Accounting Policies (Continued)

Basis of consolidation (Continued)

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.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

3. Significant Accounting Policies (Continued)

Basis of consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries (Continued)

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Merger accounting for common control combinations

The consolidated financial statements incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Business combinations (other than business combinations involving entities under common control)

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

3. Significant Accounting Policies (Continued)

Business combinations (other than business combinations involving entities under common control) (Continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *(Income Taxes)* and HKAS 19 *(Employee Benefits)* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *(Share-based Payment)* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 (*Non-current Assets Held for Sale and Discontinued Operations)* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed as of the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 (*Provisions, Contingent Liabilities and Contingent Assets)*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

3. Significant Accounting Policies (Continued)

Business combinations (other than business combinations involving entities under common control) (Continued)

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as at the acquisition date that, if known, would have affected the amounts recognised as at that date.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Revenue recognition

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

Revenue from 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

3. Significant Accounting Policies (Continued)

Revenue recognition (Continued)

Interest income from a financial asset is recognised when it is probable that the economic benefits 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 the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Government grant

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 that 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.

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. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land

Interest in leasehold land that is accounted for as an operating lease is presented as ''prepaid lease payments'' in the consolidated statements of financial position and is amortised over the lease term on a straight-line basis.

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 recognised 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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year/period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve attributed to non-controlling interests (as appropriate).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

3. Significant Accounting Policies (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition 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 borrowing costs not associated with qualifying assets are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered services entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred 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 statements 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 is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases 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 differences 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 assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences 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 of the 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

3. Significant Accounting Policies (Continued)

Taxation (Continued)

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 is recognised in profit or loss.

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 at cost less subsequent accumulated depreciation and impairment losses, if any.

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 of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress for production, supply or administrative purposes are carried at cost less any recognised impairment loss. Such properties 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.

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.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives 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). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

3. Significant Accounting Policies (Continued)

Impairment of tangible and intangible assets other than goodwill (Continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on weighted average basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

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 (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets

The Group's financial assets are classified into the following specified categories, including financial assets at fair value through profit or loss (FVTPL), held-to-maturity investments, available-for-sale (AFS) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of 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 financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- it is part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL (Continued)

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the "other income" and "other gains and losses" line items in the consolidated statement of profit or loss and other comprehensive income.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group's management has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any identified impairment losses (see the accounting policy in respect of impairment losses on financial assets below).

AFS financial assets

AFS financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

AFS financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve until the financial asset is disposed of or determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

For AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments, they are measured at cost less any identified impairment losses at the end of each of the reporting period.

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, amounts due from former equity holders of a subsidiary, amount due from a non-controlling equity holder of a subsidiary, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each 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 investment have been affected.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For an AFS equity investment, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, 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.

For certain categories of financial assets, 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 credit period, 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 is measured the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's the 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. Changes in the carrying amount of the allowance account are recognised in profit or loss. 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.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment 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.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss in subsequent periods. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of investment can be objectively related to an event occurring after the recognition of the impairment loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

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

Equity instruments

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

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 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.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or it is designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or

- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at FVTPL (Continued)

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities and is included in the "other gains and losses" line item.

Other financial liabilities

Other financial liabilities (including trade and other payables, borrowings, amounts due to former equity holders of a subsidiary and amounts due to directors) are subsequently measured at amortised cost using the effective interest method.

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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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.

Related parties

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

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

3. Significant Accounting Policies (Continued)

Related parties (Continued)

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

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

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

Cash and cash equivalents

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

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

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 3, management is 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 underlying 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 on-going 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Financial Information.

Withholding taxes arising from the distributions of dividends

The Group's determination as to whether to accrue for withholding income taxes from the distribution of dividends from subsidiaries in the PRC according to the relevant tax jurisdictions is subject to judgement on the timing of the payment of the dividend, where the Group considers that if it is probable that the profits of the subsidiaries in the PRC will not be distributed in the foreseeable future, then no withholding income taxes are provided.

Key sources of estimation uncertainty

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

Estimated useful lives, residual value and impairment of property, plant and equipment

The Group estimates useful lives, residual values and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations. The depreciation charge will increase where useful lives are less than previously estimated. Details of the useful lives of property, plant and equipment are disclosed in Note 15.

In addition, the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. Determining whether property, plant and equipment are impaired requires an estimation of the recoverable amount which is the higher of the value in use and fair value less cost to sell of the assets. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the continuing use of the assets and from its ultimate disposal and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amounts of property, plant and equipment as at 31 December 2014 were approximately RMB170,396,000 (2013: RMB178,325,000).

Net realisable value of inventories

The Group writes down inventories for obsolescence based on an assessment of the net realisable value of inventories. Write-down is applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the carrying amount of inventories. The identification of obsolete inventories requires the use of judgements and estimates on the conditions and usefulness of the inventories. The amount of write-down would be changed as a result of the changes in current market conditions subsequently.

As at 31 December 2014, the carrying amounts of inventories are approximately RMB87,192,000 (2013: RMB70,539,000).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

5. Revenue and Segment Information

Revenue

Revenue from continuing operations represents revenue arising on sales of paper cigarette packages and social product paper packages for both years.

An analysis of revenue from continuing operations is as follows:

	2014 **RMB'000**	2013 RMB'000
Sales of paper cigarette packages	**444,842**	469,513
Sales of social product paper packages	**28,019**	26,260
	472,861	495,773

Segment information

The Group manages its businesses by divisions. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management, being the chief operating decision maker, for the purposes of resource allocation and performance assessment, the Group's reportable and operating segments are as follows:

Paper cigarette packages — design, printing and sale of paper cigarette packages

Social product paper packages — design, printing and sale of social product paper packages (e.g. packages for alcohol, medicines and food)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

5. Revenue and Segment Information (Continued)

Segment information (Continued)

An operation was discontinued in the year ended 31 December 2013. The segment information does not include any amounts for the discontinued operation, which is described in more detail in Note 13.

For the year ended 31 December 2014:

	Paper cigarette packages RMB'000	Social product paper packages RMB'000	Total RMB'000
Continuing operations			
Segment revenue	444,842	28,019	472,861
Segment profit	134,238	2,016	136,254
Other income			6,938
Other gains and losses			(1,605)
Selling and distribution expenses			(30,939)
Administrative and other operating expenses			(54,172)
Listing expenses			(19,596)
Finance costs			(14,856)
Profit before tax from continuing operations			22,024

For the year ended 31 December 2013:

	Paper cigarette packages RMB'000	Social product paper packages RMB'000	Total RMB'000
Continuing operations			
Segment revenue	469,513	26,260	495,773
Segment profit	153,884	4,038	157,922
Other income			8,412
Other gains and losses			(2,578)
Selling and distribution expenses			(31,502)
Administrative and other operating expenses			(48,113)
Listing expenses			(5,819)
Finance costs			(22,545)
Profit before tax from continuing operations			55,777

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

5. Revenue and Segment Information (Continued)

Segment information (Continued)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for both years.

