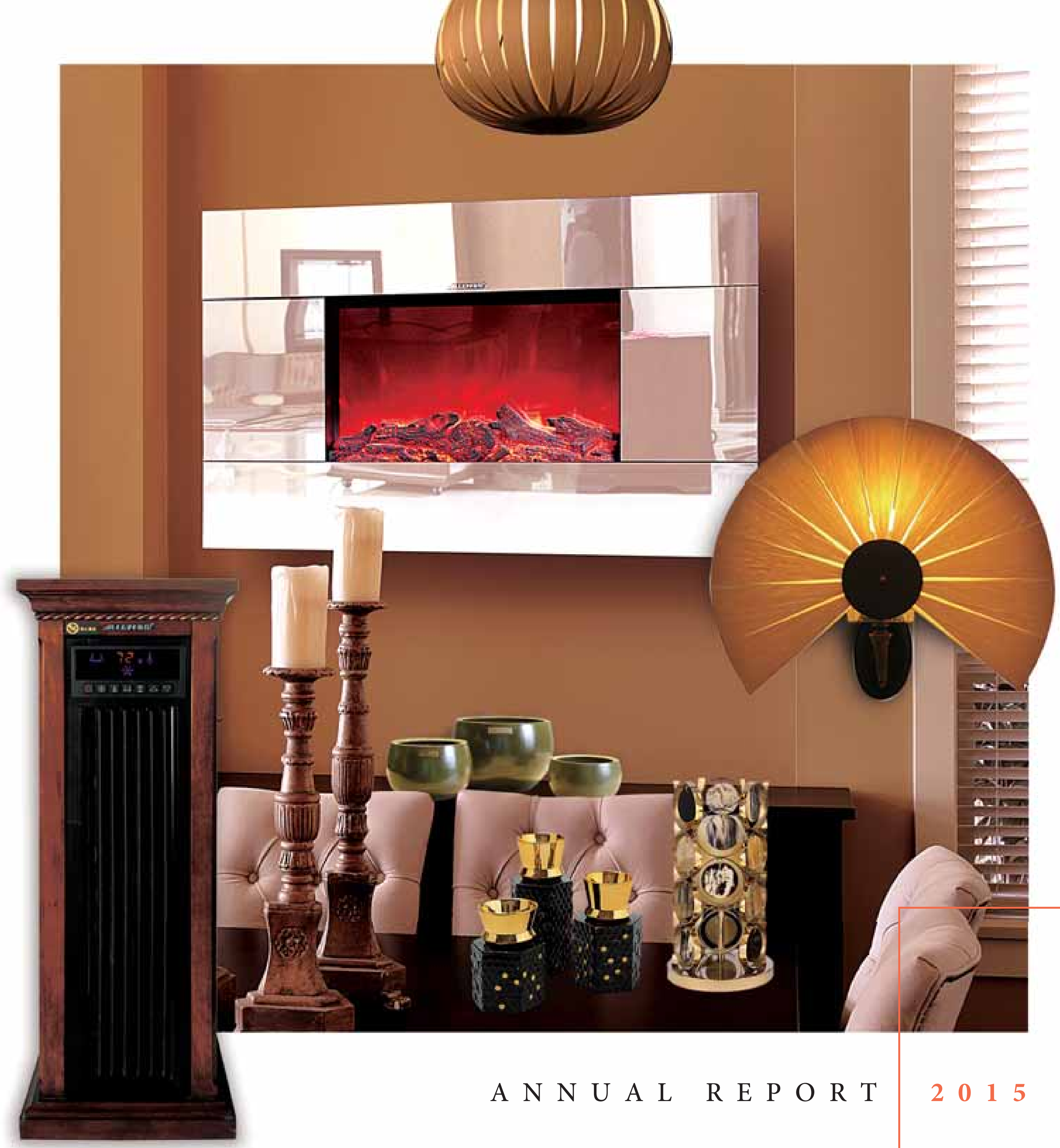
ALLEN 亚伦

CHINA CREATIVE HOME GROUP LIMITED
中 國 創 意 家 居 集 團 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1678



ANNUAL REPORT 2015

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chen Fanglin *(Chairman)*
Mr. Chen Hongming
Mr. Shen Jianzhong

Independent Non-executive Directors

Mr. Dai Jianping
Mr. Ng Wing Keung
Ms. Sun Kam Ching

AUDIT COMMITTEE

Mr. Ng Wing Keung *(Chairman)*
Mr. Dai Jianping
Ms. Sun Kam Ching

REMUNERATION COMMITTEE

Ms. Sun Kam Ching *(Chairman)*
Mr. Ng Wing Keung
Mr. Dai Jianping
Mr. Shen Jianzhong

NOMINATION COMMITTEE

Mr. Dai Jianping *(Chairman)*
Mr. Ng Wing Keung
Ms. Sun Kam Ching
Mr. Shen Jianzhong

COMPANY SECRETARY

Mr. Hui Hung Kwan, *CPA, FCCA*

AUTHORISED REPRESENTATIVES

Mr. Chen Hongming
Mr. Hui Hung Kwan

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central, Hong Kong

PRINCIPAL BANKERS

China Merchants Bank, Quanxiu Branch
China Construction Bank, Licheng Branch
Industrial Bank

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 913
China Merchants Tower
168–200 Connaught Road Central
Sheung Wan
Hong Kong

HEAD OFFICE IN THE PRC

Allen Electronic Industrial Park
Heshi
Luojiang District
Quanzhou
Fujian Province
China

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

www.cchome.hk

STOCK CODE

1678

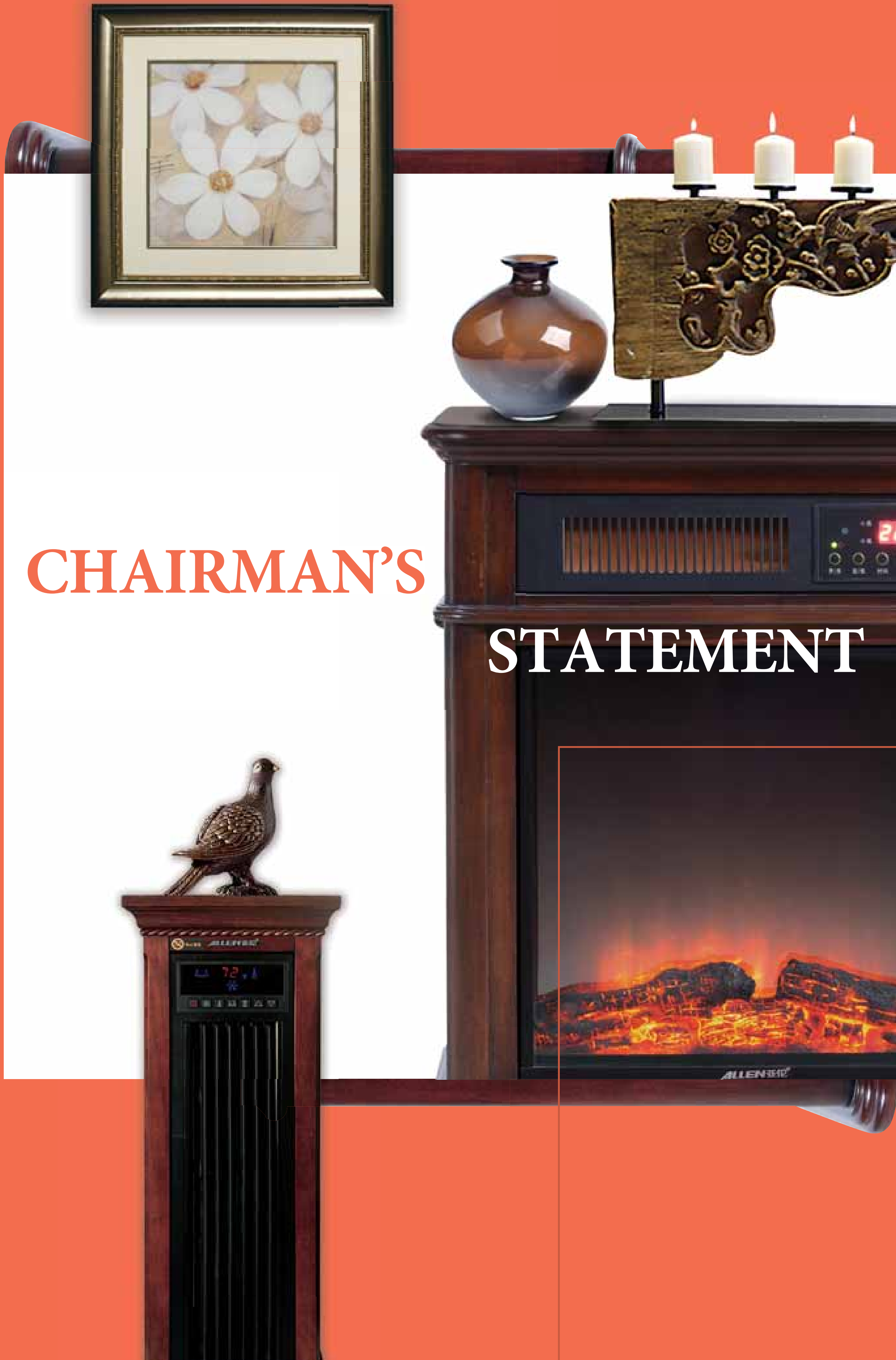
CORPORATE PROFILE

China Creative Home Group Limited (the "Company") and its subsidiaries (collectively, the "Group" or "China Creative Home") is principally engaged in design, development, manufacture and sales of home decor products, electric fireplaces and air purifiers. The Group mainly sells products in the People's Republic of China (the "PRC" or "China") under the "Allen (亚伦)" brand and to overseas customers including the US, Germany, Canada, France and the U.K. on original design manufacturing ("ODM")/original equipment manufacturing ("OEM") basis. Our home decor products include gardening decorations (e.g. fountains, waterfalls and patio furniture such as tables and stools) and indoor crafts (e.g. mini-figurines, vases, photo frames and sculptures), which are offered under three series: (i) polyresin series; (ii) porcelain series and (iii) inorganic series. Our electric fireplaces are divided into two categories: (i) framed electric fireplaces and (ii) non-framed electric fireplaces. Framed electric fireplaces are further categorised into three series according to the materials of their frames or mantels: (i) inorganic series; (ii) wood series and (iii) natural stone series. Our air purifier series products provide diversified offering in styles, principally in standalone products, products attached to electric fireplaces and vehicle-mounted products.

The Group's design and technical team consists of more than 120 staff. In 2015, the Group has offered more than 5,000 pieces of home decor items, 280 models of electric fireplaces and 8 models of air purifiers. Currently, the Group owns 64 patents in the PRC. The "Allen (亚伦)" brand has been recognised as the Wellknown Trademark of the PRC in respect of home decor products by the State Administration for Industry and Commerce in the PRC in 2011 and as the Famous Trademark of Fujian Province in respect of its electric fireplaces by the Administration for Industry and Commerce of Fujian Province in 2012. It was selected in 2011 by the China Association for Engineering Construction Standardisation as the only electric fireplace manufacturer in the PRC to be involved in the process of developing and compiling the industry regulation standard of electric fireplaces in the PRC in recognition of its national market-leading position.

The Group's current production facilities are located in Luojiang and Quangang in Fujian Province, and Bengbu in Anhui Province with a total gross floor area of approximately 145,650 square metres. As of 31 December 2015, the Group's total effective designed annual production capacity was 527,500 units of electric fireplaces and air purifiers and 70,200 tonnes of polyresin, porcelain and inorganic home decor products.

CHAIRMAN'S STATEMENT



CHAIRMAN'S STATEMENT

To Our Shareholders

On behalf of the board of directors of the Company (the "Board"), I am pleased to present the annual report of the Group for the year ended 31 December 2015.

In 2015, China achieved a GDP growth of 6.9%, the slowest growth rate for the past 25 years. Globally, geopolitical risk returned in 2015, having a significant impact on markets. However, in general, the global economy is slowly recovering. These posed a challenging and volatile operating environment for companies. In addition to the unfavorable economic situation, the Group's major revenue contributor, the sales of electric fireplaces were impacted by a relatively warm winter caused by the combined effect of global warming and El Niño. In spite of the adverse economic and weather conditions, the Group continued to expand its production capacity and develop new products and new markets, bearing the strong will to make ourselves ready for the emerging opportunities ahead and remain competitive in the market.

In spite of the sound financial performance in the first half of 2015, for the year ended 31 December 2015, the Group's revenue amounted to RMB1,281.9 million (2014: RMB1,409.0 million), with a year-on-year decrease of 9.0%. Profit attributable to owners of the Company amounted to RMB299.0 million (2014: RMB354.9 million), with a year-on-year decrease of 15.8%. The decrease in both revenue and the profit attributable to owners of the Company was mainly due to the unfavorable operating environment and the decrease in sales of our core product, electric fireplaces, caused by unexpected warm winter in China. The newly launched air purifiers targeting the population concerning about air pollution issues delivered satisfactory results, partially offsetting the drop in the decrease in sales of our core product. The revenue generated from air purifiers increased by approximately 269.9% year-on-year, accounting for 13.2% of the total revenue.

Relentlessly diversifying the product portfolio and strengthening the product development capacity was vital to the business growth of the Group. An increasing number of consumers, particularly mid-to-high end consumers and children furniture consumers had strong awareness of creating a clean and fresh indoor environment. In view of this, riding on the trend of addressing indoor air pollution, the Group has been developing the fresh air system, which is scheduled to launch in the third quarter of 2016. Since there are fewer competitors in the fresh air system market and it requires project-based on-site installation for fresh air systems thus faces less competition from the e-commerce, the Group believes that it can effectively expand the source of revenue and further enlarge the market share.

In the aspect of expanding sales channels, the Group actively explored new online sales platform and maintained sound cooperation with existing distributors. We entered into a strategic agreement with a famous furnishing website, tubatu.com (土巴兔), and developed our O2O business for "Allen"(亚伦) products. The Group will build an O2O experience centre in Bengbu City, Anhui, the PRC, which is expected to put into operation as early as in the end of 2017. The centre will also serve as an internet and home plaza as well as the sales headquarters of the Group in Eastern China. Office buildings in the centre will also be used for leasing to designers and furnishing companies to expand the revenue source.

In regards to expanding production capacity, the phase two of the Group's production facilities in Anhui was completed in the third quarter of 2015, adding an additional annual production capacity of 100,000 units of electric fireplaces. The phase three production facilities with the annual capacity of 100,000 units of electric fireplaces is under construction and expected to be completed in the first half of 2016. Once completed, all three phases of the new production facilities in Anhui will significantly boost the production capacity and in turn strengthen our profitability.

Moreover, the Group's efforts in exploring overseas markets have proven effective, the revenue from the overseas markets to the Group's total revenue has a year-on-year increase of 37.2%.

PROSPECTS FOR 2016

Looking ahead to 2016, partly due to the sluggish growth of global economy, Chinese economy is still subject to potential downside risks. However, with the introduction of the development strategy and framework of "One Belt and One Road", China attaches greater importance to the connectivity and cooperation among regions and countries along the land-based "Silk Road Economic Belt" and oceangoing "Maritime Silk Road", which creates a favourable political environment and generates opportunities for Chinese enterprises to expand to overseas markets. With its head office in Quanzhou, Fujian, the start point of Maritime Silk Road, the Group will continue to seek development opportunities in the household furnishing business overseas, enhance its existing overseas business and pursuit the goal of building a strong brand image of household products with business sustainability in the long run.

In addition, riding on the trends of growing concerns about indoor air quality and the awareness of eco-friendliness of consumers, the Group's new product, the fresh air system is expected to launch in the third quarter of 2016, which is expected to be a huge sales highlight in 2017.

As early as in the end of 2017, the Group's O2O experience centre in Bengbu City, Anhui, the PRC will be put into use, which will also serve as an internet and home plaza, as well as the sales headquarters of the Group in Eastern China. Office buildings will also be used for leasing to designers and furnishing companies to generate leasing income for the Group.

