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

Incorporated in the Cayman Islands with limited liability

Stock Code: 2228

ANNUAL REPORT
2015

中国节能
CHINA ENERGY CONSERVATION AND ENVIRONMENTAL PROTECTION GROUP

中國節能海東青
CECEP COSTIN

Contents

Corporate Information

EXECUTIVE DIRECTORS
Mr. Wang Li *(Co-Chairman)*
Mr. Chim Wai Kong *(Co-Chairman)*
Mr. Chim Wai Shing Jackson *(Chief Executive Officer)*
Mr. Xue Mangmang

NON-EXECUTIVE DIRECTORS
Mr. Yang Yihua
Ms. Ma Yun

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Feng Xue Ben
Mr. Wong Siu Hong
Mr. Xu Qinghua

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

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

AUDITOR
RSM Hong Kong
Certified Public Accountants

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Appleby Trust (Cayman) Limited
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75 Fort Street
P.O. Box 1350
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Cayman Islands

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Computershare Hong Kong Investor Services Limited
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Wanchai
Hong Kong

REGISTERED OFFICE
Scotia Centre, 4th Floor
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Grand Cayman KY1-1112
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Suites 2703-04
27th Floor, Tower 6
The Gateway
Harbour City
Kowloon

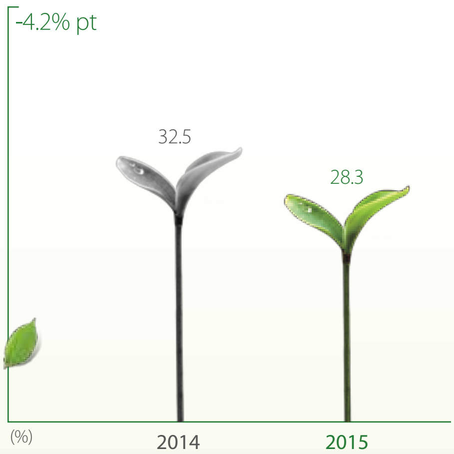
WEBSITE
www.costingroup.com

Results Highlights

REVENUE

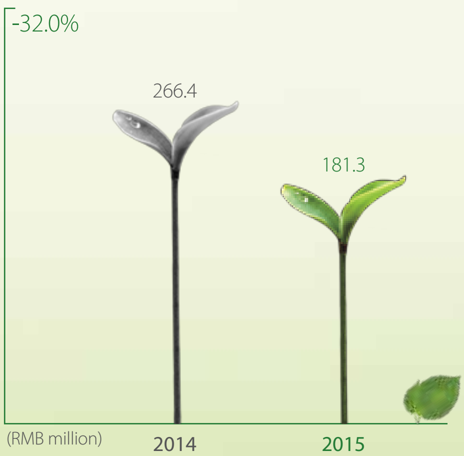
GROSS PROFIT

GROSS PROFIT MARGIN



PROFIT FROM OPERATIONS

PROFIT FOR THE YEAR



BASIC EARNINGS PER SHARE

Co-Chairmen's Statement

To our esteemed shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of CECEP COSTIN New Materials Group Limited ("CECEP COSTIN" or the "Company"), we are pleased to present the annual report of the Company and its subsidiary companies (collectively referred to as the "Group") for the year ended 31 December 2015.

2015 was a challenging year for the non-woven materials and recycled chemical fibres industries. Being affected by the growth slowdown and structural adjustment witnessed in the economy of the People's Republic of China (the "PRC" or "China"), the sales volume and revenue of the Group's non-woven materials and recycled chemical fibres recorded a year-on-year decline. In 2015, revenue of the Group was approximately RMB1,241,800,000, representing a decrease of approximately 6.1% as compared with 2014; gross profit was approximately RMB350,800,000, representing a decrease of approximately 18.3% as compared with 2014. The profit for the year attributable to owners of the Company was approximately RMB181,300,000, representing a decrease of approximately 32.0% as compared with 2014; and basic earnings per share for the year was approximately RMB7.78 cents (2014: RMB11.44 cents (restated)).

In 2015, the Company continued to be recognized as one of the top 40 non-woven industry companies in 2015 by Nonwovens Industry, a United States industry magazine. Moreover, in order to diversify into the biomass energy and resource recycling-based industry businesses and broaden its income stream, the Group started to import tapioca chips from overseas markets to sell in China since June 2015. The annual production capacity of non-woven wiring tapes has also been increased from 5 million sq.m. to 15 million sq.m. by December 2015.

Against the backdrop of slower economic growth and structural adjustment of the PRC economy, the recycled chemical fibres and non-woven materials industries will still face challenges and pressure. However, benefiting from the government's decision to treat the energy-saving and environmental-friendly industry as one of the emerging strategic industries which is undergoing accelerated fostering and development, it is expected that green development will become one of the five development philosophies for building a moderately prosperous society with non-woven materials segment remaining the important growth driver for the textile industry. Facing the opportunities and challenges ahead and in response to the market needs, the Group will continue to improve internal operation and business model, and also seek for new business opportunities to promote the sustainable development of the Group.

ACKNOWLEDGEMENT

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

Wang Li
Co-Chairman

Chim Wai Kong
Co-Chairman

Hong Kong, 22 March 2016

Management Discussion and Analysis

BUSINESS REVIEW

Key products of the Group include differential recycled chemical fibres, non-woven materials for industrial uses and environmental-friendly thermal resistant filtration materials. The Group's products have been widely applied as raw materials in the manufacture of consumer goods and industrial products including filter materials and filtration bags, decoration materials, shoe materials and household materials. The Group also provides tailor-made products that satisfy the specific requirements of different customers, including non-woven materials with special functions such as waterproof, antibacterial, anti-UV and flame retardant. In addition, the Group started to import tapioca chips from overseas markets to sell in the PRC since June 2015, so as to diversify its business and broaden its income stream. In 2015, affected by slowdown in the PRC economy, the average selling price and gross profit margin of our products decreased as compared with 2014.