The accounting policies of the operating and reportable segments information are the same as the Group's accounting policies described in Note 3. Segment results represents the profit earned by each segment without allocation of other income, other gains and losses, selling and distribution expenses, administrative and other operating expenses, listing expenses, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Other segment information

	2014	2013
	RMB'000	RMB'000
Continuing operations		
Paper cigarette packages:		
Depreciation of property, plant and equipment	**18,881**	18,999
Impairment losses on property, plant and equipment	**1,778**	361
Reversal of provision for slow-moving inventories	**(243)**	—
(Reversal)/recognition of impairment loss on trade receivables	**(144)**	47
Amortisation of prepaid lease payments	**561**	602
Additions to non-current assets	**10,485**	11,060
Social product paper packages:		
Depreciation of property, plant and equipment	**1,027**	2,386
Amortisation of prepaid lease payments	**19**	75
Recognition of impairment loss on trade receivables	**14**	—
Additions to non-current assets	**3,691**	708

Segment assets and liabilities

Segment assets and liabilities are not disclosed as they are not regularly provided to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Geographical information

As all the Group's revenue is derived from customers located in the PRC and all of the Group's identifiable non-current assets are principally located in the PRC, no geographical segment information is presented.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

5. Revenue and Segment Information (Continued)

Information about major customers

Revenue from customers contributing over 10% of the total revenue from continuing operations of the Group are as follows:

	2014 RMB'000	2013 RMB'000
Customer A (Note)	N/A[1]	58,952
Customer B	103,646	112,355
Customer C	100,448	57,502

[1] The corresponding revenue did not contribute over 10% of the total revenue of the Group.

Note: Customer A represents Hubei China Tobacco Industrial Co., Ltd. (湖北中煙工業有限責任公司) ("China Tobacco Hubei"), an intermediate holding company of a subsidiary's non-controlling shareholder, Hubei Three Gorges Tobacco Co., Ltd (湖北三峽煙草有限公司) ("Hubei Three Gorges").

6. Other Income, Gains and Losses

Continuing operations	2014 RMB'000	2013 RMB'000
Other income		
Government grants (Note)	3,739	513
Interest income on bank deposits	1,605	4,349
Other interest income	—	690
Sundry income	1,594	2,860
	6,938	8,412
Other gains and losses		
Loss on disposal of property, plant and equipment	(200)	(2,538)
Loss on disposal of a subsidiary	—	(90)
Gain on disposal of available-for-sale investments	—	458
Impairment losses on property, plant and equipment	(1,778)	(361)
Reversal of provision for slow-moving inventories	243	—
Reversal/(recognition) of impairment losses on trade receivables	130	(47)
	(1,605)	(2,578)

Note: Government grants represented subsidies from various PRC governmental authorities which had no conditions or limitations attached.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

7. Finance Costs

Continuing operations	2014 RMB'000	2013 RMB'000
Interest on bank and other borrowings wholly repayable within five years	**12,377**	14,076
Finance costs arising on early redemption of note receivables	**1,792**	7,196
Other bank charges	**687**	1,273
Total finance costs	**14,856**	22,545

8. Income Tax Expense

Continuing operations	2014 RMB'000	2013 RMB'000
Current tax:		
— PRC Enterprise Income Tax ("EIT")	**6,784**	10,621
— Underprovision/(overprovision) in prior years	**635**	(52)
Deferred tax (Note 24)	**1,711**	(2,272)
	9,130	8,297

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the both years. No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group had no assessable profit arising in or derived from Hong Kong for both years.

On 16 March 2007, the National People's Congress promulgated the Law of the PRC on Enterprise Income Tax (the "New EIT Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New EIT Law. Under the New EIT Law and Implementation Regulation, the statutory EIT rates of the Group's subsidiaries in the PRC have been reduced to 25% from 1 January 2008 onwards, except for a major PRC operating subsidiary namely Hubei Golden Three Gorges, which is qualified as the High and New Technology Enterprise since 16 September 2009, Hubei Golden Three Gorges was entitled to a preferential income tax rate of 15% for the periods from 16 September 2009 to 15 September 2012 and subsequently extended from 20 November 2012 to 19 November 2015.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

8. Income Tax Expense (Continued)

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

Continuing operations	**2014 RMB'000**	2013 RMB'000
Profit before tax	**22,024**	55,777
Tax at PRC EIT rate of 25%	**5,506**	13,944
Tax effect of expenses not deductible for tax purpose	**6,893**	1,721
Tax effect of income not taxable for tax purpose	**(2,560)**	(1,995)
Tax effect of income tax on concessionary rate	**(2,499)**	(5,069)
Tax effect of tax losses not recognised	**—**	851
Tax effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	**1,245**	(1,541)
Underprovision/(overprovision) in prior years	**635**	(52)
Others	**(90)**	438
Income tax expense for the year	**9,130**	8,297

9. Profit for the Year from Continuing Operations

Profit for the year from continuing operations has been arrived at after charging/(crediting):

Continuing operations	**2014 RMB'000**	2013 RMB'000
Staff costs:		
Directors' emoluments (Note 10)	**491**	188
Other staff costs:		
Salaries and other benefits	**38,190**	34,855
Contributions to retirement benefits schemes, excluding those of directors	**8,629**	5,613
	47,310	40,656
Auditors' remuneration	**792**	66
Depreciation of property, plant and equipment	**19,908**	21,385
Impairment losses on property, plant and equipment	**1,778**	361
Loss on disposal of property, plant and equipment	**200**	2,538
Amortisation of prepaid lease payments	**580**	677
Operating lease rentals in respect of rented premises	**459**	—
Reversal of provision for slow-moving inventories	**(243)**	—
(Reversal)/recognition of impairment loss on trade receivables	**(130)**	47
Cost of inventories recognised as an expense	**336,607**	337,851

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

10. Directors', Chief Executive's and Employees' Emoluments

The emoluments paid or payable to each of the directors and chief executive are as follows:

		Other emoluments		
	Director's Fees	Salaries and other benefits	Contributions to retirement benefits schemes	Total
	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2014				
Executive directors				
Mr. Yang (Note (i))	**48**	**—**	**—**	**48**
Mr. Feng Bin ("Mr. Feng") (Note (ii))	**48**	**165**	**29**	**242**
Non-executive director				
Mr. Yang Fan (Note (iii))	**48**	**—**	**—**	**48**
Independent non-executive directors				
Mr. Zeng Shiquan (Note (iv))	**48**	**—**	**—**	**48**
Mr. Gong Jinjun (Note (iv))	**48**	**—**	**—**	**48**
Mr. Wang Ping (Note (iv))	**57**	**—**	**—**	**57**
	297	**165**	**29**	**491**
For the year ended 31 December 2013				
Executive directors				
Mr. Yang (Note (i))	—	—	—	—
Mr. Feng (Note (ii))	—	165	23	188
	—	165	23	188

Notes:

(i) Mr. Yang was appointed as director of the Company on 5 August 2013 and was re-designated as executive director of the Company on 24 March 2014.

(ii) Mr. Feng was appointed as executive director of the Company effective from 24 March 2014. He is also the chief executive of the Company throughout the years presented and his emoluments above include those for services rendered by him as the chief executive.

(iii) Mr. Yang Fan was appointed as non-executive director of the Company on 24 March 2014.

(iv) Mr. Zeng Shiquan, Mr. Gong Jinjun and Mr. Wang Ping were appointed as independent non-executive directors on 5 June 2014.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

10. Directors', Chief Executive's and Employees' Emoluments (Continued)

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, none (2013: none) was a director of the Company whose emoluments are included in the disclosure above. The emoluments of the remaining five (2013: five) individuals were as follows:

	2014 **RMB'000**	2013 RMB'000
Salaries and other benefits	**1,000**	1,081
Contributions to retirement benefits schemes	**132**	105
Total emoluments	**1,132**	1,186

Each of their emoluments for the years ended 31 December 2014 and 2013 was within HK$1,000,000.