The Group believes that expanding production capacity can accommodate the domestic and overseas market demands. The phase two of the Group's production facilities in Anhui was completed in the third quarter of 2015, adding an additional annual production capacity of 100,000 units of electric fireplaces, while the phase three production facilities with an annual capacity of 100,000 units of electric fireplaces is under construction and expected to be completed in the first half of 2016, which is in line with the goal of overseas market expansion with the launch of overseas sales team.

I believe that the Group will continue to maintain its existing businesses regardless of the uncertainties in business environment, and strive for new breakthroughs in products and markets. The Group will strive to seize every opportunity which may arise from the market and generate returns for our shareholders.

APPRECIATION

On behalf of the Board, I would like to extend my most sincere appreciation to the customers, bankers, investors and business partners for their unwavering support and trust to the Group. We also take this opportunity to express our gratitude to the management and all staff members for their contributions to the Group over the past year. Looking ahead, the Group will strive to enhance the competitiveness of its existing businesses and steadily expand its market share, bearing the goal to generate better returns for our shareholders.

CHEN Fanglin
Chairman and Executive Director

Hong Kong, 22 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

With a GDP growth rate of 6.9 percent in 2015, Chinese economy has reached its slowest pace in a quarter century. However it is still the second largest economy with the highest growth rate in the world. According to a Credit Suisse report released on 13 October 2015, the number of China's middle class overtook the US's and reached 109 million. Since 2000, twice as many Chinese as Americans have joined the middle class. It is expected that the emerging Chinese middle class will continuously drive the retail market to grow at a stable speed.

In 2015, total retail sales of consumer goods in China rose 10.6 percent. But overall growth in home furnishing business in China has been limited, mainly due to the macroeconomic slowdown and cooling of the property market resulted from restricted estate policies imposed by the Chinese Government. Yet we can still see a stable demand for creative and stylish home improvement products rising from the growing number of middle class and their purchasing power. Another significant trend in home furnishing industry is the increasing role played by the internet retailing channels which is also playing a more and more important role in the Group's revenue generation.

BUSINESS REVIEW

China Creative Home is principally engaged in the business of design, development, manufacture and sales of home decor products, electric fireplaces and air purifiers. We sell our products domestically in PRC under our "Allen" (亚伦) brand and export our products on ODM/OEM basis to countries including the U.S., Germany, Canada, France and the U.K..

The revenue of the Group decreased by 9.0% from RMB1,409.0 million for the year ended 31 December 2014 to RMB1,281.9 million for the year ended 31 December 2015. It was mainly due to the decrease of sales of electric fireplaces and home decor products in the second half of 2015 due to unfavorable economic situation and relatively warm winter.

Electric fireplaces and air purifiers, and home decor products are the two major categories of the Group's products, respectively accounted for 60.2% and 39.8% of the Group's revenue in 2015. A similar proportion was recorded in 2014 with 63.1% for electric fireplaces and air purifiers and 36.9% for home decor products. There's a significant increase in the sales of air purifier since its launch in October 2014. It contributed RMB169.9 million or 13.2% to the total revenue of the Group for the year ended 31 December 2015. In the home decor products section, a mild revenue growth of 6.4% was recorded in polyresin series products which resulted from our efforts in developing diversified styles on this product line to meet the demand of a wide range of customers.

PRC market is still the major revenue generator of the Group. The PRC domestic revenue contributed RMB1,038.8 million or 81.0% to the total revenue for the year ended 31 December 2015. The eastern coast provinces including Fujian, Shanghai, Jiangsu and Zhejiang are most favorite of our products which contributed RMB547.3 million or 42.7% to the total sales to the Group in the year ended 31 December 2015.

With our continuous development in the overseas sales team and international market penetration, revenue from international market increased from RMB177.2 million for the year ended 31 December 2014 to RMB243.2 million for the year ended 31 December 2015, representing an increase of 37.2%. Especially, the sales generated from North American markets increased from RMB127.5 million for the year ended 31 December 2014 to RMB170.7 million for the year ended 31 December 2015, representing an increase of 33.9%.

BUSINESS REVIEW (Continued)

The Group considers innovation as the core element of our development. Our growing design team consists of 121 staff as at 31 December 2015. We offered more than 5,000 pieces of home decor items, 280 models of electric fireplaces and 8 models of air purifiers during the year ended 31 December 2015. Our new product – fresh air system, under development is expected to be launched in the 3rd quarter of 2016.

To grasp the trend of e-commerce in China and all over the world, the Group is also actively expanding its online sales channel on T-mall with our e-commerce team. The Group also entered into a strategic agreement with a famous furnishing website, tubatu.com (土巴兔).

PROSPECTS

Even though the year 2015 has not been a favorable year for the overall home furnishing industry and the Group recorded a decline in revenue and gross profit, we are confident in our leading position in Chinese home furnishing market. Our electric fireplaces and air purifiers and home decor products have been the top choices for the consumers.

With the completion of the second phase of the Group's production facilities in Anhui Province, the Group is capable of producing 527,500 units of electric fireplaces and air purifiers annually as at 31 December 2015 and the capacity was utilised to 77.4% for the year ended 31 December 2015. The capacity of home decor products is 70,200 tonnes and it was utilised to 57.3% for the year ended 31 December 2015. The third phase in Anhui Province is expected to be completed in the first half of 2016 and add an annual capacity of 100,000 units of electric fireplaces. The Group expects the expanded production capacity will bring higher profitability in 2016.

The Group is devoted to developing a wide range of products with creativity and high quality. The air purifier business launched in the 4th quarter of 2014 has been a growth driver. Since the haze started in northern China and spread to almost all over the nation, people's concerns on air pollution has been heightened. In line with the rising demand on air purifiers, the Group is in the development of a new product, fresh air system, which is expected to be launched in the 3rd quarter of 2016.

In November 2015, the Group purchased the entire interest in a property situated in Bengbu City, Anhui, the PRC, comprising (i) a parcel of land with a total area of 26,666.667 square metres for commercial use and (ii) a commercial compound erected on the land with a total construction area of 27,034.64 square metres, which consists of three blocks. The property shall be delivered to the Group before 28 February 2017. After the delivery of the property, the Group plans to develop it into a home decor market with an online platform.

Riding on its rich history, outstanding product development capacity and the reputation of "Allen"(亚伦) brand, the Group is confident to maintain its leading position in providing elegant electric fireplaces and distinctive home decor products.

FINANCIAL ANALYSIS

Revenue

Our revenue decreased by RMB127.1 million from RMB1,409.0 million to RMB1,281.9 million, represented a decrease of 9.0% compared with last year. The decrease was mainly driven by the decrease in sales of electric fireplaces.

Revenue analysis by product type is as follows:

	2015		2014	
	RMB'000	% of revenue	RMB'000	% of revenue
Electric fireplaces and air purifiers				
Frame electric fireplaces				
– Wood series	346,785	27.0	563,613	40.0
– Natural stone series	71,639	5.6	92,255	6.5
– Inorganic series	128,368	10.0	131,826	9.4
Non-framed electric fireplaces	42,317	3.3	54,943	3.9
Air purifiers	169,942	13.2	45,944	3.3
Others	13,094	1.1	–	–
	772,145	60.2	888,581	63.1
Home decor products				
– Polyresin series	266,356	20.8	250,247	17.7
– Porcelain series (Note)	150,804	11.8	171,835	12.2
– Inorganic series	92,621	7.2	98,343	7.0
	509,781	39.8	520,425	36.9
	1,281,926	100	1,409,006	100

Note: Included in sales of porcelain series home decor products are sales of humidifiers of RMB40.1 million (2014: RMB40.4 million).

The decrease in the sales of frame and non-frame electric fireplaces, and porcelain and inorganic series home decor products was primarily due to the decrease in sales volume.

The increase in the sales of air purifiers was due to that the product was launched in October 2014. The increase in the sales of polyresin series home decor products is mainly due to the increase in sales volume primarily driven by a stronger customer preference for this series as we offered more styles with lower selling prices compared with last period to attract wider acceptance of customers.

FINANCIAL ANALYSIS (Continued)

Gross Profit and Gross Profit Margin

Our gross profit decreased from RMB569.0 million for the year ended 31 December 2014 to RMB473.4 million for the year ended 31 December 2015, represented a decrease of 16.8% compared with last year mainly due to the decrease in sales and gross profit margin.

The gross profit margin decreased from 40.4% for the year ended 31 December 2014 to 36.9% for the year ended 31 December 2015. The decrease was primarily due to the increase in cost of raw material and the higher contribution of air purifiers which have lower gross profit margin.

Selling and Distribution Costs

Our selling and distribution costs decreased by RMB12.0 million, or approximately 18.7%, from RMB64.1 million for the year ended 31 December 2014 to RMB52.1 million for the year ended 31 December 2015 primarily due to decrease in delivery expenses and partly set off by (i) the increase in staff costs due to the general increase in staff wages; and (ii) the increase in rental expense for a concept shop.

Administrative Expenses

Our administrative expenses increased by RMB6.2 million, or approximately 7.9%, from RMB78.7 million for the year ended 31 December 2014 to RMB84.9 million for the year ended 31 December 2015. The increase was mainly due to (i) the increase in depreciation expenses primarily due to the completion of office facilities in Anhui in the second half of 2014; (ii) the increase in staff costs due to the general increase in staff wages; and partly set off by the decrease in the net foreign exchange loss arising from the bank balances denominated in HKD.

Other Income

Our other income decreased by RMB3.1 million or approximately 22.5%, from RMB13.8 million for the year ended 31 December 2014 to RMB10.7 million for the year ended 31 December 2015 primarily due to the decrease in rental income and partly set off by the increase in interest income. The increase in interest income was mainly due to increase in interest income generated from bank deposit and bank balances.

Other Gains – Net

Our other gains increased by RMB17.1 million or approximately 259.1% from RMB6.6 million for the year ended 31 December 2014 to RMB23.7 million for the year ended 31 December 2015 primarily due to the gain upon lapse of warrants of RMB18.0 million for the year ended 31 December 2015.

Finance Costs

Our finance costs increased by RMB1.2 million, or approximately 49.3%, from RMB2.4 million for the year ended 31 December 2014 to RMB3.6 million for the year ended 31 December 2015. The increase was mainly due to the interest on bank borrowings drawn in relation to the construction of a building which was completed in 2014 and was no longer capitalised in 2015.

FINANCIAL ANALYSIS (Continued)

Income Tax Expenses

Our income tax expenses decreased by RMB21.1 million, or approximately 23.6%, from RMB89.3 million for the year ended 31 December 2014 to RMB68.2 million for the year ended 31 December 2015, primarily as a result of the decrease in our profit.

The effective tax rate for the Group decreased from 20.1% in 2014 to 18.6% in 2015, which is mainly attributable to certain gains which are not subject to taxation.

Profit for the Year Attributable to Owners of the Company

Profit attributable to owners of the Company decreased by RMB55.9 million, or approximately 15.8%, from RMB354.9 million for the year ended 31 December 2014 to RMB299.0 million for the year ended 31 December 2015. Basic earnings per share decreased from RMB20 cents for the year ended 31 December 2014 to RMB16 cents for the year ended 31 December 2015 mainly due to the decrease in our profit.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

In order to achieve better cost control and minimise the costs of funds, the Group's treasury activities are centralised and cash is generally deposited with banks and denominated mostly in RMB, HKD and USD. As at 31 December 2015, the Group had net current assets of RMB1,040.8 million (2014: RMB1,007.4 million), of which cash and cash equivalents were RMB720.2 million (2014: RMB607.1 million).

The Group principally meets its working capital and other liquidity requirements through a combination of operating cash flows, capital contributions and bank borrowings. As at 31 December 2015, the Group's bank borrowings amounted to RMB49.0 million (2014: RMB54.0 million) and these bank borrowings were denominated in RMB. As at 31 December 2015, the effective interest rate on the Group's bank borrowings was 6.51% (2014: 6.38%).

	2015	2014
Current ratio[1]	**5.3**	3.2
Gearing ratio (%)[2]	**2.1%**	2.8%

(1) Current ratio is calculated based on our total current assets divided by our total current liabilities.

(2) Gearing ratio calculated based on our total debts (being our bank borrowings) divided by our total equity.

FOREIGN EXCHANGE RISK

Our functional currency is RMB. Our Group's foreign exchange risk mainly relate to fluctuations in exchange rates of RMB against our bank balances in USD and HKD and trade receivables denominated in USD, and these may affect our operation results. Our Group does not have a hedging policy. However, our management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

CHARGE ON ASSETS

At 31 December 2015, the Group had pledged its certain property, and plant and equipment with net book value of RMB81.3 million, assets classified as held for sale and pledged bank deposits of RMB1.8 million mainly for the purpose of securing bank loans and bills payable to suppliers.

WORKING CAPITAL MANAGEMENT

Our Group recognises the importance of a strong and stable cash flows from operations to stay competitive and capture every business opportunity.

Our net current assets increased from RMB1,007.4 million as at 31 December 2014 to RMB1,040.8 million as at 31 December 2015, representing an increase of RMB33.4 million or 3.3%. The increase in working capital is mainly a result of the increase in cash and cash equivalents, and the decrease in trade and other payables.

Trade receivables decreased from RMB571.7 million as at 31 December 2014 to RMB401.3 million as at 31 December 2015. The decrease was mainly due to the decrease in sales of our electric fireplaces. The receivables from electric fireplaces customers decreased by RMB160.3 million from RMB398.8 million as at 31 December 2014 to RMB238.5 million as at 31 December 2015. The average trade receivables turnover days for the year ended 31 December 2015 increased to 139 days (2014: 118 days), primarily due to our strategy to promote our electric fireplaces and air purifiers, and therefore allowing longer credit periods for our electric fireplaces and air purifiers customers. We strive to strengthen our credit control to ensure that our trade receivables are collected according to our credit terms granted to our customers which ranged from 60 to 90 days. As at 29 February 2016, approximately RMB216.6 million of total trade receivables as at 31 December 2015 have been settled.

The turnover days for inventory decreased slightly from 19 days for the year ended 31 December 2014 to 18 days for the year ended 31 December 2015 while the turnover days for trade payables decreased from 87 days to 84 days. Our inventory level is principally determined on sales order basis and as such, the average turnover days were relatively stable for the years ended 31 December 2014 and 2015. The decrease in trade payables turnover days was primarily due to the decrease in our purchase for raw materials as the sales order was decreased at the end of year.

USE OF PROCEEDS FROM GLOBAL OFFERING

The shares of the Company were listed on the Main Board of the Stock Exchange on 20 December 2013. Net proceeds from the global offering were approximately HKD597.2 million (after deducting the underwriting commission and relevant expenses). As at 31 December 2015, the unused proceeds were deposited in licensed banks in Hong Kong and the PRC.

	Percentage to Total Amount	Net Proceeds	Utilised Amount as at 31 December 2015	Unutilised Amount as at 31 December 2015
		HKD' million	HKD' million	HKD' million
Establishing new production facilities	53.7%	**320.7**	**320.7**	**–**
Establishing seven creative home furnishing concept shops	16.0%	**95.6**	**35.3**	**60.3**
Expanding overseas sales network under our own brand overseas	7.3%	**43.6**	**6.8**	**36.8**
Own-brand promotion	7.0%	**41.8**	**41.8**	**–**
Increasing and enhancing our research and development activities	6.0%	**35.8**	**35.8**	**–**
General working capital	10.0%	**59.7**	**59.7**	**–**
		597.2	**500.1**	**97.1**

USE OF PROCEEDS FROM ISSUE OF UNLISTED WARRANTS

On 13 November 2014, the Company entered into a subscription agreement with a subscriber, Kingwin Capital Group Limited, a company incorporated in the British Virgin Islands which is third parties, independent of and not connected with the Company (the "Subscriber"), pursuant to which the Company agreed to issue, and the Subscriber agreed to subscribe for 180,000,000 unlisted warrants at the warrant issue price of HKD0.105 (approximately RMB0.084) (the "Warrant Issue Price") per Warrant. The Warrants entitle the holders thereof to subscribe for 180,000,000 new shares of the Company (the "Shares") at an initial warrant exercise price of HKD2.20 (approximately RMB1.76) per Warrant Share, subject to adjustments. Such Warrant carries the right to subscribe for one Warrant Share. The Warrants are to be exercised within 12 months from the date of issue of Warrant. On 8 December 2014 (the "Issue Date"), the Company issued 180,000,000 Warrants at the Warrant Issue Price. The aggregate net proceeds of approximately HKD18.6 million was raised by the Warrant Issue and was fully utilised as general working capital of the Group as at 31 December 2014. Assuming the full exercise of the Warrants, the aggregate net proceeds of approximately HKD395.8 million will be used as (i) research and development cost for water cleaner and other new products; (ii) capital expenditure of new plants for our new products of air purifier and water cleaner; (iii) promotion and expanding our sales network; and (iv) set up of e-commerce platform. For details of the issue of the Warrants, please refer to the announcement of the Company dated 13 November 2014 and 8 December 2014.