Non-woven materials with 3D engineering structure

As at 31 December 2015, the Group had 23 stitch-bonded non-woven material production lines and 9 needle-punching non-woven material production lines with annual production capacity of approximately 113 million yards and 57 million yards, respectively, bringing the aggregate production capacity to approximately 170 million yards per annum. Sales volume of the non-woven materials and recycled chemical fibres of the Group decreased due to decline in the market demand for traditional industrial products as a result of slowdown of the economic growth in the PRC during the year. Being affected by the general economic conditions, sales volume and revenue of the non-woven materials of the Group dropped by approximately 5.8% and 2.2% respectively as compared with 2014, while the gross profit margin of non-woven materials decreased by approximately 4.9 percentage points to approximately 32.5% as compared with 2014.

The Group always put emphasis on new product development and market expansion of non-woven materials. In 2015, the Group continued to strengthen its cooperation with Coroplast Fritz Müller GmbH & Co. KG (a German enterprise) in production of non-woven wiring tapes. Due to the excellent performance of this product, the Group has established a long-term supply relationship with the German enterprise. The Group has expanded the annual production capacity of non-woven wiring tapes from 5 million sq.m. to 15 million sq.m. by December 2015. The Group will continue to enhance its R&D capabilities, and through continuous development of non-woven wiring tapes for automobiles, expansion of production line and refinement of product structure, the Group will accelerate transformation and upgrade of products to increase their technology content and added value with an aim to increase the gross profit margin of our products as well as enhance its market competitiveness. The Group will put more efforts into the upgrade of structure of non-woven material products and increase the proportion of products for industrial uses such as in automobiles and construction industries in order to achieve higher returns.

Recycled chemical fibres

As at 31 December 2015, the Group had 2 recycled chemical fibres production lines with annual production capacity of approximately 42,000 tons, which can process approximately 53,000 tons of waste PET chips per annum. Affected by the drop in domestic demand for recycled chemical fibres, sales volume of recycled chemical fibres of the Group decreased by approximately 30.8% as compared with 2014. Revenue of recycled chemical fibres also decreased with the decline in demand by approximately 37.6% as compared with 2014, while the gross profit margin increased by approximately 0.3 percentage points to 18.3% as compared with the corresponding period of last year. The Group will push forward the transformation of the recycled chemical fibres segment to high-end products, take initiatives to exploit new markets and step up efforts in research and development of new products, so as to improve the product competitiveness.

Thermal resistant filtration materials

The Group had 3 thermal resistant filtration materials production lines with annual production capacity of approximately 21 million sq.m. Due to intensified market competition, sales volume of thermal resistant filtration materials of the Group was approximately 1.9 million sq.m. in 2015, representing a decrease of approximately 24.6% as compared with 2014, while revenue amounted to approximately RMB51.9 million, representing a decrease of approximately 48.5% as

compared with 2014. With increasing application of bag-type filtration material in the steel, non-ferrous metal, chemical, waste-to-energy and medical waste incineration industries in the PRC, and the raising of the smoke and dust emission standards for pollutant discharging industries by the PRC government, the Group remains cautiously optimistic about the future development of the thermal resistant filtration material business.

Tapioca chips trading

In order to diversify into the biomass energy and resource recycling-based industry businesses and broaden our income stream, the Group started to import tapioca chips from overseas markets to sell in the PRC since June 2015. In 2015, revenue from tapioca chips trading of the Group amounted to approximately RMB58.2 million and the sales volume amounted to approximately 40,200 tons.

Product R&D

The Group adheres to the industry philosophy of "innovative environmental solution and technology for robust growth". The Group has a Provincial-Level Technology Centre in Fujian, a new type of construction technology research centre of non-woven materials in Fujian and a development base of environmental-friendly filtration materials in the PRC, which was accredited with SCS Recycled Content Certification, CNAS certification and OEKO-TEX STANDARD 100 certification. As a High and New Technology Enterprise enjoying the preferential tax rate of 15%, the Group strives to promote the technological advancement. As of 31 December 2015, the Group had 69 patents and was applying for the registration of 21 patents.

While continuing to consolidate our leading position in the traditional sectors such as shoe materials and household materials, the Group will also step up efforts in research and development to improve and promote the new non-woven material products for industrial uses such as in automobiles and construction materials industries. Through expansion of production line and refinement of product structure, the Group will accelerate transformation and upgrade of products to increase their technology content and added value, expand production application, improve the differentiated functions of the products and enhance quality control, with an aim to increase the gross profit margin of our products as well as enhance its market competitiveness.

FINANCIAL REVIEW

For the year ended 31 December 2015, the Group's revenue decreased by approximately 6.1% to approximately RMB1,241.8 million while profit attributable to owners of the Company decreased by approximately 32.0% to approximately RMB181.3 million as compared with last year.

Revenue

The Group's revenue for the year ended 31 December 2015 was approximately RMB1,241.8 million, representing a decrease of approximately 6.1% or approximately RMB80.8 million over last year. The drop in revenue was primarily due to the weakened market demand for non-woven materials, recycled chemical fibres and thermal resistant filtration materials of the Group as a result of the slowdown of the economic growth in the PRC.

Revenue of non-woven materials for the year ended 31 December 2015 was approximately RMB1,015.3 million, representing a decrease of approximately 2.2% or approximately RMB22.5 million from last year. Revenue of recycled chemical fibres for the year ended 31 December 2015 was approximately RMB109.4 million, representing a decrease of approximately 37.6% or approximately RMB66.0 million from last year. Revenue of thermal resistant filtration materials for the year ended 31 December 2015 was approximately RMB51.9 million, representing a decrease of approximately 48.5% or approximately RMB48.9 million from last year. In June 2015, the Group commenced the new tapioca chips trading business. Revenue of tapioca chips trading was approximately RMB58.2 million for the year ended 31 December 2015.

During the year ended 31 December 2015, export sales to Hong Kong and overseas market accounted for approximately 35.2% (2014: 17.6%) of the Group's revenue while sales in the PRC (except Hong Kong) accounted for approximately 64.8% (2014: 82.4%).