No emoluments were paid or payable by the Group to any of the directors or the five highest paid individuals (included directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office for both years. None of the directors has waived any emoluments during the years ended 31 December 2014 and 2013.

11. Dividends

	2014 **RMB'000**	2013 RMB'000
Dividends recognised as distributions attributable to:		
Owners of the Company	**—**	—
Former equity holders of a subsidiary prior to Reorganisation	**—**	81,197
	—	81,197

The dividend of approximately RMB81,197,000 paid for the year ended 31 December 2013 represented the dividend paid by a subsidiary of the Company to its then equity holder prior to the Reorganisation. The rate of dividend and the number of shares ranking for dividends have not been presented as such information is not meaningful having regard to the purpose of these consolidated financial statements.

No dividend has been paid or declared by the Company since its date of incorporation. The Directors do not recommend the payment of a final dividend for the year ended 31 December 2014.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

12. Earnings Per Share

From continuing and discontinued operations

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

	2014 **RMB'000**	2013 RMB'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**7,321**	35,427

	Number of shares	Number of shares
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**263,630,137**	225,000,000

For the year ended 31 December 2014, the calculation of the basic earnings per share attributable to owners of the Company was based on (i) the profit attributable to owners of the Company and (ii) the weighted average number of ordinary shares (adjusted retrospectively for 1 share in issue and 9,999 shares to be issued pursuant to the Reorganisation on 30 April 2014 and 224,990,000 shares issued under the capitalisation issue on 6 June 2014), and the effects of 75,000,000 shares issued under public offer and placing as described in Note 26.

For the year ended 31 December 2013, the calculation of the basic earnings per share attributable to owners of the Company was based on (i) the profit attributable to owners of the Company and (ii) the weighted average number of 225,000,000 shares (comprising 1 share in issue, 9,999 shares issued pursuant to the Reorganisation on 30 April 2014 and 224,990,000 shares issued under the capitalisation issue pursuant to the resolutions passed by the Shareholders on 6 June 2014), as if these 225,000,000 shares were outstanding since 1 January 2013.

The numerator and denominator used are the same as those detailed above for the computation of both basic and diluted earnings per share for both years as there were no potential ordinary shares outstanding during the years ended 31 December 2014 and 2013.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

12. Earnings Per Share (Continued)

From continuing operations

The calculation of the basic and diluted earnings per share from continuing operations attributable to owners of the Company is based on the following data:

	2014 RMB'000	2013 RMB'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share	**7,321**	39,759

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

From discontinued operation

Basic and diluted loss per share for the discontinued operation is nil per share (2013: RMB0.02 per share), based on the loss for the year from the discontinued operation of nil (2013: approximately RMB3,816,000) and the denominators detailed above for both basic and diluted loss per share.

13. Discontinued Operation

On 12 November 2012, the Group entered into an equity transfer agreement with an independent third party, pursuant to which its subsidiary, Hubei Golden Three Gorges, agreed to dispose of its 70% equity interests in a subsidiary, Hubei Mengke Paper Co., Ltd (湖北盟科紙業有限公司) ("Hubei Mengke") to the purchaser, at a cash consideration of approximately RMB22,000,000. Hubei Mengke is engaged in the production, processing and sale of high-grade paper, paper board and plastic business and carried out all of the Group's paper processing business in the PRC. The disposal was completed on 1 February 2013, on which date control over Hubei Mengke was passed to the purchaser.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

13. Discontinued Operation (Continued)

The results of the discontinued operation included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2013 are set out below.

	2013 RMB'000
Revenue	28,764
Less: sales to continuing operations	(10,476)
Sales to third parties	18,288
Cost of sales	22,887
Less: cost of sales associated with sales to continuing operations	(7,843)
Cost of sales to third parties	15,044
Gross profit arising from sales to third parties	3,244
Gross profit arising from sales to continuing operations	2,633
Other income	50
Other gains and losses	—
Selling and distribution expenses	(3,438)
Administrative and other operating expense	(721)
Finance costs	(136)
Profit before tax from discontinued operation	1,632
Income tax expense	(408)
	1,224
Loss on disposal of a subsidiary (Note 25)	(5,040)
Loss for the year from discontinued operation	(3,816)

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

13. Discontinued Operation (Continued)

Loss for the year from discontinued operation for the year ended 31 December 2013 include the following:

	2013 RMB'000
Depreciation of property, plant and equipment	148
Amortisation of prepaid lease payments	25
Cost of inventories associated with sales to third party recognised as an expense	15,044

The net cash flows incurred by discontinued operation for the year ended 31 December 2013 are as follows:

	2013 RMB'000
Net cash inflows from operating activities	10,654
Net cash outflows from investing activities	(3,446)
Net cash outflows from financing activities	(136)
Net cash inflows	7,072

14. Assets Classified as Held for Sale

	2014 **RMB'000**	2013 RMB'000
Prepaid lease payments	**3,909**	3,909

As at 31 December 2014, certain of the Group's prepaid lease payments with a carrying amount of approximately RMB3,909,000 (2013: RMB3,909,000) has been classified as assets held for sale.

On 30 May 2013, the Group entered into a number of sale and purchase agreements with Hubei Mengke, pursuant to which Hubei Mengke agreed to purchase and the Group agreed to dispose of certain of its property, plant and equipment and prepaid lease payments. The disposal of the property, plant and equipment was completed during the year ended 31 December 2013. On 4 January 2015, the Group and Hubei Mengke further entered into a supplemental agreement in relation to the disposal of the abovementioned prepaid lease payments, pursuant to which the parties mutually agreed to amend the expected completion date of the disposal to on or before 20 December 2015. Save for the aforesaid amendment, all other terms of the agreement remain unchanged and continue in full force and effect. The disposal of prepaid lease payments has not been completed as at the date of this report.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

15. Property, Plant and Equipment

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
Balance at 31 December 2012	37,546	281,382	13,528	10,831	6,194	349,481
Additions	296	8,336	408	—	2,728	11,768
Transfer to property, plant and equipment	—	8,270	70	—	(8,340)	—
Disposals	(17,448)	(5,154)	(1,033)	(989)	—	(24,624)
Balance at 31 December 2013	20,394	292,834	12,973	9,842	582	336,625
Additions	—	11,982	766	419	1,009	14,176
Transfer to property, plant and equipment	—	3	—	—	(3)	—
Disposals	—	(557)	(244)	(5)	—	(806)
Balance at 31 December 2014	**20,394**	**304,262**	**13,495**	**10,256**	**1,588**	**349,995**
Accumulated depreciation and impairment						
Balance at 31 December 2012	10,844	120,183	9,555	4,307	—	144,889
Depreciation expenses	1,636	17,735	1,054	960	—	21,385
Eliminated on disposals	(3,542)	(3,284)	(867)	(642)	—	(8,335)
Impairment losses recognised in profit or loss	—	361	—	—	—	361
Balance at 31 December 2013	8,938	134,995	9,742	4,625	—	158,300
Depreciation expenses	876	17,236	944	852	—	19,908
Eliminated on disposals	—	(163)	(219)	(5)	—	(387)
Impairment losses recognised in profit or loss	—	1,778	—	—	—	1,778
Balance at 31 December 2014	**9,814**	**153,846**	**10,467**	**5,472**	**—**	**179,599**
Carrying amounts						
Balance at 31 December 2014	**10,580**	**150,416**	**3,028**	**4,784**	**1,588**	**170,396**
Balance at 31 December 2013	11,456	157,839	3,231	5,217	582	178,325

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

15. Property, Plant and Equipment (Continued)

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straightline basis, after taking into account of their residual values, over the following useful lives:

Buildings	10 to 40 years
Plant and machinery	4 to 40 years
Furniture, fixtures and equipment	4 to 10 years
Motor vehicles	5 to 10 years

The buildings shown above are situated on land in the PRC which are held by the Group under medium-term leases.