Up to 7 December 2015, none of the Warrants have been exercised and the Warrants have been expired.

USE OF PROCEEDS FROM ISSUE OF NEW SHARES

On 6 July 2015, the Company issued a total of 180,000,000 shares at HKD1.28 per share to several investors through a placing agent and raised net proceeds of approximately HKD227.8 million. The proceeds was fully used for research and development cost, construction of new plants, promotion and expanding the Group's sales network, and general working capital as at 31 December 2015.

EMPLOYEES AND EMOLUMENTS

As at 31 December 2015, the Group employed a total of 1,520 full time employees in the PRC and Hong Kong which included management staff, product designers, technicians, salespersons and workers. For the year ended 31 December 2015, the Group's total expenses on the remuneration of employees was RMB168.6 million, representing 13.2% of the revenue of the Group.

Our emolument policies are formulated based on the performance of individual employee which will be reviewed periodically. Apart from the provident fund scheme (operation in accordance with the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) or social insurance fund (including retirement pension insurance, medical insurance, unemployment insurance, injury insurance and maternity insurance for the PRC employees), discretionary bonuses and employee share options are also awarded to employees according to the assessment of individual performance. Since the adoption of the share option scheme on 2 December 2013 and up to 31 December 2015, no options have been granted.

CAPITAL EXPENDITURE

For the year ended 31 December 2015, the capital expenditure of the Group amounted to RMB227.7 million. It was mainly comprised of property, plant and equipment, and land use rights in the PRC.

MATERIAL ACQUISITION AND DISPOSALS AND SIGNIFICANT INVESTMENTS

The Group did not have any material investments or capital assets, or material acquisitions or disposals of subsidiaries or significant investments for the year ended 31 December 2015.

CONTINGENT LIABILITIES

As at 31 December 2015, the Group did not have any significant contingent liabilities (2014: nil).

CORPORATE GOVERNANCE REPORT

We are committed to achieving and maintaining high standards of corporate governance, in compliance with the principles set out in the Corporate Governance Code (the "Corporate Governance Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") from time to time.

The Company has adopted all the requirements of the code provisions of the Corporate Governance Code. During the year, the Company has complied with all the code provisions of the Corporate Governance Code.

ROLE OF THE BOARD

The Board oversees the management of the business and affairs of the Company. The Directors are accountable for making decisions objectively in the best interest of the shareholders as a whole.

The Board is responsible for making decisions on all major aspects of the Company's affairs, including the approval and monitoring of key policy matters, overall strategies, business plans and annual budgets, internal control and risk management systems, material transactions, major capital expenditure, appointment of Directors and other significant financial and operational matters.

The Board may delegate aspects of its management and administration functions to the management. In particular, the day-to-day management of the Company is delegated to the executive Directors of the Group and our management team.

BOARD COMPOSITION

The Company has throughout the year met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, and accounting or related financial management expertise. At all times during the year, the independent non-executive Directors represent at least one-third of the Board.

Throughout the year, the composition of the Board was as follows:

Executive Directors:

Mr. Chen Fanglin *(Chairman)*
Mr. Chen Hongming
Mr. Shen Jianzhong

Independent non-executive Directors:

Mr. Dai Jianping
Mr. Ng Wing Keung
Ms. Sun Kam Ching

The Board members have no financial, business, family or other material/relevant relationships with each other.

BOARD COMPOSITION (Continued)

A description of the Directors is set out in the section headed "Board of Directors and Senior Management" in this annual report.

The Board is expected to meet regularly and at least four times a year. The Directors have full access to information on the Group and independent professional advice at all times whenever deemed necessary by the Directors.

With respect to regular meetings of the Board, the Directors will be given written notice of the meeting at least 14 days in advance and an agenda with supporting Board papers no less than three days prior to the meeting. For other meetings, the Directors are given as much notice as is reasonable and practicable in the circumstances. Minutes of board meetings and meetings of board committees are kept by the company secretary of the Company and open for inspection at any reasonable time or reasonable notice by any Director.

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group, and to review and approve the Group's annual and interim results. During the year, four Board meetings and one general meeting were held and attendance of each Director at the Board meetings and the general meeting is set out as follows:

	Number of Board meetings attended/held	Number of General meetings attended/held
Executive Directors:		
Mr. Chen Fanglin *(Chairman)*	4/4	1/1
Mr. Chen Hongming	4/4	1/1
Mr. Shen Jianzhong	4/4	1/1
Independent non-executive Directors:		
Mr. Dai Jianping	4/4	1/1
Mr. Ng Wing Keung	4/4	1/1
Ms. Sun Kam Ching	4/4	1/1

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The chairman of the Company, Mr. Chen Fanglin, leads the Board in the determination of the strategy of the Group and in the achievement of its objectives. He is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda but not involved in the day-to-day business of the Group.

The Company at present does not have a Chief Executive Officer. Nevertheless, the duties and responsibilities of the Chief Executive Officer of daily operations of the Group are carried out by the executive Directors, other than the Chairman, and they are accountable to the Board for the financial and operational performance of the Group.

CORPORATE GOVERNANCE

The Board has carried out its duties and responsibilities as set out in code provision D.3 in the Corporate Governance Code ("Code Provisions"), including the development of policies and practices on corporate governance, monitoring the training and continuous professional development of Directors and senior management, as well as reviewing the compliance with the Corporate Governance Code, disclosure in this report and legal and regulatory requirements of the Group. During the year, the Company had complied with the Code Provisions.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors are highly skilled professionals with a broad range of expertise and experience in the fields of accounting, finance and business. Their skills, expertise and number in the Board ensure that strong independent views and judgement are brought in the Board's deliberations and that such views and judgement carry weight in the Board's decision-making process. Their presence and participation also enable the Board to maintain high standards of compliance in financial and other mandatory reporting requirements, and provide adequate checks and balances to safeguard the interests of shareholders of the Company and the Company.

Each independent non-executive Director gives the Company an annual confirmation of his independence. The Company considers such Directors to be independent under the guidelines set out in Rule 3.13 of the Listing Rules.

Each Director, upon reasonable request, is given access to independent professional advice in circumstances he may deem appropriate and necessary for the discharge of his duties to the Company, at the expense of the Company.

APPOINTMENTS, RE-ELECTION AND ROTATION OF DIRECTORS

Pursuant to the articles of association of the Company (the "Articles"), the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

According to the Articles and in the opinion of the Board, the Directors, namely Mr. Shen Jianzhong and Ms. Sun Kam Ching will retire at the forthcoming annual general meeting. All of the above retiring Directors, being eligible, will offer themselves for re-election at the same meeting.

Where vacancies arise at the Board, candidates will be proposed and put forward to the Board by the Nomination Committee (as defined below) as set out below under the section headed "Nomination Committee".

TRAINING, INDUCTION AND CONTINUING DEVELOPMENT OF DIRECTORS

Each newly appointed Director receives comprehensive, formal and tailored induction on the first occasion of his/her appointment so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

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

The Directors confirm that they have complied with the relevant code provision. The Company had received from each of the Directors the record of training the Directors received.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct for dealing in securities of the Company by the Directors.

Specific enquiries have been made with all Directors, and all Directors confirmed in writing that they have complied with the required standards set out in the Model Code regarding their securities transactions for the year.

BOARD COMMITTEES

The Company has established a remuneration committee (the "Remuneration Committee"), an audit committee (the "Audit Committee") and a nomination committee (the "Nomination Committee"), for overseeing particular aspects of the Company's affairs.

Remuneration Committee

The Remuneration Committee comprises all independent non-executive Directors, namely, Mr. Dai Jianping, Mr. Ng Wing Keung, and Ms. Sun Kam Ching, and an executive Director, Mr. Shen Jianzhong. Ms. Sun Kam Ching is the chairman of the Remuneration Committee.

The major duties of the Remuneration Committee are as follows:

(a) to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(b) to determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

(c) to make recommendations to the Board of the remuneration of non-executive Directors;

BOARD COMMITTEES (Continued)

Remuneration Committee (Continued)

(d) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

(e) to review and approve management's remuneration proposals by reference to the Board's corporate goals and objectives;

(f) to review and approve compensation payable to the executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

(g) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

(h) to ensure that no Director or any of his associates is involved in deciding his own remuneration.

The Remuneration Committee's specific terms of reference are available on request to any shareholder of the Company and are posted on the Stock Exchange's website and the Company's website, www.cchome.hk.

During the year, the Remuneration Committee convened one meeting:

	Number of meetings attended/held	Attendance rate (%)
Ms. Sun Kam Ching *(Chairman)*	1/1	100%
Mr. Dai Jianping	1/1	100%
Mr. Ng Wing Keung	1/1	100%
Mr. Shen Jianzhong	1/1	100%

During the year, the Remuneration Committee has reviewed the remuneration policy and structure of the executive Directors and senior management of the Company, and offered advice on the same to the Board. The Remuneration Committee also resolved to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

Audit Committee

The Audit Committee comprises all independent non-executive Directors, namely, Mr. Dai Jianping, Mr. Ng Wing Keung, and Ms. Sun Kam Ching. Mr. Ng Wing Keung is the chairman of the Audit Committee.

Under its terms of reference, the Audit Committee shall assist the Board in fulfilling its corporate governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems and internal and external audit functions. The Audit Committee is further authorised by the Board to investigate any activity within its terms of reference, and is tasked with recommending to the Board appropriate actions emanating from such investigations. The Audit Committee has unrestricted access to personnel records, internal and external auditors, risk assessment and assurance and senior management, as may be appropriate in the discharge of its functions.

BOARD COMMITTEES (Continued)

Audit Committee (Continued)

During the year, the Audit Committee discharged its responsibilities by:

(1) making recommendations to the Board on the reappointment of the external auditor and approval of the remuneration and terms of engagement of the external auditor;

(2) monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard, and discussing with the external auditor the nature and scope of the audit and reporting obligations;

(3) implementing the Company's policy on the engagement of an external auditor to supply non-audit services;

(4) reviewing, and monitoring the integrity of, the financial statements of the Company to ensure that the information presents a true and balanced assessment of the Company's financial position;

(5) reviewing the Company's financial controls, and unless expressly addressed by a separate Board risk committee, or by the Board itself, reviewing internal control and risk management systems to ensure that management has discharged its duty to have effective internal control and risk management systems;

(6) considering major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

(7) where an internal audit function exists, reviewing the internal audit programme, ensuring co-ordination between the internal and external auditors, and ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company, and reviewing and monitoring its effectiveness;

(8) reviewing the Company's financial and accounting policies and practices;

(9) reviewing the external auditor's management letter, material queries raised by the external auditor to the management, if any, in respect of the accounting records, financial accounts or systems of control and the management's response to such queries; and

(10) reporting to the Board on the matters set out in the Corporate Governance Code on the Audit Committee.

The Audit Committee is authorised by the Board to obtain external legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary in the performance of its functions. The Audit Committee is provided with sufficient resources by the Company to discharge its duties. The Audit Committee's specific terms of reference are available on request to any shareholder of the Company and are posted on the Stock Exchange's website and the Company's website, www.cchome.hk.

BOARD COMMITTEES (Continued)

Audit Committee (Continued)

During the year, the Audit Committee convened two meetings:

	Number of meetings attended/held	Attendance rate (%)
Mr. Ng Wing Keung *(Chairman)*	2/2	100%
Mr. Dai Jianping	2/2	100%
Ms. Sun Kam Ching	2/2	100%

During the year and up to the date of this report, the Audit Committee together with management has reviewed the Corporate Governance Code, the accounting principles and practices adopted by the Group and discussed the Group's internal control and financial reporting matters, including a review of the annual results for the year ended 31 December 2015 and the interim results, with recommendation to the Board for approval. The Audit Committee has also recommended to the Board that, subject to shareholders' approval at the forthcoming annual general meeting, PricewaterhouseCoopers be re-appointed as the external auditors of the Company.

Nomination Committee

The Nomination Committee comprises all independent non-executive Directors, namely, Mr. Dai Jianping, Mr. Ng Wing Keung, and Ms. Sun Kam Ching, and an executive Director, Mr. Shen Jianzhong. Mr. Dai Jianping is the chairman of the Nomination Committee.

The primary duties of the Nomination Committee are (among other things) to make recommendations to the Board on appointment of Directors and succession planning for Directors.

Where vacancy on the Board exists, the Nomination Committee will carry out a selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations, and select or make recommendations to the Board on the selection of candidates for directorship.

The Nomination Committee's specific terms of reference are available on request to any shareholder of the Company and are posted on the Stock Exchange's website and the Company's website, www.cchome.hk.

During the year, the Nomination Committee convened one meeting:

	Number of meetings attended/held	Attendance rate (%)
Mr. Dai Jianping *(Chairman)*	1/1	100%
Mr. Ng Wing Keung	1/1	100%
Ms. Sun Kam Ching	1/1	100%
Mr. Shen Jianzhong	1/1	100%

BOARD COMMITTEES (Continued)

Nomination Committee (Continued)

During the year, the Nomination Committee has reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board, conducted performance evaluations to assess whether the independent non-executive Directors have spent enough time in fulfilling their duties, assessed the independence of independent non-executive Directors, and had been keeping under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace. The Nomination Committee has also adopted the following diversity policy on the Board:

We embrace and encourage our employees' differences in age, color, disability, ethnicity, family or marital status, gender identity or expression, language, national origin, physical and mental ability, political affiliation, race, religion, sexual orientation, socio-economic status, veteran status, and other characteristics that make our Directors unique.

FINANCIAL REPORTING, RISK MANAGEMENT AND INTERNAL AUDIT

Financial reporting

The Directors acknowledge their responsibility for the preparation of the financial statements of the Company to ensure that these financial statements give a true and fair presentation in accordance with the Hong Kong Financial Reporting Standards.

The statement by the auditor about their reporting responsibilities is set out in the independent auditor's report on pages 37 to 38.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Independent auditor

The Audit Committee reviews and monitors the independent auditor's independence, objectivity and effectiveness of the audit process. It receives each year letter from the independent auditor confirming their independence and objectivity and holds meetings with representatives of the independent auditor to consider the scope of its audit, approve its fees, and the scope and appropriateness of non-audit services, if any, to be provided by it. The Audit Committee also makes recommendations to the Board on the appointment and retention of the independent auditor.

The remuneration paid or payable to the independent auditor of the Company in respect of the audit services related to the audit services for the year ended 31 December 2015 and interim review for the six months ended 30 June 2015 amounted to approximately RMB3.1 million. There was no remuneration paid or payable to the independent auditor of the Company in respect of other non-audit services.

Risk management and Internal control

The Board is responsible for risk management and internal control of the Group and for reviewing its effectiveness. Procedures have been designed for safeguarding assets against unauthorised use or disposition, ensuring the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensuring compliance of applicable laws, rules and regulations. The procedures provide reasonable but not absolute assurance against material errors, losses or fraud.

FINANCIAL REPORTING, RISK MANAGEMENT AND INTERNAL AUDIT (Continued)

Risk management and Internal control (Continued)

The Board, through the Audit Committee, has reviewed the effectiveness of the Group's internal control system, which covers all material controls, including financial, operational and compliance controls and risk management functions.

In the meeting held on 22 March 2016, the Audit Committee has also reviewed and considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. The findings of the Audit Committee have been reported to the Board.

COMPANY SECRETARY

The company secretary of the Company, Mr. Hui Hung Kwan, is a full-time employee of the Group. Please refer to his biographical details as set out on page 36 of this annual report.

RIGHTS OF SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

Pursuant to article 58 of the Articles, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 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.