During the year under review, the Group sold approximately 97.3 million yards of non-woven materials, representing a decrease of approximately 5.8% from last year. Sales volume of recycled chemical fibres was approximately 14,700 tons, representing a decrease of approximately 30.8% from last year. Sales volume of thermal resistant filtration materials was approximately 1.9 million sq.m., representing a decrease of approximately 24.6% from last year. Sales volume of tapioca chips was approximately 40,200 tons for the year ended 31 December 2015.

Gross profit and gross profit margin

For the year under review, the Group's gross profit was approximately RMB350.8 million, representing a decrease of approximately 18.3% or approximately RMB78.6 million as compared with 2014. The decrease in gross profit was mainly attributable to (i) the decrease in sales amount of non-woven materials, recycled chemical fibres and thermal resistant filtration materials segment; and (ii) the decrease in gross profit margin of the non-woven materials and thermal resistant filtration materials. The gross profit for the non-woven materials segment accounted for approximately 94.1% of the total gross profit (2014: 90.5%). The gross profit for the recycled chemical fibres segment accounted for approximately 5.7% of the total gross profit (2014: 7.3%). The gross profit for the tapioca chips trading segment accounted for approximately 0.5% of the total gross profit (2014: Nil). The thermal resistant filtration materials segment did not have any profit contribution for the year ended 31 December 2015 (2014: 1.5%).

The overall gross profit margin of the Group's products was approximately 28.3%, representing a decrease of approximately 4.2 percentage points as compared with 2014. The gross profit margin for non-woven materials segment decreased from approximately 37.4% for the ended 31 December 2014 to approximately 32.5% for the year ended 31 December 2015. As for the recycled chemical fibres segment, its gross profit margin was approximately 18.3% for the year ended 31 December 2015, representing an increase of approximately 0.3 percentage points as compared with last year. The thermal resistant filtration materials has incurred a segment loss of approximately RMB3.1 million during the year (2014: gain of RMB6.5 million). The gross profit margin of tapioca chips was approximately 2.9%. The decrease in gross profit margin of non-woven materials was mainly due to the decrease in market demand for traditional industrial products as a result of slowdown in the PRC economy and increased market competition.

Distribution expenses

For the year ended 31 December 2015, distribution expenses decreased by approximately RMB1.3 million as compared with 2014. Distribution expenses accounted for approximately 1.2% of the Group's revenue for the year ended 31 December 2015 (2014: 1.3%).

Administrative expenses

Administrative expenses for the year ended 31 December 2015 increased by approximately RMB15.7 million as compared with 2014. The increase in administrative expenses was mainly due to the increase of allowances for trade receivables and inventories by approximately RMB24.1 million to approximately RM31.7 million. Excluding the allowances for trade receivables and inventories, the percentage of administrative expenses to revenue was approximately 5.8% for the year ended 31 December 2015 (2014: 6.1%).

Finance costs

Finance costs for the year ended 31 December 2015 decreased by approximately RMB3.8 million as compared with 2014. The decrease in finance costs was mainly due to decreases in the amount and average interest rate of the Group's bank borrowings.

Income tax expense

The Group's effective income tax rate was increased from approximately 19.9% in 2014 to approximately 23.5% for the year ended 31 December 2015. As the allowances for trade receivables and inventories made for the year cannot be used immediately to offset the current tax of the Group, the effective income tax rate has increased as a result.

Profit attributable to owners of the Company and net profit margin

Profit attributable to owners of the Company for the year ended 31 December 2015 was approximately RMB181.3 million, representing a decrease of approximately 32.0% or approximately RMB85.1 million as compared with 2014. The Group's net profit margin for the year under review was approximately 14.6%, representing a decrease of 5.5 percentage points as compared with last year. The decrease in net profit margin was mainly due to an increase in administrative expenses and decrease in profit margin.

Earnings per share and dividends

Basic earnings per share for the year ended 31 December 2015 was approximately RMB7.78 cents (2014: RMB11.44 cents (restated)), representing a decrease of approximately 32.0% as compared with 2014. The decrease in basic earnings per share was a result of the decrease in net profit for the year.

No diluted earnings per share is presented as the Company did not have any dilutive potential ordinary share during the years ended 31 December 2014 and 2015.

The Directors have resolved to recommend the payment of a final dividend of HK0.7 cent per ordinary share for the year ended 31 December 2015. Coupled with the interim dividend of HK1.2 cents per ordinary share that was already paid to the shareholders of the Company (the "Shareholders") during the year, the total amount of dividends declared to the Shareholders for the year ended 31 December 2015 will be amounted to HK1.9 cents per ordinary share. The dividend payout ratio for 2015 will be approximately 20.3% (2014: 23.1%). The decrease in the amount of dividends per share declared to the Shareholders for 2015 was due to decrease in the profit attributable to owners of the Company for the year.

Liquidity and financial resources

The Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 21 June 2010 and the net proceeds of the global offering was approximately HK$439.8 million after deducting related underwriting fees and other expenses. The proceeds were applied during the year in accordance with the proposed applications set out in the Company's prospectus dated 8 June 2010. As at the date of this report, the Group already used approximately HK$162.7 million of the net proceeds for establishment of the filtration materials production facilities and approximately HK$24.3 million for the expansion of its existing technology centre and the establishment of a research centre for new materials. In addition, approximately HK$40.0 million was used as the Group's general working capital. The Group has deposited the remaining unused proceeds in licensed banks in Hong Kong and the PRC.

The Group generally finances its operations with internally generated cash flow and facilities provided by its principal bankers in Hong Kong and the PRC. The Group had bank and cash balances of approximately RMB1,587.2 million (2014: RMB1,338.8 million) and pledged bank deposits of approximately RMB20.6 million (2014: RMB42.1 million) as at 31 December 2015. The Group's bank and cash balances were mostly held in Hong Kong dollars ("HK dollars"), United States dollars ("US dollars") and Renminbi.