Details of property, plant and equipment being pledged at the end of the reporting period are set out in Note 31.

Impairment losses recognised in the current year

During the year, the Group carried out a review of the recoverable amounts of the manufacturing plants and the related equipment. These assets are used in the Group's paper cigarette packages segment. The review led to the recognition of impairment losses attributable to the paper cigarette packages segment of approximately RMB1,778,000 (2013: RMB361,000), which has been recognised in profit or loss. The recoverable amount of the relevant assets has been determined on the basis of cost and market approach. The valuation was carried out by an independent professional valuer not connected to the Group.

16. Prepaid Lease Payments

	2014 **RMB'000**	2013 RMB'000
At the beginning of year	**22,919**	27,505
Amortisation during the year	**(580)**	(677)
Reclassification as held for sale (Note 14)	**—**	(3,909)
At the end of year	**22,339**	22,919
Analysed for reporting purposes as:		
Current portion	**580**	580
Non-current portion	**21,759**	22,339
	22,339	22,919

The prepaid lease payments represent payments for land use rights in the PRC which are held under medium-term lease.

Details of prepaid lease payments being pledged at the end of the reporting period are set out in Note 31.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

17. Inventories

	2014 RMB'000	2013 RMB'000
Raw materials	**48,650**	38,466
Work in progress	**13,350**	9,985
Finished goods	**25,192**	22,088
	87,192	70,539

18. Trade and Other Receivables

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Trade receivables	**146,437**	148,334	**—**	—
Less: allowance for doubtful debts	**(55)**	(185)	**—**	—
	146,382	148,149	**—**	—
Note receivables	**19,758**	1,250	**—**	—
Other receivables	**14,589**	13,823	**—**	—
Payments in advance	**11,059**	9,972	**—**	—
Advance to employees	**4,086**	7,070	**—**	—
Deposit paid for the purchases of property, plant and equipment	**9,247**	1,162	**—**	—
Prepaid listing expenses	**—**	897	**—**	897
Prepayments and deposits paid	**7,098**	1,604	**—**	—
Total trade and other receivables	**212,219**	183,927	**—**	897

As at 31 December 2014, included in the Group's trade receivables are receivables from China Tobacco Hubei of approximately RMB4,340,000 (2013: RMB9,927,000). The amounts were unsecured and interest-free.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

18. Trade and Other Receivables (Continued)

As at 31 December 2014, included in the Group's other receivables and payment in advance are receivables from and advance to a former subsidiary, Hubei Mengke, of approximately RMB13,802,000 and RMB7,020,000 (2013: RMB13,382,000 and RMB8,523,000). The amount was unsecured, interest-free and had no fixed term of repayment.

Note receivables represented bank acceptance notes with maturity of within six months. Note receivables are unsecured and interest-free.

The above trade and other receivables are denominated in the functional currencies of the relevant group entities.

The average credit period on sales of goods is ranging from 30 to 120 days from the date of invoice.

The following is an analysis of trade receivables by age, presented based on the date of delivery of goods, which approximates the respective revenue recognition dates, and net of allowance for doubtful debts:

	2014	2013
	RMB'000	RMB'000
0 to 90 days	**119,647**	125,095
91 to 180 days	**17,757**	18,507
181 to 360 days	**2,397**	3,407
Over 360 days	**6,581**	1,140
	146,382	148,149

The following is an analysis of note receivables by age, presented based on the date of issuance of notes:

	2014	2013
	RMB'000	RMB'000
0 to 90 days	**1,840**	1,100
91 to 180 days	**17,918**	150
	19,758	1,250

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

The trade receivables that are neither past due nor impaired are mainly due from those customers which have long-term relationship with the Group and the repayment history of these customers were good.

Included in the Group's trade receivables are receivables with the following carrying amounts which are past due as at the years ended 31 December 2014 and 2013 for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

18. Trade and Other Receivables (Continued)

Ageing of past due but not impaired

	2014 RMB'000	2013 RMB'000
Overdue by:		
0 to 90 days	**36,559**	15,219
91 to 180 days	**3,049**	2,889
181 to 360 days	**1,373**	1,158
Over 360 days	**4**	599
	40,985	19,865

Allowance of the above amount has not been made by the Group as there has not been a significant change in the credit quality and the amounts are still considered recoverable. The Directors consider they are in good credit quality.

Movement in the allowance of doubtful debts for trade receivables

	2014 RMB'000	2013 RMB'000
Balance at beginning of year	**185**	138
(Reversal)/recognition of impairment losses on trade receivables	**(130)**	47
Balance at end of year	**55**	185

19. Amounts Due from Former Equity Holders of a Subsidiary/a Non-controlling Equity Holder of a Subsidiary

	2014 RMB'000	2013 RMB'000
Amounts due from former equity holders of a subsidiary		
Medicon Pharmaceutical Industries Limited (盟科藥業有限公司) ("Medicon")	**—**	—
Maoming Xin Jia Chang Investment Company Limited (茂名市新嘉昌投資有限公司) ("Maoming Company")	**—**	9,648
Shenzhen Yi Heng Yuan Investment Company Limited (深圳市溢恒源投資有限公司) ("Shenzhen Company")	**—**	7,610
	—	17,258
Amount due from a non-controlling equity holder of a subsidiary		
Hubei Three Gorges	**—**	164

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

19. Amounts Due from Former Equity Holders of a Subsidiary/a Non-controlling Equity Holder of a Subsidiary (Continued)

Maximum amounts outstanding during the years ended 31 December 2014 and 2013.

	2014 RMB'000	2013 RMB'000
Amounts due from former equity holders of a subsidiary		
Medicon	—	1,965
Maoming Company	9,648	73,421
Shenzhen Company	7,610	32,683
Amount due from a non-controlling equity holder of a subsidiary		
Hubei Three Gorges	164	164

20. Pledged Bank Deposits and Bank Balances and Cash

The Group

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less which carry interest at 0.35% (2013: 0.35%) per annum.

Pledged bank deposits represents deposits pledged to banks to secure banking facilities granted to the Group which carry interest at rates ranging from 2.8% to 3.08% (2013: 2.8% to 3.08%) per annum. As at 31 December 2014, certain pledged deposits with an aggregate carrying amount of approximately RMB59,026,000 (2013: RMB59,293,000) had been pledged to secure short-term bank loans and note payables. All pledged bank deposits are classified as current assets. The pledged bank deposits will be released upon the settlement of relevant note payables and bank borrowings. Pledged bank deposits are denominated in RMB, the functional currency of the relevant group entities.

As at 31 December 2014, the Group's cash and bank balances with an aggregate carrying amount of approximately RMB103,380,000 (2013: RMB29,963,000) were denominated in RMB which is not a freely convertible currency in the international market. The government of the PRC has implemented foreign exchange control and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the government of the PRC.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

21. Trade and Other Payables

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables	**71,023**	74,159	**—**	—
Note payables	**124,227**	109,130	**—**	—
Dividends payable	**—**	13,914	**—**	—
Other payables and accruals	**18,812**	23,380	**792**	—
Total trade and other payables	**214,062**	220,583	**792**	—

The above trade and other payables are denominated in the functional currencies of the relevant group entities.