SENDING ENQUIRIES TO THE BOARD AND PROCEDURES FOR PUTTING FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

Shareholders or investors can contact the Company in the following ways to make enquiry or to provide suggestions:

Contact Person:	Mr. Hui Hung Kwan, Company Secretary
Postal Address:	Room 913, China Merchants Tower, 168–200 Connaught Road Central, Sheung Wan, Hong Kong

To put forward proposals at a general meeting, the shareholders should submit a written notice of those proposals with detailed contact information to the company secretary at the Company's principal place of business stated above.

COMMUNICATIONS WITH SHAREHOLDERS

In every general meeting, in respect of each substantially separate issue, a separate resolution would be proposed by the Chairman of that meeting.

The Board and senior management maintain a continuing dialogue with the Company's shareholders and investors through various channels including the Company's annual general meeting. The Chairman, other members of the Board and external auditors attend the annual general meeting. The Directors answer questions raised by the shareholders on the performance of the Group. Our Company's website which contains corporate information, annual reports, announcements and circulars issued by the Company as well as the recent developments of the Group enables the Company's shareholders to have a timely and updated information of the Group.

DIRECTORS' REPORT

The Directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activity of Company is investment holding and the principal activities of its subsidiaries are set out in Note 29 to the financial statements.

RESULTS AND APPROPRIATIONS

Results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of comprehensive income on page 39.

On 22 March 2016, the Board recommends HK1.5 cents per share as a final dividend for the year ended 31 December 2015.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 93 of this annual report.

SHARE ISSUED IN THE YEAR

Details of share issued in the year ended 31 December 2015 are set out in Note 23 to the financial statements.

DISTRIBUTABLE RESERVES

The reserves available for distribution to shareholders consist of share premium and retained earnings. As of 31 December 2015, the Company had an aggregate share premium and retained earnings of RMB439,111,000 which are available for distribution to the shareholders. For the year ended 31 December 2015, approximately RMB24,948,000 has been proposed as a final dividend.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or applicable laws of the Cayman Islands where the Company was incorporated.

PRINCIPAL PROPERTY

Details of the principal property held for investment purpose are set out below:

Location	Existing use	Lease term
232 Xingxian Road, Licheng District, Quanzhou, Fujian Province, PRC	Rental	Medium term

BANK BORROWINGS

Details of the Group's bank borrowings are set out in Note 26 to the financial statements. Bank borrowings repayable within one year or on demand are classified as current liabilities in the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2015, the Group's five largest customers accounted for approximately 28.7% of the Group's total revenue and the Group's largest customer for the year accounted for approximately 6.8% of the Group's total revenue. The Group's five largest suppliers accounted for approximately 27.1% of the Group's total purchases, while the largest supplier for the year accounted for approximately 6.7% of the Group's total purchases.

To the knowledge of the Directors, none of the Directors or their respective associates or any of the shareholders of the Company who owns more than 5% of the Company's issued share capital has any interest in any of the Group's five largest customers or suppliers.

REMUNERATION POLICY AND EMPLOYEES

As at 31 December 2015, the Group had 1,520 employees in total. The table below shows a breakdown of the Group's employees by their responsibilities:

Department	Number of employees
Management	19
Production	1,171
Quality assurance	34
General and administration	95
Purchase and logistics	11
Design and technical	121
Sales and marketing	69
Total	1,520

The remuneration policy (which includes the payment of the emoluments to the employees) of the employees of the Group is set up by the Remuneration Committee on the basis of the employees' qualifications, experiences, job nature, performance and market condition. Details of the staff cost, remuneration of key management and the Directors are set out in Notes 9, 32 and 34 respectively to the financial statements, having regard to the Company's operating results, individual performance of the senior management and the Directors and comparable market statistics.

REMUNERATION POLICY AND EMPLOYEES (Continued)

Pursuant to the code provision B1.5 of the Corporate Governance Code, the remuneration of the members of the key management by band for the year is set out below:

Remuneration bands	Number of persons
Nil to RMB1,000,000	7
RMB1,000,001 to RMB1,500,000	2
RMB1,500,001 to RMB2,000,000	1
	10

The Group has established various welfare plans including the provision of pension funds, medical insurance, unemployment insurance and other relevant insurance for employees who are employed by the Group pursuant to the rules and regulations of the PRC and the existing policy requirements of the local government. The Group also maintains the employee short-term health insurance and unforeseen injury insurance. In addition, the Group provides staff quarters to its employees.

Directors and qualified employees of the Company may be granted share options to subscribe for shares in the Company in accordance with the terms and conditions of the Share Option Scheme (as defined below).

DIRECTORS

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

Executive Directors:

Mr. Chen Fanglin *(Chairman)*
Mr. Chen Hongming
Mr. Shen Jianzhong

Independent non-executive Directors:

Mr. Dai Jianping
Mr. Ng Wing Keung
Ms. Sun Kam Ching

In accordance with the Articles, Mr. Shen Jianzhong and Ms. Sun Kam Ching retire at the forthcoming annual general meeting but, being eligible, offers themselves for re-election.

Mr. Dai Jianping, Mr. Ng Wing Keung and Ms. Sun Kam Ching are independent non-executive Directors and were appointed for a three-year term expiring on 30 November 2016.

DIRECTORS' SERVICES CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from 20 December 2013, which may be terminated by not less than three months' notice in writing served by either party on the other. Each of the independent non-executive Directors have been appointed for a term of three years commencing from 1 December 2013. None of the Directors has entered into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and senior management are set out on pages 34 to 36.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN ELATION TO THE COMPANY'S BUSINESS

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of he year or at any time during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2015, the interests and short positions of the Directors of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code will be as follows:

Name of Director	Capacity/Nature of interest	Number of Shares	Approximate Percentage of Shareholding Interest (%)
Mr. Chen Fanglin	Interest in controlled corporation/ Long position (Note)	1,061,271,180	53.6%

Note: Mr. Chen Fanglin is deemed to be interested in the Shares held by China Wisdom Asia Limited in which Central Profit Group Limited holds entire interests. Central Profit Group Limited is his wholly-owned company. The details are set out as below:

Name of director	Name of associated corporation	Capacity/ Nature of interest	Number of Shares	Approximate Percentage of Shareholding Interests (%)
Mr. Chen Fanglin	China Wisdom Asia Limited	Interest in controlled corporation	50,000 shares of US$1.00 each	100%
Mr. Chen Fanglin	Central Profit Group Limited	Beneficial owner	one share of US$1.00	100%

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

Save as disclosed above, none of the Directors of the Company had interests or short positions in the Shares, underlying Shares of equity derivatives or debentures of the Company or any associated corporation defined under the SFO which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 December 2015.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company, its holding companies, or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, existed at the end of the year.

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 during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors or their respective associates has any competing interests which need to be disclosed pursuant to Rule 8.10 of the Listing Rules.

INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2015, the following persons (other than a Director of the Company), who had interests or short positions in the shares or the underlying shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Name	Capacity/Nature of interest	Number of Shares	Approximate Percentage of Shareholding Interest (%)
China Wisdom Asia Limited	Beneficial owner/Long position (Note 1)	1,061,271,180	53.6%
Central Profit Group Limited	Interest in controlled corporation/ Long position (Note 1)	1,061,271,180	53.6%
Chen Xiangqun	Interest of spouse/Long position (Note 2)	1,061,271,180	53.6%

INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY (Continued)

Notes:

1. The entire issued share capital of China Wisdom Asia Limited is held by Central Profit Group Limited, which is deemed to be interested in the Shares held by China Wisdom Asia Limited.

2. Chen Xiangqun is the spouse of Chen Fanglin and she is deemed to be interested in the Shares interested by Chen Fanglin.

Save as disclosed above, the Directors are not aware of any person, other than the Directors whose interests are set out in the section "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, who had an interest or short positions in the shares or underlying shares that were required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded pursuant to Section 336 of Part XV of the SFO as of 31 December 2015.

SHARE OPTION SCHEME

Pursuant to a resolution passed by all the shareholders on 2 December 2013, the Company has conditionally adopted the share option scheme (the "Share Option Scheme") for the purpose of recognising and acknowledging the contributions the eligible participants had or may have made to the Group. The Board may, at its discretion, grant options pursuant to the Share Option Scheme to the Directors (including executive Directors and independent non-executive Directors), the Directors of the Company's subsidiaries and employees of the Group and any other persons (including consultants or advisers) whom the Board considers, in its absolute discretion, have contributed or will contribute to the Group. The Directors were authorised to grant options to subscribe for shares of the Company and to allot, issue and deal with the shares pursuant to the exercise of options granted under the Share Option Scheme and to take all such steps as may be necessary and/or desirable to implement and give effect to the Share Option Scheme. The maximum number of shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of shares in issue immediately following completion of the Global Offering (as defined in the Company's prospectus dated 10 December 2013), being 180,000,000 Shares, excluding any shares that may be issued under the options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company), unless otherwise approved by the shareholders of the Company in general meeting and/or such other requirements prescribed under the Listing Rules from time to time.

Unless otherwise approved by the shareholders of the Company in general meeting, the number of shares that may be granted to an eligible participant under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) shall not exceed 1% of the shares in issue of the Company within any 12-month period. Any grant of options to a Director, or substantial shareholder (as defined in the Listing Rules) of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by our independent non-executive Directors. Unless otherwise approved by the shareholders of the Company in general meeting and/or such other requirements prescribed under the Listing Rules, the number of shares that may be granted to a substantial shareholder or any independent non-executive Director or their respective associates under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) shall not exceed 0.1% of the shares in issue, having an aggregate value in excess of HKD5 million, within any 12-month period.

SHARE OPTION SCHEME (Continued)

There is no minimum period for which an option must be held before it can be exercised, and the period during which an option may be exercised will be determined by the Board in its absolute discretion, however, no options shall be exercised 10 years after they have been granted. The subscription price of a share in respect of a particular option shall be not less than the highest of (a) the official closing price of the Shares on the daily quotation sheet of the Stock Exchange; (b) the average official closing price of the shares on the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of a share. The Share Option Scheme shall take effect from the date it is adopted and shall remain effective within a period of 10 years from that date.

From the date that the Share Option Scheme became effective and unconditional and up to the date of this annual report, no share options were granted under the Share Option Scheme.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

The Company has not redeemed any of the shares during the year ended 31 December 2015. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's securities during the year ended 31 December 2015.

PUBLIC FLOAT

Rule 8.08(1)(a) of the Listing Rules requires that at least 25% of an issuer's total issued share capital must at all times be held by the public. Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficiency of public float at all times during the year ended 31 December 2015.

CONNECTED TRANSACTIONS

On 28 September 2013, the Group entered into a rental agreement with Quanzhou Xinliya Trading Co., Ltd., a connected party controlled by Mr. Chen Fanglin, to lease from such connected party certain premises at a monthly rental of RMB72,000 from 1 October 2013 to 30 September 2018. All of the percentage ratios (other than profit ratio) on an annual basis is less than 0.1% and therefore, the rental agreement is exempted from the reporting, annual review, announcement and independent shareholders' approval requirements of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken in the normal course of business are provided under Note 32 to the financial statements, and none of which constitutes a discloseable connected transaction as defined under the Listing Rules.

DEED OF NON-COMPETITION

The Company entered into a deed of non-competition (the "Deed of Non-Competition") with Mr. Chen Fanglin, China Wisdom Asia Limited, Central Profit Group Limited, Chen Xiangqun and Regal One Success Limited (collectively referred to as the "Covenantors") on 2 December 2013 so as to better safeguard the Group from any potential competition and to formalise the principles for the management of potential conflicts between them and to enhance our corporate governance in connection with the listing of the shares on the Stock Exchange.

DEED OF NON-COMPETITION (Continued)

The independent non-executive Directors have reviewed compliance by the Covenantors and confirm that based on confirmations and information provided by each of the Covenantors, they were in compliance with the Deed of Non-Competition during the year ended 31 December 2015.

The independent non-executive Directors were not required to review any matter in relation to compliance and enforcement of the Deed of Non-Competition during the year ended 31 December 2015.

PERMITTED INDEMNITY PROVISIONS

At no time during the financial year and up to the date of his report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company or an associated company.

AUDITOR

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment in the forthcoming Annual General Meeting.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to attend the annual general meeting of our Company to be held on 10 May 2016 (the "Annual General Meeting"), the register of members of the Company will be closed from 6 May 2016 to 10 May 2016 (both days inclusive), during which period no transfer of shares can be registered. In order to qualify for attending the Annual General Meeting, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration by not later than 4:30 p.m. on 5 May 2016.

In order to determine the entitlement to the final dividends for the year ended 31 December 2015, the register of members of the Company will be closed from 17 May 2016 to 19 May 2016 (both days inclusive), during which period no transfer of shares can be registered. In order to qualify for the final dividends for the year ended 31 December 2015, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration by not later than 4:30 p.m. on 16 May 2016.

On behalf of the Board
Chen Fanglin
Chairman

Hong Kong, 22 March 2016

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Chen Fanglin (陳芳林), aged 52, is the Chairman and executive Director of our Company. Mr. Chen is responsible for the overall strategic and business direction of our Group. He is the founder of our business in 1993. He graduated from the Quanzhou Normal School (泉州師範專科學校) (now known as the Quanzhou Normal University (泉州師範學院)) in 1982. He obtained a Master of Business Administration from The Open University of Hong Kong (香港公開大學) in 2004. From August 1982 to February 1986, Mr. Chen was a teacher at the Nanan No. 2 Middle School of Fujian (福建省南安第二中學) and from March 1986 to December 1989, he was responsible for research and English studies at the Education Department of Quanzhou Normal School (泉州師專教務處). Mr. Chen also holds the title senior economist (高級經濟師) awarded by Fujian Province Department of Personnel (福建省人事廳) in August 2008. Mr. Chen was appointed as the vice president of China Gift & Leisure Products Association (中國禮儀休閒用品工業協會) in September 2012. Mr. Chen was appointed as the deputy to National People's Congress of Quanzhou City (泉州市人大) in March 2012. He was awarded as the Outstanding Person of Economic in the China Market (中國市場傑出經濟人物) by the China Market Guidance Committee (中國市場指導委員會) and China Market Magazine (中國市場雜誌社) in December 2010. Mr. Chen is a member of council of the Fujian Province Chamber of Commerce for Privately Owned Enterprise (福建省民營企業商會) and the Fujian Province Committee of Business and Industrial Joint Association (福建省工商業聯合會直屬委員會) since January 2011. In February 2011, he was awarded as the Quanzhou Person of Economic (泉州經濟人物) by the Propaganda Department of the People's Communist Party of Quanzhou City (中共泉州市委宣傳部), Quanzhou City General Chamber of Commerce (泉州市總商會) and Quanzhou Evening Post (泉州晚報社). In December 2011, Mr. Chen was the vice president of the Quanzhou City Business and Industrial Joint Association (General Chamber of Commerce) (泉州市工商業聯合(總商會)). He was nominated as the Leader of China Building Energy Saving Industry (中國建築節能減排領導人物) by China Building Energy Saving Industry Alliance (中國建築節能減排產業聯盟) and China Urban Housing Industry Council (中國城市住宅產業理事會).

Mr. Chen Hongming (陳洪明), aged 42, is the vice president and chief marketing officer of our Group and an executive Director of our Company. He is primarily responsible for the product sales and marketing of our Group. Mr. Chen graduated from Fuzhou University (福州大學) with a major in international trade in 1995. In 2003, Mr. Chen graduated from Fujian Normal University (福建師範大學) with a major in English studies. He also obtained a Master of Business Administration from The Open University of Hong Kong (香港公開大學) in 2004. He obtained a Master of Business Administration from Huaqiao University (華僑大學) in 2011. Mr. Chen holds the title senior economist (高級經濟師) awarded by Fujian Province Department of Personnel (福建省人事廳) in August 2008. He joined our Group in 1997 and was promoted in May 2005 to the director of our marketing and sales team. In August 2008, he was appointed as the vice president of our Group where he was responsible for the sales and marketing of our products.