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

As at 31 December 2015, the Group's bank borrowings amounted to approximately RMB337.6 million (2014: RMB365.9 million), of which all of the bank borrowings (2014: 78.4%) were repayable within one year. The Group's bank borrowings were in HK dollars, US dollars and Renminbi, whilst approximately 57.4% (2014: 65.2%) of such borrowings bore interest at fixed lending rate. As at 31 December 2015, the loan from an intermediate holding company of the Group amounted to RMB3.0 million, which was repayable in RMB in 2018 and interesting-bearing at fixed lending rate. As at 31 December 2015, the Group's gearing ratio was approximately 14.8% calculated as bank borrowings plus loan from intermediate holding company divided by total assets (2014: 16.3%). The decrease in gearing ratio was mainly attributable to the increase in total assets and decrease of bank borrowings during the year. Net current assets and net assets of the Group as at 31 December 2015 were approximately RMB1,424.0 million (2014: RMB1,344.5 million) and approximately RMB1,716.0 million (2014: RMB1,604.2 million), respectively.

As at 31 December 2015, certain prepaid land lease payments, buildings and investment properties of the Group with carrying values of approximately RMB55.5 million (2014: RMB43.2 million), approximately RMB96.9 million (2014: RMB64.6 million) and approximately RMB3.5 million (2014: RMB3.9 million), respectively, were pledged to secure general banking facilities granted to the Group.

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

Significant investments and acquisitions

During the year ended 31 December 2015, the Group acquired property, plant and equipment and incurred costs for construction in progress of approximately RMB4.9 million (2014: RMB26.3 million) and approximately RMB7.5 million (2014: RMB0.6 million), respectively.

RISK MANAGEMENT

The Group has developed a risk management system covering all the business segments to monitor, assess and manage various risks of the Group. The management of the Group has identified major risks and performed regular review of industry, policy, operational and currency risks.

Industry risk

Affected by slowdown in the PRC economy in 2015, the average selling price and gross profit margin of the Group's products decreased as compared with 2014. Given that revenue from PRC (except Hong Kong) accounted for approximately 64.8% of the Group's revenue in 2015, continual slowdown in the PRC economy will adversely impact the future operating results of the Group.

Policy risk

The future development of the Group will be subject to policy risk of the PRC government as demands of the Group's environmentally friendly products including recycled chemical fibres and thermal resistant materials will be affected by the direction of PRC government's environmental protection policy.

Operational risk

In 2015, sales to the Group's five largest customers accounted for approximately 53% of the total sales of the year. Shall the Group fail to secure future sale orders from such customers, the Group's operation may be adversely affected.

Currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in RMB, Hong Kong dollars and United States dollars.

PROSPECTS AND OUTLOOK

The Group will continue to explore new markets and increase the added value of products, so as to further consolidate the market position of the Group. The Group will adjust the industrial structure, optimize the management on technologies and promote synergies and cooperation with an aim to achieve industrial upgrade. Leveraging on our basic advantages of stitch-bonded and needle-punching non-woven technologies and equipment, the Group will continue to expand the non-woven materials, thermal resistant filtration materials and recycled chemical fibres businesses. Adhering to the principles of diversified and recycled raw materials resources, clean processing process, quality and functional products, international marketing and service network and integrated technology solutions, the Group will vigorously push forward industrial transformation and upgrade, so as to improve the market competitiveness of the Group. Based on the existing recycling economy industry, the Group will develop brand new recycled products. By increasing investment in the R&D of products like industrial filtration materials, high-end non-woven materials and special fibre products, the Group will introduce high-end products with its own characteristics, so as to gradually increase its market shares.

The Group will continue to strengthen cooperation with China Energy Conservation and Environmental Protection Group, and seize the opportunities arising from the supportive policies of the government for development of energy-conservation and environmental-friendly industries to proactively explore the market, in an effort to achieve new breakthrough in business development. The Group will fully capitalize on the advantage of "marketing superiority through unique sales strategies and technical know-how", and continue to push ahead product upgrade and business expansion, turning the marketing strategy from sale of products to sale of services and technology. In terms of the non-woven materials segment, the focus will be shifted to development of products for industrial uses such as in automobile and construction industries. As to resource recycling, the Group will make use of waste chips, waste yarns and waste filtration bags to produce recycled products. Focusing on industrial dust filtration market, the Group will consolidate key resources of the atmospheric dust filtration industry, developing from a filtration materials supplier into an integrated supplier of atmospheric treatment technology, products and services. Committed to the motto of "purifying the impossible" in the low-carbon era, the Group will continue to establish its environmental brand name, with an aim to develop the Group into a technology-based environmental-friendly group.

EMPLOYMENT, TRAINING AND DEVELOPMENT

As at 31 December 2015, the Group had a total of 765 employees (2014: 1,001). The Group always maintains cordial working relationships with its employees and commits to the provision of excellent training and development opportunities for its staff. The Group's remuneration packages are maintained at a competitive level and are reviewed periodically. Bonus and share options are also granted to employees according to their respective performance, appraisals and industry practices. The share option scheme (the "Share Option Scheme") was adopted by the Company on 12 May 2010. No share options have been granted by the Company pursuant to the Share Option Scheme during the year ended 31 December 2015. As at 31 December 2014 and 2015, no share options remained outstanding.

Corporate Governance Report

INTRODUCTION

The Company is committed to ensuring high standards of corporate governance. Save and except for code provision A.6.7 as detailed below, the Company has complied with all applicable code provisions under the Corporate Governance Code (the "Corporate Governance Code"), as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), throughout the year ended 31 December 2015.

Under code provision A.6.7 of the Corporate Governance Code, the independent non-executive directors and non-executive directors should attend general meetings of the Company. Mr. Pan Tingxuan (former non-executive director resigned on 1 June 2015) and Mr. Xu Qinghua (independent non-executive director) were unable to attend the annual general meeting of the Company held on 20 May 2015 due to their other business commitments. Ms. Ma Yun (non-executive director), Mr. Feng Xue Ben (independent non-executive director) and Mr. Xu Qinghua (independent non-executive director) were unable to attend the extraordinary general meeting of the Company held on 7 August 2015 due to their other business commitments. Mr. Yang Yihua (non-executive director), Ms. Ma Yun (non-executive director) and Mr. Xu Qinghua (independent non-executive director) were unable to attend the extraordinary general meeting of the Company held on 31 August 2015 due to their other business commitments.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry of the Directors, all the Directors confirmed that they had complied with the required standards as set out in the Model Code for the year ended 31 December 2015.