The following is an analysis of trade payables by age, presented based on the date of invoice.

	2014	2013
	RMB'000	RMB'000
0 to 90 days	**68,144**	67,628
91 to 180 days	**1,614**	4,776
181 to 360 days	**162**	569
Over 360 days	**1,103**	1,186
	71,023	74,159

The following is an analysis of note payables by age, presented based on the date of issuance of notes.

	2014	2013
	RMB'000	RMB'000
0 to 90 days	**61,860**	57,000
91 to 180 days	**62,367**	52,130
	124,227	109,130

The average credit period on purchases of goods is ranging from 30 to 90 days from the date of invoice. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

Note payables represented bank acceptance notes issued by the Group with maturity of within six months, and were secured by a charge over certain pledged assets of the Group. Details of pledged assets at the end of the reporting period are set out in Note 31.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

22. Amounts Due to Former Equity Holders of a Subsidiary/Directors

		The Group		The Company	
		2014	2013	**2014**	2013
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Amounts due to former equity holders of a subsidiary					
Medicon	(i)	—	64,923	—	5,716
Maoming Company	(i)	—	12,022	—	—
Shenzhen Company	(i)	—	16,027	—	—
Yichang Jiansen Commerce Company Limited (宜昌簡森商貿有限公司) ("Yichang Company")	(i)	—	54	—	—
		—	93,026	—	5,716
Amounts due to directors					
Mr. Yang	(ii)	—	23,835	—	—
Mr. Feng	(ii)	—	8,152	—	—
		—	31,987	—	—

Notes:

(i) As at 31 December 2013, the amounts due to Medicon and Yichang Company of approximately RMB5,716,000 and RMB54,000 respectively represented cash advances in nature and were unsecured, interest-free and had no fixed term of repayment. The other amounts due to former equity holders of a subsidiary with an aggregate carrying amount of approximately RMB87,256,000 represented unsettled consideration payable to former equity holders in respect of the acquisition of their respective equity interests in Hubei Golden Three Gorges and Dangyang Liantong by Easy Creator under the Reorganisation. These amounts were unsecured, interest-free and had been fully settled during the current year in manner described as follows: (a) of which approximately RMB87,310,000 had been settled using shareholder loan from Mr. Yang of approximately RMB86,670,000 and cash on hand; and (b) approximately RMB5,716,000 due to Medicon borrowed to cover the listing expenses had been settled by the gross proceeds received upon the Listing..

(ii) As at 31 December 2013, included in the amounts due to directors represented borrowings granted by Mr. Yang and Mr. Feng to Easy Creator of approximately RMB23,830,000 and RMB7,921,000 respectively for financing the partial settlement of the consideration payables to former equity holders of a subsidiary in respect of the acquisition of their respective equity interests in Hubei Golden Three Gorges and Dangyang Liantong by Easy Creator under the Reorganisation. The remaining balances of amounts due to directors of approximately RMB5,000 and RMB231,000 represented cash advances in nature. These amounts were unsecured, interest-free and had no fixed term of repayment.

During the current year, as a result of the matters described in note (i)(a) above, Mr. Yang had further granted shareholder's loan to the Group amounted to approximately RMB86,670,000 for the settlement of the amounts due from former equity holders of a subsidiary. The said shareholder's loan amounted to approximately RMB86,670,000 from Mr. Yang, together with approximately RMB23,835,000 and RMB8,152,000 due to Mr. Yang and Mr. Feng respectively as at 31 December 2013, were subsequently capitalised in April 2014 as part of the Reorganisation and accounted for as deemed contributions.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

23. Borrowings

	2014 RMB'000	2013 RMB'000
Secured bank loans	183,000	127,000
Unsecured bank loans	—	27,550
	183,000	154,550
Denominated in:		
RMB	183,000	154,550
Carrying amount repayable:		
On demand or within one year	183,000	94,550
More than one year, but not more than two years	—	60,000
	183,000	154,550
Less: Amounts due within one year shown under current liabilities	(183,000)	(94,550)
Amounts due after one year shown under non-current liabilities	—	60,000

The analysis of the Group's borrowings at the end of the reporting period was as follows:

	2014 RMB'000	2013 RMB'000
Fixed-rate borrowings	76,000	34,550
Floating-rate borrowings	107,000	120,000
	183,000	154,550

The effective interest rates on the Group's borrowings were as follows:

	2014 %	2013 %
Fixed-rate borrowings	6.40	5.88
Floating-rate borrowings	6.84	5.98

Details of assets pledged for the bank borrowings at the end of the reporting period are set out in Note 31.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

24. Deferred Taxation

The followings are the major deferred tax assets/(liabilities) recognised and movements thereon during the years ended 31 December 2014 and 2013:

	Undistributed earnings of PRC subsidiaries RMB'000	Accrued expenses RMB'000	Total RMB'000
As at 31 December 2012	(3,407)	1,722	(1,685)
Credit to profit or loss	1,541	731	2,272
As at 31 December 2013	(1,866)	2,453	587
Charge to profit or loss	(1,245)	(466)	(1,711)
As at 31 December 2014	**(3,111)**	**1,987**	**(1,124)**

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2014 RMB'000	2013 RMB'000
Deferred tax assets	**1,987**	2,453
Deferred tax liabilities	**(3,111)**	(1,866)
	(1,124)	587

Upon the New Tax Law and Implementation Regulations, PRC withholding income tax is applicable to dividends payable to investors that are "non-PRC tax resident enterprises", which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within the PRC. Under such circumstances, dividends distributed from the PRC subsidiaries to non-PRC tax resident group entities shall be subject to the withholding income tax at 10% or lower tax rate, as applicable. Under the relevant tax treaty, withholding tax rate on distribution to Hong Kong resident companies is 5%. During the years ended 31 December 2014 and 2013, deferred taxation has been provided on undistributed earnings attributable to non-PRC tax resident equity holders of the subsidiaries in the PRC.

At the end of the reporting period, the Group did not have any unused tax losses available for offset against future profits.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

25. Disposal of Subsidiaries

(a) Disposal of Hubei Mengke

On 12 November 2012, the Group entered into equity transfer agreement to dispose of its 70% equity interests in a subsidiary, Hubei Mengke, to Zhuhai Heng Qin Xinqu Jia Chuang Investment Co., Ltd (珠海橫琴新區嘉創投資有限公司) ("Zhuhai Company") at a cash consideration of approximately RMB22,000,000, which was received in year 2012. Hubei Mengke carried out all of the Group's paper processing business in the PRC. The disposal was completed on 1 February 2013, on which date control over Hubei Mengke was passed to the acquirer.

Analysis of assets and liabilities over which control was lost

	As at 1 February 2013 RMB'000
Assets	
Property, plant and equipment	16,496
Prepaid lease payments	6,134
Deferred tax assets	698
Inventories	54,470
Trade and other receivables	80,200
Pledged bank deposits	17,445
Bank balances and cash	9,401
	184,844
Liabilities	
Trade and other payables	135,061
Borrowings	9,978
Current tax liabilities	1,862
Deferred tax liabilities	290
	147,191
Net assets disposed of	37,653

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

25. Disposal of Subsidiaries (Continued)

(a) Disposal of Hubei Mengke (Continued)

Loss on disposal of a subsidiary

	Year ended 31 December 2013 RMB'000
Consideration received	22,000
Net assets disposed of	(37,653)
Non-controlling interests	9,413
Remaining 5% equity interests in Hubei Mengke classified as available-for-sale investment	1,200
Loss on disposal of a subsidiary	(5,040)

The loss on disposal is included in the loss for the year ended 31 December 2013 from discontinued operation (Note 13).