Mr. Shen Jianzhong (申建忠), aged 56, is the vice president, chief administrative and human resources officer of our Group and an executive Director of our Company. Mr. Shen is responsible for human resources and administration management of our Group. Prior to joining our Group in 1994, Mr. Shen worked in Quanzhou Guopin Company (泉州市果品公司) and was the officer at the Guopin Trading Company (果品貿易公司). The principal business of these two companies was trading of fruits. In July 1994, Mr. Shen joined our Group and was an assistant to the president. He was promoted in 2005 to the vice general manager. In 2008, he was appointed as the vice president of our Group. Mr. Shen holds the title intermediate economist (中級經濟師) awarded by Fujian Province Department of Personnel (福建省人事廳) in November 2008.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Dai Jianping (戴建平), aged 59, was appointed as our independent non-executive Director on 1 December 2013. Mr. Dai graduated from Fujian Province Adult College (福建省成人中等專業學校) with a major in urban construction in 1988. He was an engineer qualified by the Fujian Province Department of Personnel (福建省人事廳) in November 1995. Since 2000, Mr. Dai has been serving as a vice general manager of Quanzhou Dahua Property Development Co., Ltd (泉州大華房地產開發有限公司). He was awarded the Temporary Certificate of Registration of Constructor of the PRC (中華人民共和國一級建造師臨時執業證書) by the Ministry of Housing and Urban-Rural Construction (中華人民共和國住房和城鄉建設部) in March 2008. In November 2008, Mr. Dai was awarded the title person-in-charge of project (項目負責人) by the Fujian Province Department of Construction (福建省建設廳).

Mr. Ng Wing Keung (伍永強), aged 46, was appointed as our independent non-executive Director on 1 December 2013. Mr. Ng is a practising certified public accountant in Hong Kong, a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He worked in Li, Tang, Chen & Co. from August 1993 to March 2001 and started his own audit firm in June 2001. Mr. Ng has been practising as certified public accountant in Hong Kong over 10 years and is currently a managing director of KTO CPA Limited. From 10 August 2012 to 15 October 2013, Mr. Ng was the non-executive director of Peace Map Holding Limited (stock code: 402.HK).

Ms. Sun Kam Ching (孫錦程), aged 43, was appointed as our independent non-executive Director on 1 December 2013. Ms. Sun received a bachelor's degree in business administration from Huaqiao University (華僑大學) in 1994. Ms. Sun has over 15 years of experience in business administration and financial management. Ms. Sun joined Jinjiang Aile Group (晉江愛樂集團) ("Jinjiang Aile") in 1996 and held various positions in Jinjiang Aile, including head of the sales department of Jinjiang Aile Shoes and Clothing Co., Ltd. (晉江愛樂鞋服公司), a subsidiary of Jinjiang Aile, from 1996 to 2000, the chief sales planning officer of Jinjiang Aile since 2003, and the chief financial officer of Jinjiang Aile since 2005. Ms. Sun has also been responsible for the image consultancy of Jinjiang Aile and is involved in the management of certain subsidiaries of Jinjiang Aile, including Jinjiang Aile Holiday Hotel (晉江愛樂假日酒店) and Shishi Aile Holiday Hotel (石獅愛樂假日酒店) since 2000. Ms. Sun attended the training courses for independent non-executive Director conducted by the Shenzhen Stock Exchange in 2008. Ms. Sun has been appointed as an independent non-executive director of Labixiaoxin Snack Group Limited (stock code: 1262.HK) since 2011.

SENIOR MANAGEMENT

Mr. Hui Hung Kwan (許鴻群), aged 44, has been the chief financial officer of our Group since June 2013 and is responsible for our Group's financial planning and strategy. Mr. Hui graduated from The Chinese University of Hong Kong (香港中文大學) with a bachelor's degree in business administration in 1994. Mr. Hui has been a member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants since 1997 and 2002, respectively. Mr. Hui has ten years' experience in the auditing profession. Prior to joining our Group, Mr. Hui was the audit manager of Li, Tang, Chen & Co., CPA, an accounting firm in Hong Kong from 1994 to 2004. Mr. Hui was the chief financial officer of C&G Environmental Protection Holdings Limited, a company listed on the main board of Singapore Exchange (stock code: SES: D79), from 2004 to October 2010. From November 2010 to December 2012, Mr. Hui was the chief financial officer of Premiere Eastern Energy Pte. Ltd. and was responsible for financial and capital market management. From July 2009 to June 2015, Mr. Hui was an independent non-executive director of TUS International Limited (啟迪國際有限公司) (formerly known as Jinheng Automotive Safety Technology Holdings Limited (錦恒汽車安全技術控股有限公司)), a company listed on the Stock Exchange (stock code: 872.HK).

Mr. Yang Dilin (楊的林), aged 51, has been the vice financial officer of our Group since March 2012 and is responsible for day-to-day financial affairs of our Group. Mr. Yang attended The Party School of Anhui Provincial Committee of C.P.C. (中共安徽省委黨校) from September 1998 to July 2001, majoring in law. Mr. Yang is a qualified accountant in China. Prior to joining our Group, Mr. Yang served the Susong Finance Bureau (宿松縣財政局) between July 1983 and September 2000. He worked at Shenzhen Liwei Electronic Company Limited (深圳力偉電子有限公司) from June 2005 to April 2010 as the chief financial officer. From May 2010 to December 2011, Mr. Yang was the manager of Jomoo Group Co., Ltd. (九牧集團有限公司) and was responsible for budgeting.

Mr. Zhang Pingxin (張平新), aged 44, is the vice general manager and chief product officer of our Group and is responsible for production management. He worked in Shanxi Province Huayin City Huashan Yejin Automotive Factory (陝西省華陰市華山冶金車輛廠) as an engineer between July 1992 and November 1995. He then worked in Shenzhen Shiyong Electrical and Metal Manufacturing Company Limited (深圳實用電器金屬製造有限公司) as a manger from December 1995 to April 2003 where he was responsible for production management and quality control. From May 2003 to May 2008, Mr. Zhang worked in Zhejiang Fuerj Electrical Co., Ltd. (浙江富爾佳電器製品有限公司) as the manager of the quality control department. He joined our Group in June 2008 and since then has been responsible for our Group's production and quality control.

Mr. Zheng Hebin (鄭鶴斌), aged 44, is the chief research and development officer of our Group and is responsible for product research and development. He served the development department of Fuzhou Gaodeng Artefact Company Limited (福州高登工藝品有限公司), where he was responsible for designing products. He was the manager of the development department of Fuqing Fuhua Artefact Company Limited (福清複華工藝品有限公司). Mr. Zheng joined our Group in July 1997 as the manager of our design team. He was promoted in March 2005 to be the chief officer of our research and development team. Mr. Zheng has participated in the development of fireplace of our Group since 2005.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

TO THE SHAREHOLDERS OF CHINA CREATIVE HOME GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Creative Home Group Limited (the "Company") and its subsidiaries set out on pages 39 to 92 which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 March 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Revenue	7	1,281,926	1,409,006
Cost of sales	8	(808,514)	(840,026)
Gross profit		473,412	568,980
Selling and distribution costs	8	(52,099)	(64,111)
Administrative expenses	8	(84,892)	(78,651)
Other income	7	10,747	13,777
Other gains – net	10	23,668	6,620
Operating profit		370,836	446,615
Finance costs	11	(3,612)	(2,420)
Profit before income tax		367,224	444,195
Income tax expense	12	(68,231)	(89,282)
Profit and total comprehensive income for the year attributable to owners of the Company		298,993	354,913
Earnings per share for profit attributable to owners of the Company			
– Basic and diluted (expressed in RMB per share)	13	0.16	0.20

The notes on pages 44 to 92 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	688,961	572,904
Investment property	16	122,400	122,100
Land use rights	17	209,535	121,746
Prepayments	20	296,211	108,815
		1,317,107	925,565
Current assets			
Inventories	18	31,983	50,396
Trade receivables	19	401,262	571,688
Deposits, prepayments and other receivables	20	18,739	12,800
Pledged deposits	21	1,840	5,600
Bank deposits	21	–	100,000
Cash and cash equivalents	21	720,178	607,066
		1,174,002	1,347,550
Assets classified as held for sale	22	109,552	109,552
		1,283,554	1,457,102
Total assets		2,600,661	2,382,667
EQUITY			
Equity attributable to owners of the Company			
Share capital	23	155	141
Share premium	23	665,621	483,413
Reserves		1,680,752	1,437,919
Total equity		2,346,528	1,921,473

As at 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	27	11,386	11,517
Current liabilities			
Trade and other payables	25	173,420	335,451
Bank borrowings	26	49,000	54,000
Derivative financial liabilities	28	–	18,000
Current income tax liabilities		20,327	42,226
		242,747	449,677
Total liabilities		254,133	461,194
Total equity and liabilities		2,600,661	2,382,667

The consolidated financial statements on pages 39 to 92 were approved for issue by the Board of Directors on 22 March 2016 and were signed on its behalf.

Chen Fanglin **Chen Hongming**

The notes on pages 44 to 92 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Note	Share capital RMB'000 (Note 23)	Share premium RMB'000 (Note 23)	Reserves: Capital reserve RMB'000 (Note 24(a))	Reserves: Statutory reserve RMB'000 (Note 24(b))	Reserves: Retained earnings RMB'000	Reserves: Revaluation reserve RMB'000	Total RMB'000
Balances as at 1 January 2014		141	483,413	406,736	94,623	633,152	1,642	1,619,707
Comprehensive income								
Profit for the year		–	–	–	–	354,913	–	354,913
Transactions with owners:								
Transfer to statutory reserve	24	–	–	–	27,358	(27,358)	–	–
Dividend related to 2013 declared in 2014	14	–	–	–	–	(53,147)	–	(53,147)
		–	–	–	27,358	(80,505)	–	(53,147)
Balances as at 31 December 2014		141	483,413	406,736	121,981	907,560	1,642	1,921,473
Comprehensive income								
Profit for the year		–	–	–	–	298,993	–	298,993
Transactions with owners:								
Transfer to statutory reserve	24	–	–	–	21,202	(21,202)	–	–
Issue of new shares upon placement	23	14	184,306	–	–	–	–	184,320
Share issue expenses		–	(2,098)	–	–	–	–	(2,098)
Dividend related to 2014 declared in 2015	14	–	–	–	–	(56,160)	–	(56,160)
		14	182,208	–	21,202	(77,362)	–	126,062
Balances as at 31 December 2015		155	665,621	406,736	143,183	1,129,191	1,642	2,346,528

The notes on pages 44 to 92 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Cash flows from operating activities			
Cash generated from operations	30	440,269	424,724
Interest paid		(3,612)	(4,262)
Income tax paid		(90,261)	(72,358)
Net cash generated from operating activities		346,396	348,104
Cash flows from investing activities			
Additions to property, plant and equipment		(109,259)	(490,520)
Additions to land use rights		(58,655)	(100,998)
Prepayment for a commercial building		(292,120)	–
Interest received		5,068	3,247
Decrease/(increase) in bank deposits		100,000	(100,000)
Net cash used in investing activities		(354,966)	(688,271)
Cash flows from financing activities			
Proceeds from issuance of new shares upon placement		184,320	–
Share issue expenses		(2,098)	–
Proceeds from derivative financial liabilities	28	–	15,120
Proceeds from borrowings		49,000	54,000
Repayments of borrowings		(54,000)	(59,000)
Dividends paid		(56,160)	(53,147)
Net cash generated from/(used in) financing activities		121,062	(43,027)
Net increase/(decrease) in cash and cash equivalents		112,492	(383,194)
Cash and cash equivalents at 1 January		607,066	995,736
Exchange gains/(losses) on cash and cash equivalents		620	(5,476)
Cash and cash equivalents at 31 December	21	720,178	607,066

The notes on pages 44 to 92 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

China Creative Home Group Limited (the "Company") was incorporated in the Cayman Islands on 7 July 2011 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, the Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together the "Group") are principally engaged in the business of design, development, manufacture and sales of home decor products, electric fireplaces and air purifiers primarily in the People's Republic of China (the "PRC").

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in thousands of units of Renminbi ("RMB'000"), unless otherwise stated and have been approved for issue by the Board of Directors on 22 March 2016.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants and have been prepared under the historical cost convention, as modified by the revaluation of derivative financial liabilities at fair value through profit or loss, investment property and assets classified as held for sale, which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

During the year ended 31 December 2015, the Group has adopted the following amendments to existing standards which are mandatory for accounting periods beginning on 1 January 2015:

Hong Kong Accounting Standard ("HKAS") 19 (2011) (Amendment)	Defined Benefit Plans: Employee Contributions
Annual Improvements Project	Annual Improvements 2010-2012 Cycle
Annual Improvements Project	Annual Improvements 2011-2013 Cycle

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

The adoption of these amendments to existing standards does not have significant impact to the Group's results of operation and financial position.

New Hong Kong Companies Ordinance

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

The following are new standards and amendments to existing standards that have been published and are relevant and mandatory for the Group's accounting periods beginning after 1 January 2015, but have not been early adopted by the Group.

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	Disclosure Initiative	1 January 2016
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants	1 January 2016
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements	1 January 2016
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets Between Investor and its Associate or Joint Venture	*To be determined*
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception	1 January 2016
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
Annual Improvements Project	Annual Improvements 2012-2014 Cycle	1 January 2016

The Group will adopt the above new standards and amendments to existing standards as and when they become effective. The Group has already commenced the assessment of the impact to the Group and is not yet in a position to state whether these would have a significant impact on its results of operations and financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidated financial information

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Intra-group transactions, balances, and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that the amounts previously recognised as other comprehensive income are reclassified to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidated financial information (Continued)

Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Group that makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of all the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each statement of financial position of the Group's entities are translated at the closing rate at the date of that statement of financial position;

– income and expenses for each statement of comprehensive income of the Group's entities are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

– all resulting currency translation differences are recognised as other comprehensive income.

2.5 Property, plant and equipment

Property, plant and equipment, except for construction in progress, are stated at cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial year in which they are incurred.

Construction in progress is stated at cost less accumulated impairment losses. Direct and indirect costs relating to the construction in progress, including borrowing costs during the construction period, are capitalised as the costs of the assets. Cost on completed construction work is then transferred to appropriate category of property, plant and equipment.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs over their estimated useful lives, as follows:

Buildings	30 years
Plant and machinery	5–10 years
Office equipment	5 years
Motor vehicles	4 years

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment (Continued)

No depreciation is provided in respect of construction in progress until the completion of construction. Depreciation commences when construction in progress is transferred to property, plant and equipment and ready for their intended use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the profit or loss.

If the land use rights and the attached properties for own-use become an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of the leasehold land or land use rights and the attached properties. Any resulting increase in the carrying amount of the property is recognised in the profit or loss to the extent that reverses a previous impairment loss, with any remaining increase recognised directly to revaluation surplus within other comprehensive income. Any resulting decrease in the carrying amount of the property is initially charged as other comprehensive loss against any previously recognised revaluation surplus, with any remaining decrease charged to the profit or loss. Any revaluation reserve balance of the property is transferred to retained earnings in the statement of comprehensive income upon the subsequent disposal of the investment property.

2.6 Land use rights

Land use rights represent upfront operating lease payments made for the land and are stated at cost less amount written off on a straight-line basis over the lease period and impairment loss.

2.7 Investment property

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes property that are being constructed or developed for future use as investment property.

Investment property comprises land and buildings held under operating leases.

Land held under operating leases are accounted for as investment property when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases.

Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition at cost, investment property is carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the statement of comprehensive income as part of other gain or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life or have not yet been available for use are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Assets classified as held for sale

Assets are classified as held for sale when their carrying amounts are to be recovered principally through sale transactions and sales are considered highly probable. The assets are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries) and investment property, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

2.10 Financial assets

(a) Classification

The Group's financial assets are mainly loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's financial assets comprise trade and other receivables (Notes 19 and 20), pledged deposits, bank deposits and cash and cash equivalents (Note 21) in the consolidated statement of financial position.

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.11 Impairment of financial assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Impairment of financial assets carried at amortised cost (Continued)

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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 (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit or loss.

2.12 Trade and other receivables

Trade and other receivables are amounts due from customers for goods sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand and deposits held at call with banks.