BOARD OF DIRECTORS

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

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

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

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

BOARD OF DIRECTORS (CONTINUED)

The Board meets regularly to review the financial and operating performance of the Group, to make important decisions and to approve future strategies. Thirteen Board meetings were held in 2015. Individual attendance of each Director at the Board meetings, the general meetings, the Audit Committee meetings, the Nomination Committee meetings and the Remuneration Committee meetings during 2015 is set out below:

		Attendance/Number of Meeting(s)				
Directors	*Board*	*Annual General*	*Extraordinary General*	*Audit Committee*	*Nomination Committee*	*Remuneration Committee*
Executive Directors						
Mr. Wang Li *(Co-Chairman) (Note 1)*	6/7	N/A	1/2	N/A	N/A	N/A
Mr. Yu Heping *(Co-Chairman) (Note 2)*	6/6	1/1	N/A	N/A	N/A	N/A
Mr. Chim Wai Kong *(Co-Chairman)*	13/13	1/1	2/2	N/A	4/4	N/A
Mr. Chim Wai Shing Jackson *(Chief Executive Officer)*	13/13	1/1	2/2	N/A	N/A	3/3
Mr. Xue Mangmang	12/13	1/1	1/2	N/A	N/A	N/A
Non-Executive Directors						
Mr. Yang Yihua	9/13	1/1	1/2	N/A	N/A	N/A
Mr. Pan Tingxuan *(Note 3)*	3/3	0/1	N/A	N/A	N/A	N/A
Ms. Ma Yun *(Note 4)*	9/10	N/A	0/2	N/A	N/A	N/A
Independent Non-Executive Directors						
Mr. Feng Xue Ben	13/13	1/1	1/2	2/2	4/4	3/3
Mr. Wong Siu Hong	13/13	1/1	2/2	2/2	4/4	3/3
Mr. Xu Qinghua	13/13	0/1	0/2	2/2	4/4	3/3

Notes:

1. *Mr. Wang Li was appointed as an executive Director and Co-Chairman with effect from 1 July 2015.*
2. *Mr. Yu Heping ceased to act as an executive Director and Co-Chairman with effect from 1 July 2015.*
3. *Mr. Pan Tingxuan ceased to act as a non-executive Director with effect from 1 June 2015.*
4. *Ms. Ma Yun was appointed as a non-executive Director with effect from 1 June 2015.*

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

Biographical details of the Directors, together with information about the relationship among them, can be found under the Directors and Senior Management Profile section on pages 25 to 30.

TRAINING AND SUPPORT FOR DIRECTORS

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

A training was organised for Directors in December 2015 to update the Directors on the new amendments to the Corporate Governance Code and associated Listing Rules.

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

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

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

CO-CHAIRMEN AND CHIEF EXECUTIVE OFFICER

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

REMUNERATION COMMITTEE

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

During the year, the Remuneration Committee reviewed the remuneration policies and approved the salary of Directors and senior management. The remuneration of each Director is determined by the committee with reference to his/her duties and responsibilities with the Company. No executive Director has taken part in any discussion about his own remuneration. Three meetings were held by the Remuneration Committee in 2015. Three out of four of the committee members are independent non-executive directors of the Company. Its current members include:

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

Directors' remunerations for the year are disclosed in note 12 to the consolidated financial statements. In addition, the remuneration payable to members of the senior management of the Group by band for the year ended 31 December 2015 is set out below:

Remuneration band	***Number of individuals***
Up to HK$1,000,000	8
HK$1,000,001 to HK$1,500,000	2

NOMINATION COMMITTEE

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

The terms of reference of the Nomination Committee have been determined with reference to the Corporate Governance Code. The Nomination Committee is responsible for identifying potential new directors and recommending to the Board for decision. A Director appointed by the Board is subject to re-election by the Shareholders at the first general meeting or annual general meeting after his/her appointment. Under the Company's articles of association, at each annual general meeting one-third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at an annual general meeting at least once every three years. Basically, the nomination procedure follows the articles of association of the Company. Potential new Directors are selected on the basis of their qualification, skills and experience which the Nomination Committee considers will make a positive contribution to the performance of the Board. Four meetings were held by the Nomination Committee in 2015. Three out of four of the committee members are independent non-executive directors of the Company. Its current members include:

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

During the year, the Nomination Committee reviewed the qualifications of Mr. Wang Li and Ms. Ma Yun and recommended their appointments to the Board, reviewed the annual confirmation of independence submitted by the independent non-executive Directors and assessed their independence and reviewed the board diversity policy of the Board to ensure the effectiveness of such policy. The appointment of Board members should be based on the talents of the candidates while taking into account a range of diversity perspectives. Factors including but not limited to age, gender, educational and cultural background, professional expertise and industry experience should be considered and assessed during the selection process to ensure diversity. Further details of the board diversity policy are set out in the website of the Company.

AUDIT COMMITTEE

The Audit Committee has clear terms of reference and is accountable to the Board. The committee assists the Board in meeting its responsibilities for ensuring an effective system of internal control and compliance, and in meeting its external financial reporting objectives. The terms of reference of the Audit Committee can be obtained from the websites of the Company and the Stock Exchange. Two meetings were held by the Audit Committee in 2015. All the committee members are independent non-executive directors of the Company. Its current members include:

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

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

The Group's audited consolidated results for the year ended 31 December 2015 has been reviewed by the Audit Committee of the Company.

INTERNAL CONTROLS

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

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

AUDITORS' REMUNERATION

During the year, the Group has incurred auditors' remuneration in respect of audit and auditing related services of approximately RMB1,810,000, out of which approximately RMB1,594,000 was paid/payable to the Company's auditor, Messrs RSM Hong Kong. In addition, professional fee of approximately RMB48,000 was paid/payable by the Group for the taxation services rendered by RSM Hong Kong.

FINANCIAL REPORTING

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

The responsibilities of the external auditors with respect to financial reporting are set out in the Independent Auditor's Report on page 46.