Net cash outflow on disposal of a subsidiary

	Year ended 31 December 2013 RMB'000
Consideration for the disposal of a subsidiary	22,000
Less: Deposit received in advance in respect of the disposal of Hubei Mengke in year 2012	(22,000)
Cash and cash equivalent balances disposed of	(9,401)
	(9,401)

(b) Disposal of Shenzhen Creative

On 12 August 2013, the Group disposed of its 60% equity interests in Shenzhen Creative upon its deregistration.

Consideration received

	Year ended 31 December 2013 RMB'000
Consideration received	—

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

25. Disposal of Subsidiaries (Continued)

(b) Disposal of Shenzhen Creative (Continued)

Analysis of assets and liabilities over which control was lost

	As at 12 August 2013 RMB'000
Assets	
Other receivables	10
Net assets disposed of	10

Loss on disposal of a subsidiary

	Year ended 31 December 2013 RMB'000
Consideration received and receivable	—
Net assets disposed of	(10)
Non-controlling interests	(80)
Loss on disposal of a subsidiary	(90)

Net cash inflow/(outflow) on disposal of a subsidiary

	Year ended 31 December 2013 RMB'000
Consideration received in cash and cash equivalents	—
Less: cash and cash equivalent balances disposed of	—
	—

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

26. Share Capital

	Number of shares	Share capital HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
As at 5 August 2013 (date of incorporation) (note (ii)) and as at 31 December 2013	38,000,000	380
Increase in authorised share capital (note (iv))	1,962,000,000	19,620
As at 31 December 2014	2,000,000,000	20,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
As at 5 August 2013 (date of incorporation) (note (ii)) and as at 31 December 2013	1	—
Issue of shares pursuant to Reorganisation (note (iii))	9,999	—
Issue of shares upon Capitalisation Issue (note (v))	224,990,000	2,250
Issue of shares by way of public offer and placing (note (vi))	75,000,000	750
As at 31 December 2014	**300,000,000**	**3,000**

	2014 RMB'000	2013 RMB'000
Share capital, in RMB thousand equivalent	**2,382**	62

Notes:

(i) For the purpose of the preparation of the consolidated financial statements, the balance of share capital at 31 December 2013 represents the aggregate of the paid up share capital of the group entities held by Mr. Yang, the controlling shareholder, prior to the Reorganisation.

(ii) The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 5 August 2013 with an initial authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. One nil-paid share was allotted and issued to the subscriber on 5 August 2013, which was subsequently transferred to Spearhead Leader on the same date.

(iii) Pursuant to the Reorganisation and as consideration for the acquisition by the Company of the entire issued share capital of Giant Harmony from Spearhead Leader and Star Glide Limited ("Star Glide") on 30 April 2014, (a) the one nil-paid share held by Spearhead Leader was credited as fully paid; and (b) 9,304 and 695 shares were allotted and issued to Spearhead Leader and Star Glide, respectively, and were credited as fully paid.

(iv) Pursuant to the written resolution of the shareholders passed on 6 June 2014, the authorised share capital of the Company was increased from HK$380,000 to HK$20,000,000 by the creation of an additional of 1,962,000,000 shares of HK$0.01 each, each ranking pari passu with the shares then in issue in all respects.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

26. Share Capital (Continued)

Notes: (Continued)

(v) Pursuant to the written resolutions of the shareholders passed on 6 June 2014, the Directors were authorised to capitalise the amount of HK$2,249,900 standing to the credit of the share premium account of the Company and to appropriate such amount as to capital to pay up in full at par 224,990,000 shares for allotment and issue to the then existing shareholders of the Company (the "Capitalisation Issue"), each ranking pari passu in all respects with the then existing issued shares. On the same, the Company allotted and issued such shares as aforesaid and gave effect to the Capitalisation Issue.

(vi) On 27 June 2014, the Company issued 75,000,000 shares pursuant to the Company's listing on the Main Board of the Stock Exchange by way of public offer and placing at a price of HK$1.26 per share.

27. Share Option Scheme

Equity-settled share option scheme of the Company

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 6 June 2014 for the primary purpose of attracting and retaining the best available personnel, providing additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers ("Eligible Participants") of the Group and promoting the success of the business of the Group and will remain in force for a period of ten years commencing on the adoption date and shall expire at 5 June 2024. The board of directors of the Company may grant options to Eligible Participants to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. However, the total maximum number of the shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Scheme and any other share option scheme of the Company must not exceed 30% of the issued share capital of the Company from time to time. Options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange at the date of the grant) in excess of HK$5 million, within any 12-month period up to and including the date of grant, are subject to shareholders' approval in advance in a general meeting.

Options granted must be taken up within 7 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. Options may be exercised at any time for a period determined by its directors which shall not be later than the day immediately preceding the tenth anniversary of the date of grant. The exercise price of the share options must be at least the highest of (i) the nominal value of an ordinary share on the date of grant; (ii) the closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange on the date of the offer of the share options; and (iii) the average closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange for the five trading days immediately preceding the date of the offer.

No share options have been granted under the Scheme since its adoption date.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

28. Reserves

The Group

Special reserve

Special reserve comprised of:

(i) An amount of approximately RMB8,798,000, being the difference between the paid-in capital of a subsidiary, Hubei Golden Three Gorges, and the aggregate amount of the cash capital contribution and the fair value of the property, plant and equipment invested into Hubei Golden Three Gorges by its former equity holders;

(ii) An amount of approximately RMB2,009,000, being the difference between the carrying amount of the share of net assets acquired and the consideration of approximately RMB5,300,000 in respect of the acquisition of additional 17% equity interests in Dangyang Liantong by Medicon on 29 June 2012. The consideration of approximately RMB5,300,000 was treated as deemed contribution from Mr. Yang;

(iii) An amount of approximately RMB43,378,000 represented the difference between (i) the aggregate consideration payable by Easy Creator to former equity holders for the acquisition of their respective equity interests in Hubei Golden Three Gorges and Dangyang Liantong pursuant to the Reorganisation and (ii) the aggregate amount of paid-in capital of Hubei Golden Three Gorges and Dangyang Liantong attributable to the former equity holders of these entities;

(iv) An amount of approximately RMB62,000 represented paid-in capital of Gain Harmony which has been transferred to special reserve pursuant to the Reorganisation; and

(v) The capitalised amount due to Mr. Yang and Mr. Feng of approximately RMB110,505,000 and RMB8,152,000 respectively and accounted for as deemed contributions.

PRC statutory reserve

In accordance with the PRC Company Law and the relevant articles of association, the PRC subsidiaries of the Company are required to appropriate amount equal to 10% of their profit after taxation as determined in accordance with the PRC accounting standards to the PRC statutory surplus reserve. Additional appropriation to the reserve are decided by their board of directors annually.

Statutory surplus reserve is part of shareholders' equity and when its balance reaches an amount equal to 50% of the registered capital, further appropriation is not required. According to the Company Law of the PRC, statutory surplus reserve may be used to make up past losses, to increase production and business operations or to increase capital by means of conversion.