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

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

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

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

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised as other comprehensive income or directly in equity. In this case the tax is also recognised as other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting periods in the countries where the Group's entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of reporting periods and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Current and deferred income tax (Continued)

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

2.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.20 Derivative financial liabilities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Changes in the fair value of derivative instruments not qualified for hedge accounting are recognised immediately in the profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Employee benefits

(a) Pension obligations

Full time employees of the Group's PRC entities participate in a government mandated multi-employer defined contribution plan pursuant to which certain pension benefits, medical care, unemployment insurance, employee housing fund and other welfare benefits are provided to employees. Chinese labor regulations require the Group to accrue for these benefits based on certain percentages of the employees' salaries. Full time employees who have passed the probation period are entitled to such benefits.

The Group also participates in defined contribution schemes which are available to Hong Kong employees. Contributions are made based on a percentage of the employees' basic salaries or a fixed sum and are charged to the profit or loss as incurred. The assets of the schemes are held separately from those of the Group in an independently administered fund.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Employee leaves entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(c) Bonus plans

The Group recognises a liability and an expense for bonuses, based on performance and taking into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.22 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of goods in the ordinary course of the Group's activities. Revenue is shown net of value added taxes and after eliminating sales within the Group. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Revenue recognition (Continued)

(a) Sales of goods

Revenue from the sales of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the customer, and the customer has accepted the products and collectability of the related receivables is reasonably assumed.

(b) Interest income

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

(c) Rental income

Rental income from investment property is recognised when it is probable that future economic benefits will flow to the Group, taking into consideration of the credit quality and settlement history of the tenants, and on a straight-line basis over the term of the lease.

2.23 Leases – as a lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

2.24 Research and development costs

Costs associated with research are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the home decor products and electric fireplaces so that it will be available for use;
- Management intends to complete the home decor products and electric fireplaces and use or sell it;
- There is an ability to use or sell the home decor products and electric fireplaces;
- It can be demonstrated how the home decor products and electric fireplaces will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the home decor products and electric fireplaces are available; and
- The expenditure attributable to the home decor products and electric fireplaces during its development can be reliably measured.

Development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which the dividends are declared by the Directors in the case of interim dividends or approved by the Company's shareholders in the case of final dividends.

2.26 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resource will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

Risk management is carried out by the Group's management under the supervision of the Board of Directors. The Group's management identifies, evaluates and manages significant financial risks in the Group's individual operating units. The Board of Directors provides guidance for overall risk management.

(a) Market risk

(i) Foreign currency risk

The Company and all of its subsidiaries' functional currency is RMB and the major non-RMB assets and liabilities are cash and cash equivalents, trade and other receivables, and other payables denominated in Hong Kong dollar ("HKD") and the United States dollar ("USD").

The cash and cash equivalents, trade and other receivables, and other payables denominated in foreign currencies are subject to retranslation at each reporting date. Fluctuation of the exchange rates of RMB against foreign currencies could affect the Group's results of operations.

Management of the Group continues to monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

As at 31 December 2015, if RMB had weakened/strengthened by 5% against HKD and USD, with all other variables held constant, the Group's post-tax profit for the year would have been RMB3,192,000 (2014: RMB1,415,000) higher/lower, mainly as a result of net foreign exchange gains/losses on translation of HKD and USD denominated cash and cash equivalents, trade and other receivables, and other payables.

(ii) Interest rate risk

Cash flow and fair value interest rate risk refers to the changes in cash flows or fair value of a financial instrument as a result of fluctuations in market interest rates.

Pledged deposits, bank deposits, cash and cash equivalents and borrowings at fixed rates expose the Group to fair value interest-rate risk, and those at variable rates expose the Group to cash flow interest-rate risk.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk (Continued)

The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. Management monitors interest rate fluctuations to ensure that exposure to interest rate risk is within an acceptable level and will consider hedging significant interest rate exposure should the need arises.

As at 31 December 2015, if interest rates on pledged deposits, bank deposits, cash and cash equivalents and borrowings with floating rates had been 100 basis-points higher/lower with all other variables held constant, the Group's post-tax profit for the year would have been approximately RMB5,492,000 (2014: RMB5,387,000) higher/lower.

(b) Credit risk

Credit risk mainly arises from cash and cash equivalents, deposits with banks, trade receivables and other receivables. The carrying amounts of each of these financial assets represent the Group's maximum exposure to credit risk in relation to its financial assets.

For credit risks in respect of cash and cash equivalents and deposits with banks, the Group managed the risk by placing cash and cash equivalents and deposits with major local banks and state-owned banks in the PRC and in Hong Kong with good credit standing. For credit risk in respect of trade receivables from customers and other receivables, the Group has policies in place to ensure that sales or transactions are made to reputable and credit-worthy customers or counter-parties with an appropriate financial strength and credit history. The management is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

In addition, the Group reviews the recoverable amount of each debtor at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is limited.

As at 31 December 2015, there was a customer (31 December 2014: Nil) which individually contributed over 10% of the Group's trade and other receivables. The amount of trade and other receivables from this customer amounted to 17% of the Group's total trade and other receivables. The Group had assessed the credit quality of this customer, taking into account their financial positions, past experience and other factors, and considered that the credit risk is limited.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and through collection from customers. The Group finances its working capital requirements through a combination of funds generated from operations, bank borrowings (Note 26) and capital injection from owners of the Company. The Group maintains sufficient banking facilities to manage its working capital requirements.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of reporting periods to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year or repayable on demand RMB'000	Carrying amount RMB'000
At 31 December 2015		
Trade and other payables (excluded other tax payables and deposits received in advance)	159,780	159,780
Bank borrowings	50,880	49,000
	210,660	208,780
At 31 December 2014		
Trade and other payables (excluded other tax payables and deposits received in advance)	303,119	303,119
Bank borrowings	56,088	54,000
	359,207	357,119

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Directors of the Company regularly monitor the capital structure, which consists of the equity attributable to the Company's shareholders as disclosed in the consolidated statement of financial position. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or dispose of assets to reduce debts.

The Group monitors capital on the basis of the gearing ratio. The ratio is calculated as total debt divided by total equity. Total debt includes all interest bearing borrowings. Total capital represents total equity as shown in the consolidated statement of financial position. The Group's strategy is to maintain a gearing ratio of below 20%.

	2015 **RMB'000**	2014 RMB'000
Total debt	**49,000**	54,000
Total equity	**2,346,528**	1,921,473
Gearing ratio	**2.1%**	2.8%

4 FAIR VALUE ESTIMATION

The Group's financial instruments carried at fair value as at balance sheet date are measured by the inputs to valuation techniques. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

There has been no transfer of financial assets and liabilities between levels 1, 2 and 3 during the year.

Assets and liabilities held by the Group using the fair value method include investment property, assets classified as held for sale and derivative financial liabilities (Notes 16, 22 and 28).

For other current financial assets of the Group, including trade and other receivables, pledged deposits, bank deposits, cash and cash equivalents, and current financial liabilities of the Group including trade and other payables and bank borrowings approximate their fair values due to their short term maturities.

The Group does not have any financial assets/liabilities that are subject to offsetting, enforceable master netting arrangements and similar agreements during the year.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below.

5.1 Provision for impairment of receivables and deposits

Significant judgment is exercised on the assessment of the collectability of trade receivables from each customer or counterparty. In making its judgment, management considers a wide range of factors such as results of follow-up procedures performed by sales personnel, payment trends including subsequent payments and customers' or counterparties' financial position.

5.2 Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives, and related depreciation and amortisation charges for its property, plant and equipment. The estimates are based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation and amortisation charges where useful lives are less than previously estimated lives. It will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable and amortisation lives and therefore affect the depreciation and amortisation charges in future periods.

5.3 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset or a cash generating unit is the higher of an asset's fair value less costs to sell and value in use.

5.4 Income taxes and deferred income taxes

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

Deferred income tax liabilities have not been established for withholding tax that would be payable on certain profits of PRC subsidiaries to be repatriated and distributed by way of dividends as the Directors consider that the timing of the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the future.

If those undistributed earnings of the PRC subsidiaries are considered to be repatriated and distributed by way of dividends, deferred income tax liabilities would have been increased by approximately RMB49,981,000 (2014: RMB40,463,000).

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

5.5 Fair value of investment property

The Group carries its investment property at fair value with changes in the fair value recognised in the profit or loss. Independent valuations are performed at least once a year. In making the judgment, consideration is given to assumptions that are mainly based on market conditions existing at the end of reporting period, expected rental from future leases in the light of current market conditions and appropriate capitalisation rates. Changes in subjective input assumptions can materially affect the fair value estimate. The key assumptions used in the valuation in determining the fair value of the Group's investment of property are set out in Note 16.

6 SEGMENT REPORTING

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker that are used to making strategic decisions.

The chief operating decision-maker is identified as the executive directors of the Company. The executive directors consider the business from a product perspective and assess the performance of the operating segments based on a measure of revenue and segment results.

The Group's two reportable operating segments are as follows:

Electric fireplaces and air purifiers	–	Design, develop, manufacture and sales of electric fireplaces and air purifiers
Home decor products	–	Design, develop, manufacture and sales of home decor products and humidifiers

Other activities primarily relate to provision of corporate services for investment holding companies and holding corporate assets and liabilities. Corporate assets and liabilities mainly include investment property held for rental income, property, plant and equipment and land use rights for corporate use and derivative financial liabilities. These activities are excluded from the reportable operating segments.

Segment assets consist primarily of certain property, plant and equipment, land use rights, inventories, trade receivables, deposits, prepayments and other receivables, pledged deposits, bank deposits and cash and cash equivalents. They exclude investment property and other assets for corporate functions.

6 SEGMENT REPORTING (Continued)

Segment liabilities consist primarily of trade and other payables. They exclude current income tax liabilities, deferred income tax liabilities, general bank borrowings, derivative financial liabilities and other liabilities for corporate functions.

As at 31 December 2015, a majority of assets and liabilities of the Group are located in the PRC, except for certain assets and liabilities with carrying amounts of RMB5,072,000 (2014: RMB7,918,000) and RMB2,561,000 (2014: RMB21,820,000) respectively, which are located in Hong Kong.

The segment information provided to the executive directors is as follows:

	Electric fireplaces and air purifiers RMB'000	Home decor products RMB'000	Others RMB'000	Total RMB'000
For the year ended 31 December 2015:				
Segment revenue				
– PRC	621,287	453,171	–	1,074,458
– International	150,858	92,317	–	243,175
	772,145	545,488	–	1,317,633
Less: Inter-segment revenue	–	(35,707)	–	(35,707)
Revenue from external customers	772,145	509,781	–	1,281,926
Segment results	243,786	111,792	15,943	371,521
Unallocated expense				(685)
Finance costs				(3,612)
Profit before income tax				367,224
Income tax expense				(68,231)
Profit for the year				298,993
Other segment items:				
Additions to:				
Property, plant and equipment	112,673	8,709	15,062	136,444
Land use rights	76,624	14,661	–	91,285
Depreciation and amortisation	21,571	1,502	685	23,758
Interest income	955	940	3,173	5,068
Gain upon lapse of warrants	–	–	18,000	18,000
As at 31 December 2015:				
Segment assets	1,858,746	597,300	144,615	2,600,661
Segment liabilities	84,313	86,546	83,274	254,133

6 SEGMENT REPORTING (Continued)

	Electric fireplaces and air purifiers RMB'000	Home decor products RMB'000	Others RMB'000	Total RMB'000
For the year ended 31 December 2014:				
Segment revenue				
– PRC	781,500	489,258	–	1,270,758
– International	107,081	70,141	–	177,222
	888,581	559,399	–	1,447,980
Less: Inter-segment revenue	–	(38,974)	–	(38,974)
Revenue from external customers	888,581	520,425	–	1,409,006
Segment results	321,240	126,625	(869)	446,996
Unallocated expense				(381)
Finance costs				(2,420)
Profit before income tax				444,195
Income tax expense				(89,282)
Profit for the year				354,913
Other segment items:				
Additions to:				
Property, plant and equipment	438,373	83	1,190	439,646
Land use rights	69,702	–	–	69,702
Depreciation and amortisation	9,423	5,254	382	15,059
Interest income	1,291	1,027	929	3,247
Impairment loss on property, plant and equipment	–	2,393	–	2,393
Fair value loss on derivative financial instrument	–	–	2,880	2,880
As at 31 December 2014:				
Segment assets	1,628,737	617,713	136,217	2,382,667
Segment liabilities	238,841	92,790	129,563	461,194

There is no individual external customer contributed more than 10% revenue of the Group's revenue for the year ended 31 December 2015 (2014: Nil).

7 REVENUE AND OTHER INCOME

	2015 RMB'000	2014 RMB'000
Sales of products		
– Electric fireplaces	**602,203**	842,637
– Air purifiers	**169,942**	45,944
– Home decor products (excluding humidifiers)	**469,721**	480,065
– Humidifiers	**40,060**	40,360
	1,281,926	1,409,006
Other income		
– Interest income	**5,068**	3,247
– Rental income	**5,617**	10,359
– Others	**62**	171
	10,747	13,777

8 EXPENSES BY NATURE

	2015 RMB'000	2014 RMB'000
Raw materials used (note (i))	557,072	598,335
Packaging and other consumables used	60,738	62,535
Changes in inventories of finished goods and work in progress	18,611	(9,116)
Depreciation of property, plant and equipment (Note 15)	20,262	11,983
Impairment loss on property, plant and equipment (Note 15)	–	2,393
Amortisation of land use rights (Note 17)	3,496	3,076
Employee benefit expenses (Note 9)/(note (i))	168,597	177,564
Auditor's remuneration – audit services	3,084	2,984
Legal and professional fees	1,485	2,633
Net foreign exchange loss	–	4,636
Bad debts written-off (Note 19)	1,806	1,413
Delivery expenses	15,196	28,513
Electricity and utilities	13,749	14,791
Operating lease rentals	2,676	1,485
Travelling expenses	1,220	1,297
Advertising and promotion expenses	21,271	21,238
Loss on disposal of property, plant and equipment (Note 15)	–	165
Product consultation expenses (note (i))	12,278	11,882
Direct operating expenses in respect of investment property that generates rental income	319	319
Other expenses	43,645	44,662
Total cost of sales, selling and distribution costs and administrative expenses	945,505	982,788

Note:

(i) Research and development expenses comprise of:

	2015 RMB'000	2014 RMB'000
Employee benefit expenses	6,374	5,689
Cost of raw materials used	7,970	7,074
Product consultation expense (note)	12,278	11,882
	26,622	24,645

Note:

It mainly represents consultation services provided by University of Shanghai for Science for product design and development.

9 EMPLOYEE BENEFIT EXPENSES

The analysis of employee benefit expenses is as follows:

	2015 RMB'000	2014 RMB'000
Wages and salaries (including discretionary bonuses) and other benefits	127,177	133,532
Social security and pension costs	41,420	44,032
	168,597	177,564

Employee benefit expenses have been charged to the consolidated statement of comprehensive income as follows:

	2015 RMB'000	2014 RMB'000
Cost of sales	139,956	154,844
Administrative expenses	23,388	18,301
Selling and distribution costs	5,253	4,419
	168,597	177,564

(a) Five highest paid individuals

During the year, the five individuals whose emoluments were the highest in the Group included 3 (2014: 3) directors, whose emoluments were reflected in the analysis shown in Note 34. The emoluments paid or payable to the remaining individuals during the year were as follows:

	2015 RMB'000	2014 RMB'000
Wages and salaries (including discretionary bonuses) and other benefits	990	805
Social security and pension costs	97	77
	1,087	882

The emoluments of these remaining individuals fell within the following band:

	2015 Number	2014 Number
Emolument band (in HKD)		
Nil – HKD1,000,000	2	2

10 OTHER GAINS – NET

	2015 RMB'000	2014 RMB'000
Fair value gain on investment property	300	9,500
Fair value loss on derivative financial liabilities	–	(2,880)
Gain upon lapse of warrants	18,000	–
Net foreign exchange gain	5,493	–
Loss on disposal of property, plant and equipment (Note 15)	(125)	–
	23,668	6,620

11 FINANCE COSTS

	2015 RMB'000	2014 RMB'000
Interest expense on bank borrowings	3,612	4,262
Less: interest capitalised (note)	–	(1,842)
	3,612	2,420

Note:

For the year ended 31 December 2014, the capitalisation rate of borrowings was 6.38%.