SHAREHOLDERS RIGHTS

Procedures by which Shareholders may convene an extraordinary general meeting

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

Procedures for putting forward proposals at a Shareholders' meeting

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

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

Enquiries to the Board

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

INVESTORS RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

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

- maintaining frequent contacts with Shareholders and investors through various channels such as meetings and telephone;
- regularly updating the Company's news and developments through the investor relations section of the Company's website;
- arranging on-site visits to the Group's projects for investors and research analysts.

Environmental, Social and Governance Report

The Group is committed to the environmentally friendly idea of "purifying the impossible". Through utilizing leading and innovative technologies for the production of non-woven materials, environmentally friendly recycled chemical fibres and filtration materials, the Group strives to build itself into a global leading player in the environmentally friendly new materials industry. Meanwhile, the Company's business is not only in line with the low carbon environmental policy in China, it also belongs to one of the seven national "strategic emerging industries" of the "12th Five-Year Plan", obtaining market opportunities and policy support.

Accordingly, the Group developed the "Third Five-Year Plan" to set goals in the coming five years on products, management, talents and technologies. The Group stands unswervingly to strengthen internal control management, as well as realize systematical management and operation under which central authorities implement decisions and different divisions put those policies in place. The Group is dedicated to becoming a leading non-woven materials enterprise in the Asia-Pacific region.

Innovations are always highly valued within the Group, where employees are encouraged to unleash their innovate potential to develop proprietary products and technologies. Last year, 43 new patents were successfully granted. As at 31 December 2015, the Group had 69 granted patents and 21 patents under application, laying a sound foundation for the Group's future development.

The Group's internal control department is responsible for internal audit of environmental and labour issues. It formulates audit plans annually to set out specific audit requirements based on risk exposure of different departments and conducts specific audits on a regular basis. Departments being audited are required to provide relevant information and cooperate with the internal control officer proactively. Based on the findings, the internal control officer prepares internal control audit report which is submitted to relevant functions of the Group for consideration and, where necessary, formulation of corresponding rectification plans.

The Company strictly complies with the requirements of all applicable laws and regulations, as well as the Listing Rules. We not only seek to deliver desirable return to our shareholders and investors, but also strive to achieve sustainable development for the society by contributing to the community and protecting the environment. This report for the period from 1 January 2015 to 31 December 2015 covers our headquarters in Hong Kong, production base in Jinjiang and Beijing technology consulting company. It focuses on the Group's environmental and social responsibilities with respect to environmental protection, workplace quality, operating practices and community involvement.

A. ENVIRONMENT

Reduce Emissions of Pollutants

The Group is committed to reducing the emission of pollutants by carrying out specific environmental management measures. Besides the qualification of ISO14001:2004 environmental management system certification, the Group is the first Chinese non-woven material producer qualifying with the SCS (Scientific Certification Systems) Recycled Content Certification, which is a generally accepted certification system in the United States.

The Group's exhaust emissions are mainly flue gas emitted by coal-fired steam boilers and thermal oil boilers. The established boiler environmental protection measures follow the "Three Simultaneities" principle. All boilers are equipped with desulphurization and dust removal devices to ensure that the emissions of boiler exhaust meet the requirements of level two standards of GB13271-2001 "Emission Standard of Air Pollutants for Boiler". In 2015, the chemical oxygen demand (COD), sulfur dioxide and ammonia nitrogen emitted by the Group were approximately 39.2 tons, 11.2 tons and 2.5 tons respectively, all of which were in compliance with emissions standards in China.

The effluents discharged by the Group were mainly from the production process. Our sewage treatment reaches the top standards of GB8978-1996 "Integrated Wastewater Discharge Standard". The Group has established a set of sewage treatment facilities which employs processing procedures of "gas floatation + anaerobic process + contact oxidation + efficient water purifier + sand filtration" and has effluent processing capacity of 400 tons per day. The purified sewage can be used for cleaning plastics, spraying coal yards, removing dusty water in boilers, as well as planting trees in the industrial areas. In 2015, the Group consumed approximately 7,000 tons of water, with around 3,000 tons are from recycled water. Out of the wastewater that can be reused, the Group achieved a reuse rate of 91.4%.

Solid wastes generated by the group were mainly boiler cinder and coal ash. In 2015, the Group's coal consumption was approximately 10,291.4 tons, resulting in approximately 900 tons of cinder and ash. The collected pulverized coals were delivered to relevant units for paving roads or acting as building materials. The total volume of general solid waste and hazardous solid waste were approximately 4,486.2 tons and 8.1 tons respectively, all of which were collectively handled and comprehensively utilized by the environmental protection department. For example, solid packaging, scrap pieces, fibre waste were sold out, while fabric trims, waste plastics and other impurities would be collected for recycling. We also recycled thermal resistant or higher added value fibres and used them to manufacture insulation blankets, insulation boards and other products. The solid waste disposal of the Group complies with the principles of "recycling, minimization and harmlessness" of the Solid Waste Pollution Prevention and Control Law and other requirements of the regulations governing treatment of hazardous waste.

Use of Resources

The Group has two renewable chemical fibre production lines with annual production capacity of 42,000 tons, which can handle approximately 53,000 tons of PET bottle chips, thus saving approximately 120,000 tons of oil and approximately 159,000 tons of landfill space for the world annually. The Group actively explored collaboration of "Industry, University and Research Centre" and joined hands with various major research institutions to establish the Chinese Research Centre of Comprehensive Utilization of Waste Textile, by which projects of waste textile were promoted, and the Group's research and development capacity were greatly enhanced. In addition, the SCS Recycled Content Certification for non-woven fabric and recycled chemical fibres achieved effective use of waste materials for energy conservation and emission reduction.

The Group successfully converted waste textile into building materials through "composite regeneration technology of waste textile". Under such technology, fibres produced from waste clothing combined with materials including resin to convert into wall bricks, division plates and fireproof filler materials for construction after a special processing. Each ton of fibre materials can save 39% of oil consumption, as well as reducing 45% and 43% of sulfur dioxide and carbon dioxide emissions respectively.