Translation reserve

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. RMB) are recognised directly in other comprehensive income and accumulated in the translation reserve. Exchange differences previously accumulated in the translation reserve in respect of translating the net assets of foreign operations are reclassified to profit or loss on the disposal of the foreign operation.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

28. Reserves (Continued)

The Company

The movement in the reserves of the Company was as follows:

	Share premium RMB'000	Special reserve RMB'000 (note)	Accumulated losses RMB'000	Translation reserve RMB'000	Total RMB'000
On 5 August 2013 (date of incorporation)	—	—	—	—	—
Loss for the period	—	—	(4,819)	—	(4,819)
Balance at 31 December 2013	—	—	(4,819)	—	(4,819)
Loss for the year	—	—	(22,540)	—	(22,540)
Other comprehensive income for the year	—	—	—	(627)	(627)
Total comprehensive income for the year	—	—	(22,540)	(627)	(23,167)
Issue of new shares	74,453	—	—	—	74,453
Capitalisation Issue	(1,787)	—	—	—	(1,787)
Transaction costs attributable to issue of new shares	(8,466)	—	—	—	(8,466)
Effect of Reorganisation	—	191,120	—	—	191,120
Balance at 31 December 2014	64,200	191,120	(27,359)	(627)	227,334

Note: Special reserve represents the difference between the nominal value of shares issued by the Company pursuant to the Reorganization and the aggregate net asset value of the subsidiaries acquired.

29. Retirement Benefit Plans

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

The employees of the Group's subsidiary in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. The subsidiary is required to contribute a specified 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 plan is to make the specified contributions.

The total expense recognised in profit or loss of approximately RMB8,658,000 (2013: RMB5,684,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

30. Related Party Transactions

Save as the transactions and balances disclosed in Notes 18, 19 and 22 to these consolidated financial statements, the Group entered into the following significant transactions with related parties during the year:

	2014 **RMB'000**	2013 RMB'000
Sales to companies controlled by a former director of a subsidiary (note (i))	**—**	410

Notes:

(i) These companies are controlled by a former director of a subsidiary and who had resigned as a director of the subsidiary on 15 May 2013.

(ii) The Group had entered into the above transactions with the related parties based on the terms mutually agreed by the parties.

Compensation of key management personnel

The remuneration of the directors (who are identified as the key management personnel) during the year was as follows:

	2014 **RMB'000**	2013 RMB'000
Short-term benefits	**462**	165
Post-employment benefits	**29**	23
	491	188

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

31. Pledge of Assets and Corporate Guarantees

The Group's assets with the following carrying amounts have been pledged to secure general banking facilities granted to the Group (including note payables and borrowings of the Group):

	2014 **RMB'000**	2013 RMB'000
Prepaid lease payments	**22,339**	18,572
Property, plant and equipment	**132,390**	145,394
Trade receivables	**122,948**	117,310
Pledged bank deposits	**59,026**	59,293
	336,703	340,569

As at 31 December 2014, the aggregate corporate guarantees provided by subsidiaries in respect of the banking facilities granted to the Group were approximately RMB280,000,000 (2013: RMB187,065,000).

32. Commitments

Operating leases — the Group as lessee

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

	2014 **RMB'000**	2013 RMB'000
Within one year	**876**	655
In the second to fifth years inclusive	**86**	—
	962	655

Operating lease payments related to warehouse facilities and staff quarter with average lease term of one year and the Group does not have an option to purchase the leased assets at the expiry of the lease term.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

32. Commitments (Continued)

Capital commitment

	2014 RMB'000	2013 RMB'000
Contracted but not provided for:		
— Purchase of property, plant and equipment	**5,536**	151

33. Sub-contracting Arrangements

Certain sub-contracting arrangements made by the Group were not in compliance with the terms and conditions under the sales contracts with its customers and the Group is therefore subject to possible obligation arising from these non-compliance matters. The Group has been advised by its legal advisor that (i) no claim against the Group in respect of these non-compliance matters has been occurred since the respective dates of these sales contracts to the date of this report and (ii) it has good grounds to defend any claims from its customers if such claims arose. The Directors believe that the Group's defense to any potential claims arising from these non-compliance matters will be sufficient.

34. Non-cash Transactions

The Group entered into the following non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows:

(i) During the year ended 31 December 2014, Mr. Yang had granted shareholder's loan to the Group amounted to approximately RMB86,670,000 for the settlement of the amounts due from certain former equity holders of a subsidiary. The aforementioned shareholder's loan amounted to approximately RMB86,670,000 from Mr. Yang, together with approximately RMB23,835,000 and RMB8,152,000 due to Mr. Yang and Mr. Feng outstanding respectively as at 31 December 2013 were subsequently capitalised in April 2014 as part of the Reorganisation and accounted for as deemed contributions.

(ii) Pursuant to the written resolutions of the shareholders passed on 6 June 2014, the Directors were authorised to capitalise the amount of HK$2,249,900 standing to the credit of the share premium account of the Company and to appropriate such amount as to capital to pay up in full at par 224,990,000 shares for allotment and issue to the then existing shareholders of the Company, each ranking pari passu in all respects with the then existing issued shares. On the same, the Company allotted and issued such shares as aforesaid and gave effect to the Capitalisation Issue.

(iii) The Group settled the consideration for the acquisition of certain property, plant and equipment with aggregate carrying amounts of approximately RMB8,295,000 (2013: RMB6,250,000) by bank acceptance notes during the year.

(iv) The Group settled the deposits for the acquisition of property, plant and equipment with aggregate carrying amounts of approximately RMB8,430,000 (2013: RMB2,135,000) by bank acceptance notes during the year.

(v) Dividends payable to former equity holders of a subsidiary with aggregate carrying amounts of approximately RMB72,019,000 were settled by netting off the dividends payable against the amounts due from the respective former equity holders during the year ended 31 December 2013.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

35. Capital Risk Management

The Group manages its capital to ensure that the group companies in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the years.

The capital structure of the Group consists of net debt (which include trade and other payables, amount due to former equity holders of a subsidiary, amounts due to directors and borrowings net of cash and cash equivalents) and equity attributable to owners of the Company (comprising issued share capital, reserves and retained earnings).

The management reviews the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of the capital. The management will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

36. Financial Instruments

Categories of financial instruments

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Loans and receivables	**355,038**	288,482	**41,024**	—
Financial liabilities				
Amortised cost	**397,062**	490,320	**2,428**	5,716

The Group's major financial instruments include trade and other receivables, amounts due from former equity holders of a subsidiary, amount due from a non-controlling equity holder of a subsidiary, pledged bank deposits, bank balances and cash, trade and other payables, borrowings, amounts due to former equity holders of a subsidiary and amounts due to directors. Details of these financial instruments are set out in respective notes. The risks associated with these financial instruments include market risks (interest rate risk and currency 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 effectively manner.

Interest rate risk

The Group's fair value interest rate risk relates primarily to its fixed-rate bank borrowings. The Group's cash flow interest rate risk relates primarily to its floating-rate bank balances and bank borrowings. The management continuously monitors interest rate fluctuation and will consider further hedging interest rate risk should the need arise.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of RMB Benchmark Lending Rates offered by the People's Bank of China on the Group's bank borrowings. The Company has no material interest rate risk exposure.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

36. Financial Instruments (Continued)

Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates on floating-rate bank borrowings. The analysis is prepared assuming the floating-rate bank borrowings outstanding at the end of each of the Relevant Periods were outstanding for the whole year. As the management considers the exposure to interest rate risk in relation to bank balances is insignificant due to the low level of bank interest rate, bank balances are excluded from sensitivity analysis. A 100 basis points increase or decrease is used and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been increased/decreased by 100 basis points and all other variables were held constant, the Group's post-tax profit for the year would decrease/increase by approximately RMB1,911,000 (2013: RMB1,451,000). This is mainly attributable to the Group's exposure to interest rates on its floating-rate bank borrowings.