12 INCOME TAX EXPENSE

	2015 RMB'000	2014 RMB'000
Current income tax	**65,501**	80,385
Withholding tax	**3,750**	4,500
Overprovision in prior years	**(889)**	(33)
Deferred income tax (Note 27)	**(131)**	4,430
Total taxation charge	**68,231**	89,282

(i) Cayman Islands profits tax

The Company is not subject to any taxation in the Cayman Islands.

(ii) Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group does not have any assessable profits in Hong Kong for the year (2014: Nil).

(iii) PRC enterprise income tax ("EIT")

Under the Enterprise Income Tax Law of the PRC (the "New EIT Law"), the applicable income tax rate for the Group's entities in the PRC, except for Allen Electronics Co., Ltd. Fujian, is 25%.

Pursuant to the New EIT Law, with respect to a new and high technology enterprise, the tax levied on its income will be charged at a preferential rate of 15% after obtaining the High New Technology Enterprise Certificate (the "Certificate") and completing the tax reduction and exemption filing with the tax authorities. Allen Electronics Co., Ltd. Fujian renewed the Certificate on 5 September 2013 and the Certificate will expire on 4 September 2016.

(iv) Withholding tax on distributed profits

Pursuant to the New EIT Law, a 10% withholding tax is levied on dividends declared by PRC companies to their foreign investors. A lower withholding tax rate of 5% is applicable if direct foreign investors with at least 25% equity interest in the PRC company are incorporated in Hong Kong and meet the relevant requirements pursuant to the tax arrangement between the PRC and Hong Kong. Since the equity holder of the PRC subsidiaries of the Company is a Hong Kong incorporated company, the Company has used 5% to provide for deferred tax liabilities on retained earnings which are anticipated to be distributed for the years ended 31 December 2015 and 2014.

12 INCOME TAX EXPENSE (Continued)

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the domestic tax rates applicable to profits of the Group's entities as follows:

	2015 RMB'000	2014 RMB'000
Profit before income tax	367,224	444,195
Tax calculated at domestic tax rates applicable to profits in the respective countries	86,881	112,655
Effects of the preferential tax rates	(24,002)	(31,876)
Expenses not deductible for taxation purposes	130	2,618
Tax losses not recognised	2,034	811
Overprovision in prior years	(889)	(33)
Withholding tax	4,077	5,107
Tax charge	68,231	89,282

13 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2015 RMB'000	2014 RMB'000 (note (a))
Profit attributable to owners of the Company	298,993	354,913
Weighted average number of ordinary shares in issue (in thousands)	1,885,773	1,800,000
Basic earnings per share (expressed in RMB per share)	0.16	0.20

Notes:

(a) On 6 July 2015, the Company completed a placement of 180,000,000 ordinary shares as disclosed in Note 23. The basic earnings per share for the year ended 31 December 2014 have not been adjusted as the effect of the placement is anti-dilutive.

(b) For the years ended 31 December 2015 and 2014, diluted earnings per share equals to the basic earnings per share as the exercise of the warrants as disclosed in Note 28 would be anti-dilutive.

14 DIVIDEND

Dividend declared and proposed during the year:

	2015 RMB'000	2014 RMB'000
Final dividend, proposed after the end of the reporting period, HKD1.5 cents (2014: HKD3.9 cents) per ordinary share	**24,948**	56,160

On 22 March 2016, the Board of Directors proposed a final dividend of HKD1.5 cents per ordinary share, totaling HKD29,700,000 (equivalent to approximately RMB24,948,000). Such dividend is to be approved by the shareholders at the annual general meeting of the Company on 10 May 2016. These consolidated financial statements do not reflect this as a dividend payable.

On 25 March 2015, the Board of Directors proposed a final dividend of HKD3.9 cents per ordinary share, totaling HKD70,200,000 (equivalent to approximately RMB56,160,000). Such dividend was approved by the shareholders at the annual general meeting of the Company on 5 May 2015 and paid in July 2015.

15 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2014						
Cost	227,888	19,436	3,168	1,345	–	251,837
Accumulated depreciation	(38,882)	(10,113)	(2,055)	(929)	–	(51,979)
Net book amount	189,006	9,323	1,113	416	–	199,858
Year ended 31 December 2014						
Opening net book amount	189,006	9,323	1,113	416	–	199,858
Additions	–	9,555	908	440	428,743	439,646
Transfer	338,519	–	–	–	(338,519)	–
Disposals	–	(143)	(22)	–	–	(165)
Depreciation (note (a))	(9,790)	(1,627)	(336)	(230)	–	(11,983)
Impairment loss (Note 8)	(2,393)	–	–	–	–	(2,393)
Transfer to assets classified as held for sale (Note 22)	(52,059)	–	–	–	–	(52,059)
Closing net book amount	463,283	17,108	1,663	626	90,224	572,904
As at 31 December 2014						
Cost	483,531	28,682	2,833	1,785	90,224	607,055
Accumulated depreciation and impairment loss	(20,248)	(11,574)	(1,170)	(1,159)	–	(34,151)
Net book amount	463,283	17,108	1,663	626	90,224	572,904
Year ended 31 December 2015						
Opening net book amount	463,283	17,108	1,663	626	90,224	572,904
Additions	–	8,726	280	382	127,056	136,444
Transfer	202,880	–	–	–	(202,880)	–
Disposals	–	(125)	–	–	–	(125)
Depreciation (note (a))	(16,745)	(2,801)	(419)	(297)	–	(20,262)
Closing net book amount	649,418	22,908	1,524	711	14,400	688,961
As at 31 December 2015						
Cost	686,411	37,280	3,113	2,167	14,400	743,371
Accumulated depreciation and impairment loss	(36,993)	(14,372)	(1,589)	(1,456)	–	(54,410)
Net book amount	649,418	22,908	1,524	711	14,400	688,961

15 PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

(a) Depreciation expenses have been charged to the consolidated statement of comprehensive income as follows:

	2015 RMB'000	2014 RMB'000
Cost of sales	7,591	6,226
Administrative expenses	12,587	5,731
Selling and distribution costs	84	26
	20,262	11,983

(b) As at 31 December 2015, bank borrowings and bills payable are secured by certain property, plant and equipment with an aggregate net book value of approximately RMB81,365,000 (2014: RMB86,649,000) (Notes 25 and 26).

16 INVESTMENT PROPERTY

Movements in the carrying amounts of investment property are summarised as follows:

	2015 RMB'000	2014 RMB'000
At 1 January	122,100	112,600
Fair value gain	300	9,500
At 31 December	122,400	122,100

Investment property was valued at 31 December 2015 by an independent professionally qualified valuer, Roma Appraisals Limited, who is a member of the Hong Kong Institute of Surveyors and has appropriate qualifications and recent experiences in the valuation of similar properties.

Management reviews the valuation performed by the independent valuer for financial reporting purposes. The review includes verification of all major inputs to the valuation, assessing property valuation movements and discussions with the independent valuer. Management considers that the current use of the investment property equates the best use.

The valuation of the investment property as at 31 December 2015 is determined using income approach based on significant unobservable inputs and is recognised under level 3 of the fair value hierarchy. The directors and the valuer consider that it is appropriate to use income approach since management will hold the investment property for long-term rental yield and will not dispose of the investment property in the short run.

The key unobservable inputs of the valuation include reversionary yield of approximately 11% (2014: 10%), expected zero vacancy rate (2014: zero) and average monthly rental of RMB26 (2014: RMB26) per square meter during reversionary period. These assumptions are estimated by the valuer based on the risk profile of the property being valued.

17 LAND USE RIGHTS

	2015 RMB'000	2014 RMB'000
At 1 January	121,746	112,613
Additions	91,285	69,702
Amortisation	(3,496)	(3,076)
Transfer to assets classified as held for sales (Note 22)	–	(57,493)
At 31 December	209,535	121,746

Amortisation of the Group's land use rights has been charged to administrative expenses in the consolidated statement of comprehensive income.

18 INVENTORIES

	2015 RMB'000	2014 RMB'000
Raw materials	11,546	11,348
Work in progress	8,592	14,898
Finished goods	11,845	24,150
	31,983	50,396

For the year ended 31 December 2015, the cost of inventories recognised as expense and included in cost of sales amounted to approximately, RMB791,983,000 (2014: RMB822,689,000).

19 TRADE RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade receivables	401,262	571,688

19 TRADE RECEIVABLES (Continued)

Notes:

(a) The credit terms granted to customers by the Group were usually 60 to 90 days.

The aging analysis of trade receivables by invoice date is as follows:

	2015 RMB'000	2014 RMB'000
0 to 30 days	**96,354**	303,768
31 to 60 days	**109,597**	175,773
61 to 90 days	**137,875**	28,161
Over 90 days	**57,436**	63,986
	401,262	571,688

(b) As at 31 December 2015, the Group's trade receivables of RMB252,036,000 (2014: RMB485,390,000) are neither past due nor impaired.

As at 31 December 2015, trade receivables of RMB149,226,000 (2014: RMB86,298,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these past due but not impaired trade receivables by overdue date is as follows:

	2015 RMB'000	2014 RMB'000
Past due by		
0 to 30 days	**143,703**	55,528
31 to 60 days	**5,523**	30,770
	149,226	86,298

(c) As at 31 December 2015, no trade receivable was impaired and provided for (2014: Nil). During the year ended 31 December 2015, trade receivables of RMB1,806,000 (2014: RMB1,413,000) were written off directly.

(d) The Group does not hold any collateral as security for trade receivables.

(e) The carrying amounts of trade receivables approximate their fair values and are denominated in the following currencies:

	2015 RMB'000	2014 RMB'000
RMB	**324,716**	517,698
USD	**76,546**	53,990
	401,262	571,688

20 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000
Current		
Deposits and prepayments (note (a))	5,444	5,791
Deposits paid for purchases of land use rights and buildings (note (d))	2,000	–
Accrued rental income	5,093	4,485
Rental receivable	5,535	2,149
Others	667	375
	18,739	12,800
Non-current		
Prepayment for commercial buildings (note (b))	292,120	–
Prepayments for construction costs	4,091	25,385
Prepayments for land use rights	–	49,840
Prepayments for purchase of property, plant and equipment	–	33,590
	296,211	108,815
Total	314,950	121,615

Notes:

(a) As at 31 December 2015, the balance included a prepayment for rental expense to a related company, which is beneficially owned by Mr. Chen Fanglin, amounting to RMB144,000 (2014: RMB144,000).

(b) On 23 November 2015, the Group entered into a sales and purchase agreement with an independent third party to purchase commercial buildings and the respective land use rights with a total consideration of RMB292,120,000 in Anhui, the PRC. The construction of the commercial buildings and the transfer of ownership of these assets are expected to be completed on or before February 2017.

(c) The carrying amounts of the Group's deposits and other receivables approximate their fair values due to short maturity date and are mainly denominated in RMB.

(d) On 28 November 2014, the Group entered into a sales and purchase agreement with an independent third party ("the seller") to purchase certain land use rights and buildings in Quanzhou, the PRC, with a total consideration of RMB98,000,000. On 3 December 2014, the Group paid RMB49,000,000 as a deposit to the seller. During the year ended 31 December 2015, the seller was not able to complete the registration of transfer of the land use rights and buildings to the Group. On 25 August 2015, the seller already refunded RMB47,000,000 to the Group but refused to refund the remaining balance of RMB2,000,000 to the Group.

During the year ended 31 December 2015, the seller filed a dispute case to the The People's Court of Quangang ("the court") in respect of this transaction against the Group. Subsequently, the Group filed a defense to the court on 30 October 2015. No legal proceeding has been commenced and the Group will take appropriate actions, such as mediation plan and legal proceeding, to collect the remaining balance of RMB2,000,000.

As at 31 December 2015, no provision has been made in respect of this case as management has determined, on the basis of legal advice obtained from the Group's external legal counsel, that it is not probable that this dispute would result in an outflow of economic benefits from the Group.

21 PLEDGED DEPOSITS, BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2015 RMB'000	2014 RMB'000
Pledged deposits (note (a))	1,840	5,600
Bank deposits with original maturities of over three months	–	100,000
Cash and cash equivalents	720,178	607,066
	722,018	712,666

Notes:

(a) The pledged deposits are held in designated bank accounts mainly for the issuance of bills payable to suppliers (Note 25).

(b) The carrying amounts of pledged deposits, bank deposits with original maturities of over three months and cash and cash equivalents of the Group are denominated in the following currencies:

	2015 RMB'000	2014 RMB'000
RMB	717,195	709,397
HKD	4,819	3,266
USD	4	3
	722,018	712,666

(c) The interest rate of the bank deposits with original maturities of over three months ranged from 3.0% to 3.3% per annum.

(d) The conversion of RMB denominated balances into foreign currencies and the remittance of cash out of PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

22 ASSETS CLASSIFIED AS HELD FOR SALE

On 30 September 2014, Quanzhou Allen Light Industry Co., Ltd., a wholly owned subsidiary of the Group, was notified by the local government of Quanzhou that certain land use rights and properties will be resumed for redevelopment.

The compensation of these properties and land use rights will be RMB109,552,000 according to the correspondences from the local government of Quanzhou and these properties and land use rights are classified as assets held for sale. The valuation was determined based on the compensation and was categorised in level 2 of the fair value hierarchy. The directors have reviewed the fair value of the assets classified as held for sale as at 31 December 2015 and considered that there are no significant changes in the underlying assumptions for the compensation and the fair value of the assets classified as held for sales. Therefore, the valuation of the assets classified as held for sales remains the same as at 31 December 2015 and 31 December 2014.

	2015 RMB'000	2014 RMB'000
At 1 January	109,552	–
Transfer from property, plant and equipment (Note 15)	–	52,059
Transfer from land use rights (Note 17)	–	57,493
At 31 December	109,552	109,552

As at December 2015 and 2014, certain assets classified as held for sale were pledged as securities for bills payable and bank borrowings made available to the Group (Notes 25 and 26).

23 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares (thousands)	Nominal value of ordinary shares HKD
Authorised:		
At 31 December 2014 and 31 December 2015	10,000,000	1,000,000

	Number of ordinary shares	Nominal value of ordinary shares HKD'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Issued and fully paid:					
At 1 January 2014 and 31 December 2014	1,800,000,000	180	141	483,413	483,554
Issue of new shares upon placement (note)	180,000,000	18	14	184,306	184,320
Share issue expenses	–	–	–	(2,098)	(2,098)
At 31 December 2015	1,980,000,000	198	155	665,621	665,776

Note:

On 6 July 2015, the Company completed a placement of 180,000,000 ordinary shares of HKD0.0001 each at a placing price of HKD1.28 per share to independent third parties. Accordingly, 180,000,000 ordinary shares of HKD0.0001 each were issued at a premium of HKD1.2799 each and the premium on issue of shares of HKD230,382,000 (equivalent to RMB184,306,000) was credited to the share premium account.

24 CAPITAL AND STATUTORY RESERVES

(a) Capital reserve represents the cash contributions to the Group through capital injection to the companies now comprising the Group by the controlling shareholder.

(b) In accordance with the Laws of the PRC on Enterprises Operated Exclusively with Foreign Capital and the Articles of Association of the Group's subsidiaries incorporated in the PRC, an appropriation to the statutory reserves has to be made prior to profit distribution to the investor. The appropriation to the statutory reserve of these foreign investment enterprises shall be no less than 10% of the net profit until the accumulated appropriation exceeds 50% of the registered capital.

25 TRADE AND OTHER PAYABLES

	2015 RMB'000	2014 RMB'000
Trade payables	127,366	243,558
Bills payable	4,600	12,750
Trade and bills payables	131,966	256,308
Other tax payable	4,629	28,715
Salary and welfare payables	12,853	29,673
Retention fee payables	9,393	9,671
Deposits received for assets classified as held for sale	9,011	–
Deposits received in advance	–	3,617
Others	5,568	7,467
	173,420	335,451

Notes:

(a) The aging analysis of the Group's trade payables and bills payable is as follows:

	2015 RMB'000	2014 RMB'000
0 to 30 days	49,938	116,656
31 to 60 days	34,353	122,236
61 to 90 days	47,655	9,973
Over 90 days	20	7,443
	131,966	256,308

(b) The carrying amounts of the Group's trade and other payables approximate their fair values due to short maturity date and are denominated in the following currencies:

	2015 RMB'000	2014 RMB'000
RMB	170,693	331,631
HKD	2,727	3,820
	173,420	335,451

(c) As at 31 December 2015, the Group's bills payables were secured by pledged deposits, certain assets classified as held for sale, guarantee of Mr. Chen Fanglin and a related party (Notes 21, 22 and 32).