Meanwhile, the Group fully utilized its advantages of low-carbon technologies to establish a comprehensive recycling economy system of "renewable resources →low-carbon production→environmentally-friendly applications→resources recycling→renewable resources". The Group can use up to approximately 2 billion waste plastic bottles in production annually, equivalent to saving approximately 120,000 tons of oil consumption and reducing about 330,000 tons of carbon dioxide emissions.

Environment and Natural Resources

As the Group had been working with joint efforts, a number of environmental initiatives were achieved in 2015 with different kinds of exhausts, effluents and solid wastes being handled properly. At the same time, the Group formulated "Emergency Plans for Environmental Incidents" and established "emergency leading group". By integrating with the actual situations of the Group, different levels of emergency incidents that may materially impact the environment were classified, so as to prevent any calamity beforehand.

In November 2015, the Group invited Jinjiang Environmental Monitoring Station to monitor indicators including drainage, exhaust and noise of Xinhua Co., a subsidiary of the Group. All results satisfied the relevant standards of national and local environment protection authorities. In 2015, the Group had no environmental pollution accidents and there were no complaints relating to environmental pollution, nor any penalty or punishment arising from violating environmental regulations.

B. SOCIETY

Employee Rights

The Group strictly complies with the provisions of the Labour Contract Law of the PRC, the labour laws of Hong Kong and other relevant laws and regulations. Besides, the Group established the Human Resources Management System which clearly specifies guidelines and requirements on recruitment mechanisms and processes, job duties and requirements, promotion direction and channel and work attendance checking system etc. to ensure fairness and justice without any discrimination.

The Group has established relevant mechanisms for evaluation and training to improve professional skills of employees. Staff with special positions will be assessed, while outstanding employees would be given promotion opportunities or bonus. Through the cell group model of "teach and learn between senior and fresh", new employees can learn valuable skills and experiences from senior staff. Moreover, there is a healthy competition among the cell groups, so that the morale and teamwork spirits can be improved and a good working atmosphere can also be established.

The Group attaches importance to rights and interests of female employees in compliance with the Law on Protection of Women's Rights and Interests of the People's Republic of China and other relevant laws. Remuneration is unified based on ranking among men and women to realize the principle of "equal pay for equal work". In addition, free physical examination and health guidance are provided to female employees on the Women's Day each year.

In order to ensure adequate rest for employees, their working hours are standardized to 8 hours a day, which is in accord with the required working hour system. Reasonable working hours system is also established for employees whose remuneration are charged on piecework basis, so as to ensure them to work and rest under an orderly schedule and gain reasonable return.

The Group's labour union, comprising all of its staff members in mainland China, was established in May 2009. Operation of the labour union is smooth, with regular workers' congresses being held to allow participation of employees in the corporate management. The Group, through the labour union, has established a face-to-face communication platform between the management and employees. As a result, the management may directly collect suggestions and opinions from employees, and draw upon all useful opinions, so as to enhance the operational efficiency of the Group. Thanks to good communication, the Group has never been involved in any labour dispute.

The Group employed a large proportion of migrant workers from other provinces, in whom the labour union play an active role. For example, the labour union rents a unified dorm for them and sets up the 'Home of Staff" to provide all kinds of leisure and entertainment facilities to enrich their lives in spare time, so that they can feel home in foreign cities. Besides, the labour union has been active in conveying our care through poverty-relief and other activities addressing practical difficulties of employees. Gifts or compassionate allowances are also offered on special events such as birthdays, holidays, sick in hospital or death of lineal relatives.

Occupational Health and Safety

According to the requirements of "Basic Norms for Work Safety Standardization of Enterprises" of the PRC, the Group formulated different relevant specifications to clearly specify different safety management responsibilities. It established a comprehensive occupational safety management system under principles of "management and responsibility" and safety philosophy of "two sided responsibilities in one post".

Moreover, the Group conducts regular safety reviews. In 2015, the Group's audit team has completed 12 occupational safety audits. The encouraging results show that different relevant departments and production areas have significant improvements in protective equipment, on-site environment, fire fighting equipment, operating specifications, equipment management etc.

Each year, the Group's internal control department prepares an annual audit plan. All departments have to conduct internal audit in accordance with different safety standards and operating specifications, and report all items in violation of the safety standards. They have to analyze reasons behind such violation and proposed rectification measures. The internal control department monitors the proposed rectification according to the scheduled due time to ensure such violation of safety standards will be rectified as soon as possible.

In 2015, the Group's internal audit on production safety found 1 violation, 58 items that still need to be improved, and 67 hidden dangers, all of which have been rectified under cooperation and joint efforts of different departments. Over the same period, the Group had no casualties and no employee applied leave due to industrial injury.

Meanwhile, the Group's Human Resource Centre organized relevant trainings from time to time to improve safety awareness of employees. In May and October of 2015, the Group worked with a group of professional firefighters to arrange fire drills and fire safety seminars for our employees.

Development and Training

The Group provides employees with training opportunities according to the needs of each department. Department heads and the human resources department examine and verify such training needs for employees to ensure the efficient use of training resources.

The Group regularly carries out courses on "guarding knowledge against contract risk", which are taught by staff of our law department. Technical and sales staff will be trained up with more legal knowledge. In addition, the Group cooperates with various institutes and organizations in the community to organize different technical training so as to improve the skill levels of our employees. The Group also grants sponsorship for employees to attend external training to obtain recognized certificates for vocational qualification. The Group even organizes training abroad for outstanding employees.

In 2015, the Group arranged workshop managers to attend safety training and sent staff of manager level or above to attend Quanzhou professional manager training courses, with 2 staff for each semester. During the year, the Group organized a total of 41 training sessions, with total training hours of 637.5 hours. Besides, the Group also arranged two batches of staff to take part in external training in Fujian Normal University and Donghua University to enhance relevant qualifications. During the year, the Group's internal training involved 496 people, while external training involved 20 people. Moreover, in 2015, the Group employed professional organization to provide training to our directors and senior management, so as to ensure that they can continue to contribute to the Board and the Group with comprehensive information and meet the needs appropriately.