Currency risk

The Group has minimal exposure to currency risk as the Group's transactions were mainly conducted in RMB, the functional currency of its operating subsidiaries, and their major receivables and payables are denominated in RMB. Accordingly, the Group currently does not have a foreign currency policy and no sensitivity analysis has been presented.

Credit risk management

At the end of each of the Relevant Periods, 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 amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group has concentration of credit risk arising from its trade receivables as 60% (2013: 50%) of these receivables were due from the Group's five largest customers at the end of the reporting period.

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 monetary procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are either state-owned banks or banks with good reputations in the PRC.

Liquidity risk management

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 and ensures compliance with loan covenant.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2014, the Group has available unutilised bank borrowing facilities of approximately RMB95,266,000 (2013: RMB185,585,000).

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

36. Financial Instruments (Continued)

Liquidity risk management (Continued)

Liquidity tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have 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 table includes both interest and principal cash flows. To the extent that interest cash flows are floating rate, the undiscounted amount is derived from prevailing market interest rates at the end of the reporting period.

The Group

	Weighted average interest rate	On demand or less than 1 year	1 to 5 years	More than 5 years	Total undiscounted cash flows
	%	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2014					
Non-derivative financial liabilities					
Trade and other payables	—	214,062	—	—	214,062
Borrowings	6.04%	189,831	—	—	189,831
		403,893	—	—	403,893
As at 31 December 2013					
Non-derivative financial liabilities					
Trade and other payables	—	220,583	—	—	220,583
Amounts due to former equity holders of a subsidiary	—	93,026	—	—	93,026
Amounts due to directors	—	31,987	—	—	31,987
Borrowings	6.06%	103,297	60,535	—	163,832
		448,893	60,535	—	509,428

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

36. Financial Instruments (Continued)

Liquidity risk management (Continued)

Liquidity tables (Continued)

The Company

	Weighted average interest rate %	On demand or less than 1 year RMB'000	1 to 5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000
As at 31 December 2014					
Non-derivative financial liabilities					
Other payables	—	792	—	—	792
Amount due to a subsidiary	—	1,636	—	—	1,636
	—	2,428	—	—	2,428
As at 31 December 2013					
Non-derivative financial liabilities					
Amount due to a former equity holder of a subsidiary	—	5,716	—	—	5,716

Fair value measurements of financial instruments

The Group has no financial instruments measured at fair value subsequent to initial recognition on a recurring basis throughout the years presented.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

37. Subsidiaries

	2014 RMB'000	2013 RMB'000
Unlisted investment, at cost	191,120	—

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

General information of subsidiaries

Details of the Group's subsidiaries at the end of the reporting period are set out below.

Name of subsidiary	Place of incorporation or registration/ operations	Class of ordinary shares held	Issued and fully paid up share capital/ registered capital	Attributable equity interest held by the Company	Principal activities
Giant Harmony Limited ("Giant Harmony")	BVI	Ordinary	US$20,000	100%	Investment holding
Park Linker Limited ("Park Linker")	Hong Kong	Ordinary	HK$1	100%	Investment holding
Easy Creator Limited ("Easy Creator")	Hong Kong	Ordinary	HK$1	100%	Investment holding
King Gather Limited ("King Gather")	Hong Kong	Ordinary	HK$100	100%	Investment holding
Hubei Golden Three Gorges Printing Industry Co., Ltd* ("Hubei Golden Three Gorges") 湖北金三峽印務有限公司	PRC	Registered	RMB78,782,100	82.86%	Design, printing and sales of paper cigarette packages and social product paper packages in the PRC
Dangyang Liantong Printing Industry Co., Ltd* ("Dangyang Liantong") 當陽金三峽聯通印務有限公司	PRC	Registered	RMB40,000,000	87.15%	Design, printing and sales of paper cigarette packages and social product paper packages in the PRC

* The English translation of Chinese names has been provided for identification and reference purposes only.

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

37. Subsidiaries (Continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests

The following table lists out the information relating to the Group's subsidiaries which have material non-controlling interests is set out below. The summarised financial information in respect of the Group's material non-controlling interests is set out below.

	2014 RMB'000	2013 RMB'000
NCI percentage	**17.14%**	17.14%
Current assets	**467,418**	364,368
Non-current assets	**193,988**	203,117
Current liabilities	**(436,075)**	(318,866)
Non-current liabilities	**(1,866)**	(61,866)
Net assets	**223,465**	186,753
Carrying amount of non-controlling interests	**35,128**	29,555
Revenue	**472,861**	495,773
Profit for the year	**36,712**	48,817
Other comprehensive income	**—**	—
Profit allocated to non-controlling interests	**5,573**	8,237
Dividend paid to non-controlling interests	**—**	(13,914)
Net cash inflow from operating activities	**60,814**	92,488
Net cash inflow from investing activities	**12,393**	6,823
Net cash inflow from/(outflow to) financing activities	**577**	(111,554)

Four-Year Financial Summary

	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Continuing operations				
Revenue	**472,861**	495,773	438,533	426,248
Cost of sales	**(336,607)**	(337,851)	(313,494)	(299,251)
Gross profit	**136,254**	157,922	125,039	126,997
Other income	**6,938**	8,412	6,971	4,830
Other gains and losses	**(1,605)**	(2,578)	(1,173)	(6,712)
Selling and distribution expenses	**(30,939)**	(31,502)	(19,356)	(30,913)
Administrative and other operating expenses	**(54,172)**	(48,113)	(37,246)	(43,232)
Listing expenses	**(19,596)**	(5,819)	—	—
Finance costs	**(14,856)**	(22,545)	(22,878)	(16,109)
Profit before tax	**22,024**	55,777	51,357	34,861
Income tax expense	**(9,130)**	(8,297)	(8,450)	(6,516)
Profit for the year from continuing operations	**12,894**	47,480	42,907	28,345
Discontinued operation				
(Loss)/profit for the year from discontinued operation	**—**	(3,816)	4,802	7,152
Profit for the year	**12,894**	43,664	47,709	35,497
Other comprehensive income for the year, net of income tax				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operation	**216**	—	—	—
Total comprehensive income for the year	**13,110**	43,664	47,709	35,497
Profit for the year attributable to:				
Owners of the Company	**7,321**	35,427	38,901	28,460
Non-controlling interests	**5,573**	8,237	8,808	7,037
	12,894	43,664	47,709	35,497
Total comprehensive income for the year attributable to:				
Owners of the Company	**7,537**	35,427	38,901	28,460
Non-controlling interests	**5,573**	8,237	8,808	7,037
	13,110	43,664	47,709	35,497
Assets and liabilities				
Non-current assets	**194,142**	203,117	233,142	263,091
Current assets	**467,385**	365,633	619,916	471,181
Current liabilities	**397,062**	443,879	621,185	491,930
Non-current liabilities	**3,111**	61,866	3,407	23,674
Non-controlling interests	**35,128**	29,555	44,565	49,563
Total equity	**261,354**	63,005	228,466	218,668