As at 31 December 2014, the Group's bills payables were secured by certain property, plant, and equipment, pledged deposits and assets classified as held for sale (Notes 15, 21 and 22).

26 BORROWINGS

	2015 RMB'000	2014 RMB'000
Secured bank borrowings	49,000	54,000

The bank borrowings are repayable within one year and with floating interest rate.

As at 31 December 2015, the effective interest rate of the Group's borrowings is 6.51% (2014: 6.38%). The carrying amounts of the Group's borrowings approximate their fair values due to short maturity date and are denominated in RMB.

As at 31 December 2015, the Group's borrowings were secured by certain property, plant, and equipment, assets classified as held for sale, guarantee of Mr. Chen Fanglin and related parties (Notes 15, 22 and 32).

As at 31 December 2014, the Group's borrowings were secured by certain property, plant, and equipment, pledged deposits and assets classified as held for sale (Notes 15, 21 and 22).

27 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off and the deferred income taxes relate to the same tax jurisdiction.

The movement on the net deferred income tax is as follows:

	2015 RMB'000	2014 RMB'000
At 1 January	(11,517)	(7,087)
Credited/(charged) to the consolidated statement of comprehensive income (Note 12)	131	(4,430)
At 31 December	(11,386)	(11,517)

27 DEFERRED INCOME TAX (Continued)

The movements in deferred income tax assets and liabilities during the year without taking into consideration the offsetting of balances are as follows:

Deferred income tax assets

	Accelerated accounting depreciation RMB'000	Tax losses RMB'000	Others RMB'000	Total RMB'000
At 1 January 2014	1,634	1,226	–	2,860
(Charged)/credited to the consolidated statement of comprehensive income	(820)	(1,226)	598	(1,448)
At 31 December 2014	814	–	598	1,412
Credited to the consolidated statement of comprehensive income	533	–	–	533
At 31 December 2015	1,347	–	598	1,945

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB2,845,000 (2014: RMB811,000) in respect of losses amounting to RMB11,380,000 (2014: RMB3,245,000) that can be carried forward against future taxable income as at 31 December 2015. In respect of the tax losses, RMB811,000 and RMB2,034,000 are expiring in year 2019 and year 2020 respectively.

27 DEFERRED INCOME TAX (Continued)

Deferred income tax liabilities

	Undistributed earnings RMB'000	Fair value gain on investment property RMB'000	Total RMB'000
At 1 January 2014	(9,399)	(548)	(9,947)
Charged to the consolidated statement of comprehensive income	(607)	(2,375)	(2,982)
At 31 December 2014	(10,006)	(2,923)	(12,929)
Charged to the consolidated statement of comprehensive income	(327)	(75)	(402)
At 31 December 2015	(10,333)	(2,998)	(13,331)

As at 31 December 2015, management is of the view that undistributed earnings totalling RMB999,614,000 (2014: RMB809,263,000) are for re-investment in the PRC and not for distribution. Accordingly, deferred income tax liabilities of RMB49,981,000 (2014: RMB40,463,000) have not been recognised for the withholding tax that would be payable upon distribution of profits of the subsidiaries in the PRC.

The analysis of deferred tax assets and liabilities is as follows:

	2015 RMB'000	2014 RMB'000
Deferred income tax assets		
– to be recovered after more than 12 months	1,347	814
– to be recovered within 12 months	598	598
	1,945	1,412
Deferred income tax liabilities		
– to be settled after more than 12 months	(13,331)	(12,929)
Deferred income tax liabilities – net	(11,386)	(11,517)

28 DERIVATIVE FINANCIAL LIABILITIES

	2015 **RMB'000**	2014 RMB'000
At 1 January	**18,000**	–
On issuance	**–**	15,120
Fair value loss recognised in the profit or loss	**–**	2,880
Gain upon lapse of warrants	**(18,000)**	–
At 31 December	**–**	18,000

On 8 December 2014, the Company issued 180,000,000 unlisted warrants (the "Warrants") at a price of HKD0.105 per Warrant (approximately RMB0.084 per Warrant). Each Warrant entitles the holder to acquire one ordinary share at an exercise price of HKD2.2 per share (approximately RMB1.76 per share) for a period of 12 months from the issue date. On 7 December 2015, the Warrants were expired and none of the Warrants were exercised.

As at 31 December 2014, since the exercise price of the Warrants was fixed in HKD and the functional currency of the Company is in the RMB, the Warrants were considered a derivative. The Warrants were re-measured at fair value at each statement of financial position date with the change in fair value recorded in the profit or loss.

The financial instruments were valued on 31 December 2014 by an independent professionally qualified valuer, Cushman & Wakefield Valuation Advisory Services (HK) Limited which is a member of the Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experiences in the valuation of similar financial instruments.

Management reviewed the valuation performed by the independent valuer for financial reporting purposes. The review included verification of all major inputs to the valuation and discussions with the independent valuer. The valuation was determined by Binomial Lattice Model based on significant unobservable inputs and was categorised in level 3 of the fair value hierarchy.

The key unobservable inputs of the valuation were summarised as follows. These assumptions were estimated by the valuer based on the profile of the financial instruments being valued.

	31 December 2014
Conversion price	HKD2.2
Share price	HKD1.8
Expected volatility	38.13%
Remaining life	0.94 years
Risk-free rate	0.12%

29 SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2015:

Name	Place and date of incorporation/ establishment	Principal activities	Legal status	Paid up capital	Effective interest held as at 2015	2014
Directly held by the Company:						
China Prosper Int'l Ltd. 華茂國際有限公司	British Virgin Islands (the "BVI"), 30 December 2009	Investment holding	Limited liability company	USD50,000	100%	100%
Indirectly held by the Company:						
Allen International Holdings Limited 亞倫國際控股有限公司	Hong Kong, 10 February 2010	Investment holding	Limited liability company	HKD10,000	100%	100%
Allen China Co., Ltd. 亞倫（中國）有限公司	PRC, 2 September 1993	Manufacturing and sale of home decor products and properties rental	Foreign investment enterprise with limited liability	RMB150,000,000	100%	100%
Allen Electronics Co., Ltd. Fujian 福建亞倫電子電器科技有限公司	PRC, 19 February 1997	Manufacturing and sale of electric fireplace	Foreign investment enterprise with limited liability	HKD814,729,279	100%	100%
Quanzhou Allen Light Industry Co., Ltd. 泉州亞倫輕工有限公司	PRC, 27 September 2001	Manufacturing and sale of home decor products	Foreign investment enterprise with limited liability	USD10,000,000	100%	100%
Allen Electronics Co., Ltd. Anhui 安徽亞倫電子科技有限公司	PRC, 16 January 2014	Manufacturing and sale of electric fireplace	Foreign investment enterprise with limited liability	RMB100,000,000	100%	100%

30 CASH GENERATED FROM OPERATIONS

	2015 RMB'000	2014 RMB'000
Profit before income tax	367,224	444,195
Adjustments for:		
– Amortisation of land use rights	3,496	3,076
– Loss on disposal of property, plant and equipment	125	165
– Impairment loss on property, plant and equipment	–	2,393
– Depreciation of property, plant and equipment	20,262	11,983
– Interest income	(5,068)	(3,247)
– Finance costs	3,612	2,420
– Foreign exchange (gain)/loss on operating activities	(5,493)	4,636
– Bad debts written-off	1,806	1,413
– Fair value gain on investment property	(300)	(9,500)
– Fair value loss on derivative financial liabilities	–	2,880
– Gain upon lapse of warrants	(18,000)	–
Changes in working capital:		
– Decrease/(increase) in inventories	18,413	(12,753)
– Decrease/(increase) in trade receivables	173,493	(236,329)
– Decrease in deposits, prepayments and other receivables	38,970	87,226
– Decrease/(increase) in pledged deposits	3,760	(3,184)
– (Decrease)/increase in trade and other payables	(162,031)	129,350
Cash generated from operations	440,269	424,724

31 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	2015 RMB'000	2014 RMB'000
Contracted but not provided for		
– Land use rights	–	17,210
– Property, plant and equipment	13,145	47,799
	13,145	65,009

31 COMMITMENTS (Continued)

(b) Operating leases commitments

The Group leases offices and warehouses under non-cancellable operating lease agreements. The lease terms are between one to five years.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2015 RMB'000	2014 RMB'000
No later than one year	2,399	1,255
Later than one year and no later than five years	1,670	2,408
	4,069	3,663

(c) Operating leases (as lessor)

The Group leases out investment property under operating leases. The future aggregate minimum lease rental receivable under non-cancellable operating leases in respect of investment property as follows:

	2015 RMB'000	2014 RMB'000
No later than one year	12,892	8,595
Later than one year and no later than five years	36,988	45,582
Later than five years	117,077	117,077
	166,957	171,254

32 RELATED-PARTY TRANSACTIONS

As at 31 December 2015, the Group is controlled by China Wisdom Asia Limited (incorporated in the BVI), which owns 54% of the Company's shares. The remaining 46% of the shares are widely held. The ultimate parent of the Group is Central Profit Group Limited (incorporated in the BVI). The ultimate controlling party of the Group is Mr. Chen Fanglin.

The directors of the Company are of the view that the following companies were related parties that had transactions or balances with the Group during the year:

Person/Company	**Relationship with the Group**
Ms. Chen Xiangqun	Spouse of Mr. Chen Fanglin
Quanzhou Xinliya Trading Co., Ltd. （泉州欣利亞商貿有限公司）	Beneficially owned by Mr. Chen Fanglin
Quanzhou Meiya Property Management Co., Ltd. （泉州美亚商业管理有限公司）	Beneficially owned by Mr. Chen Fanglin

32 RELATED-PARTY TRANSACTIONS (Continued)

(a) Purchase of services

	2015 RMB'000	2014 RMB'000
Rental expense (note)	**864**	864

Note:

It represents rental expense of a home furnishing concept shop paid or payable to Quanzhou Xinliya Trading Co., Ltd and was determined at prevailing market rate of similar shops nearby.

(b) Key management compensation

Key management includes directors and other key management of the Group. The compensation paid or payable to key management for employee services is shown below:

	2015 RMB'000	2014 RMB'000
Directors' fees	**291**	285
Basic salaries, housing allowances, other allowances and benefits in kind	**4,808**	3,710
Social security and pension costs	**1,077**	911
	6,176	4,906

(c) Guarantee by Mr. Chen Fanglin

As at 31 December 2015, certain bank borrowings and bills payables are secured by Mr. Chen Fanglin (2014: Nil).

(d) Guarantee by Quanzhou Meiya Property Management Co., Ltd. and Ms. Chen Xiangqun

As at 31 December 2015, certain bank borrowings and bills payables are secured by Quanzhou Meiya Property Management Co., Ltd. and Ms. Chen Xiangqun (2014: Nil).

33 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	2015 RMB'000	2014 RMB'000
ASSETS		
Non-current asset		
Investment in a subsidiary	1,155,484	1,155,484
Current assets		
Amounts due from subsidiaries	667,378	131,638
Prepayments and other receivables	–	257
Cash and cash equivalents	48	53
	667,426	131,948
Total assets	1,822,910	1,287,432
EQUITY		
Share capital	155	141
Share premium	665,621	483,413
Reserves (note)	1,154,477	782,951
Total equity	1,820,253	1,266,505
LIABILITIES		
Current liabilities		
Other payables	2,657	2,927
Derivative financial liabilities	–	18,000
	2,657	20,927
Total equity and liabilities	1,822,910	1,287,432

The balance sheet of the Company was approved by the Board of Directors on 22 March 2016 and was signed on its behalf.

Chen Fanglin **Chen Hongming**

33 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Note:

Reserve movement of the Company

	Capital reserve RMB'000	Retained earnings RMB'000	Total RMB'000
As at 1 January 2014	715,521	60,309	775,830
Total comprehensive income			
Profit for the year	–	60,268	60,268
Transaction with owners:			
Dividends	–	(53,147)	(53,147)
As at 31 December 2014	715,521	67,430	782,951
As at 1 January 2015	715,521	67,430	782,951
Total comprehensive income			
Profit for the year	–	427,686	427,686
Transactions with owners:			
Dividends	–	(56,160)	(56,160)
As at 31 December 2015	715,521	438,956	1,154,477

34 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The details of directors' emoluments are set out below:

For the year ended 31 December 2015:

Name of Director	As Director (note (i)) Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Employer's contribution to pension scheme RMB'000	As Management (note (ii)) Employee benefits RMB'000	Total RMB'000
Executive directors						
Mr. Chen Fanglin	–	623	–	415	623	1,661
Mr. Chen Hongming	–	158	50	53	780	1,041
Mr. Shen Jianzhong	–	157	50	52	780	1,039
Non-executive directors						
Mr. Dai Jianping	97	–	–	–	–	97
Mr. Ng Wing Keung	97	–	–	–	–	97
Ms. Sun Kam Ching	97	–	–	–	–	97
	291	938	100	520	2,183	4,032

For the year ended 31 December 2014 (note (v)):

Name of Director	As Director (note (i)) Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Employer's contribution to pension scheme RMB'000	As Management (note (ii)) Employee benefits RMB'000	Total RMB'000
Executive directors						
Mr. Chen Fanglin	–	600	–	366	600	1,566
Mr. Chen Hongming	–	151	25	51	681	908
Mr. Shen Jianzhong	–	152	25	51	681	909
Non-executive directors						
Mr. Dai Jianping	95	–	–	–	–	95
Mr. Ng Wing Keung	95	–	–	–	–	95
Ms. Sun Kam Ching	95	–	–	–	–	95
	285	903	50	468	1,962	3,668

34 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

Notes:

(i) The amounts represented emoluments paid or payable in respect of a person's services as a director, whether of the Company or its subsidiaries undertakings.

(ii) The amounts represented emoluments paid or payable in respect of a person's other services in connection with the management of the affairs of the Company or its subsidiaries undertakings and included salaries, discretionary bonuses and pension costs.

(iii) No director has waived or agreed to waive any emoluments during the year (2014: Nil).

(iv) During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2014: Nil).

(v) Comparative figures have been restated to conform to the current year's presentation.

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits during the year (2014: Nil).

(c) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2015, the Company did not pay consideration to any third parties for making available directors' services (2014: Nil).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the five financial years, as extracted from the audited financial statements and the Company's prospectus dated 10 December 2013, is set out below:

RESULTS

	Year ended 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**1,281,926**	1,409,006	1,195,522	969,026	804,072
Cost of sales	**(808,514)**	(840,026)	(666,072)	(540,829)	(472,842)
Gross profit	**473,412**	568,980	529,450	428,197	331,230
Selling and distribution costs	**(52,099)**	(64,111)	(59,851)	(53,504)	(48,687)
Administrative expenses	**(84,892)**	(78,651)	(83,002)	(42,995)	(29,502)
Other income	**10,747**	13,777	6,482	2,613	1,883
Other gains-net	**23,668**	6,620	–	–	–
Operating profit	**370,836**	446,615	393,079	334,311	254,924
Finance costs	**(3,612)**	(2,420)	(4,481)	(2,992)	(1,687)
Profit before income tax	**367,224**	444,195	388,598	331,319	253,237
Income tax expense	**(68,231)**	(89,282)	(85,369)	(69,690)	(34,976)
Profit for the year attributable to owners of the Company	**298,993**	354,913	303,229	261,629	218,261
Earnings per share – Basic and diluted (RMB)	**0.16**	0.20	0.21	0.18	0.15

ASSETS, LIABILITIES AND EQUITY

	As at 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS	**2,600,661**	2,382,667	1,921,627	1,164,118	757,319
TOTAL LIABILITIES	**254,133**	461,194	301,920	359,641	160,071
TOTAL EQUITY	**2,346,528**	1,921,473	1,619,707	804,477	597,248