Labour Standards

The Group safeguards legitimate rights and interests of minors in compliance with the Labour Law of the PRC, the Regulations on Prohibiting Use of Child Labour and other relevant laws and regulations. New recruits must be at least aged 18, with identity card verified by public security system before qualified for the entry formalities, to eliminate employment of any underage worker. In 2015, the Group was not involved in any violation of relevant laws or regulations.

Supply Chain Management

In 2015, the Group had a total of 197 suppliers, with 4 abroad and 193 in China. The Group has developed the "Customer Credit Management System" for the supply chain, and periodically reviews credit of suppliers to prepare a list for their basic situations. We classify suppliers into five ranks according to the review results, risks on environment and society, and their performance in business transactions, so as to prevent risk in the supply chain.

Product Liability

The Group ensures all products to meet quality standards through product certification and well-established quality inspection procedures. For products that fail to meet quality standards, analysis of the failure reasons will be conducted and due time will be prescribed to relevant departments for rectification to prevent similar situation. In addition, the Group has formulated "Measures to Protect Patents" to regulate and protect the Company's intellectual property rights. In 2015, the Group had no recall of products being sold or delivered due to safety or health consideration.

The Group received a total of 22 complaints from customers during the year. We have conducted analysis on each case according to different issues. Relevant solutions were formulated and projects were set up in accordance to each issue, so that relevant regulation system will be improved.

Furthermore, the Group attached great importance to the privacy of customer data. All files are kept by specific staff to ensure no data will be lost. At the same time, we have established a comprehensive data security network system to prevent leakage of customer data.

Anti-corruption

The Group formulated the Anti-fraud Policy, Anti-malpractice Operation Regulations and Reporting System strictly in accordance with the relevant regulations, as well as actively cooperated with local public security bureau. We have established a sound interest declaration mechanism, and adopted diversified reporting channels such as mail, fax, telephone and email. An in-depth investigation is carried out for each suspicious case.

Besides, the Group developed the Rules on Avoidance of Conflict of Interests, pursuant to which all employees are required to enter into the letter of undertakings, and declare on their own initiative for any connection with any related party of the Group. The Group also vigorously promotes enterprise education to strengthen the concept of anti-corruption through a variety of means such as talks, feature films and seminars to strive for an honest and self-disciplined working environment. Over the past year, employees of the Company have complied with the laws and had no violation of the relevant anti-corruption legislation.

Contribute to the Society

Although the Group has no formal society contribution policy, the welfare of society has always been its priority. The Group has taken active role in charity over the years to establish corporate brand image and encourage employees to take more social responsibilities. Meanwhile, the labour union continues to support students by contributing donations to neighboring primary schools. It also provided internships and employment opportunities for university graduates. Besides, members of chamber of commerce were also mobilised to provide one-to-one assistance to needy college students. The Group spares no effort in charity activities, with different donations accumulated over RMB5,000,000 for the past few years.

Directors and Senior Management Profile

DIRECTORS

Executive Directors

Mr. WANG Li (王黎), aged 47, is a co-chairman and an executive director of the Company. Mr. Wang was appointed as an executive director of the Company on 1 July 2015. Mr. Wang is principally responsible for the leadership of the Board to ensure that the Board will effectively fulfill its duties. He has over ten years of experience in the environmental protection industry. From 2002 to 2005, Mr. Wang served as an executive deputy general manager of Tianjin Guohuan Company (天津國環公司), the president of Tianjin Construction Shale Company (天津建工頁岩公司) as well as the chairman and general manager of Hebei Guoneng New Material Company (河北國能新型材料公司). From 2005 to 2012, Mr. Wang served as the deputy general manager of CECEP New Material Investment Co., Ltd. (中節能新材料投資有限公司). From 2006 to 2009, Mr. Wang served as the chairman and general manager of Fujian Guoneng Company (福建國能公司). In 2012, Mr. Wang served as the deputy supervisor of Cooperation and Development Department of China Energy Conservation and Environmental Protection Group (中國節能環保集團公司) ("CECEP"). From 2013 to 2015, Mr. Wang served as the deputy general manager of CECEP Industrial Energy Conservation Co., Ltd. (中節能工業節能有限公司) as well as the general manager and party branch secretary of CECEP Central China Industry Development Co., Ltd. (中節能華中實業發展有限公司). He is currently an executive director of Hong Kong (Rong An) Investment Limited and the chairman of CECEP Chongqing Industry Co., Ltd (重慶中節能實業有限責任公司) ("CECEP Chongqing"), both of which are controlling shareholders of the Company. Mr. Wang has been appointed as an executive director of Billion Industrial Holdings Limited, a company listed on the Stock Exchange (stock code: 2299), since 15 July 2015. Mr. Wang graduated from Changchun Tax Institute (長春稅務學院) in business administration in 2005.

Mr. CHIM Wai Kong (粘為江), aged 60, is a co-chairman and an executive director of the Company. Mr. Chim is also a member of the Nomination Committee. Mr. Chim was appointed as an executive director of the Company on 23 September 2009. Mr. Chim is principally responsible for the leadership of the Board to ensure that the Board will effectively fulfill its duties, and responsible for the development strategy of the Group's operation. Mr. Chim has over 17 years of experience in non-woven materials industry. In 2001 and 2006, Mr. Chim was appointed as a member of the 9th and 10th Committee in Quanzhou, Fujian Province of the Chinese People's Political Consultative Conference (中國人民政治協商會議福建省泉州市第九屆及第十屆委員會委員) ("CPPCC") respectively. In 2004, Mr. Chim was elected as a vice president of the 7th Executive Committee of General Chamber of Commerce in Jinjiang (晉江市總商會第七屆理事會副會長), a member of the 1st Executive Committee of Good Faith Council in Fujian Province (福建省誠信促進會第一屆理事會理事) and a vice president of the 8th Executive Committee of Jinjiang Federation of Industry and Commerce (General Chamber of Commerce) (晉江市工商聯(總商會)第八屆理事會副會長). In March 2007, Mr. Chim was appointed as a supervisor of Party Conduct and Honesty in Jinjiang (晉江市黨風廉政監督員) by Jinjiang People's Government of Jinjiang Committee of the Communist Party of China (中共晉江市委員會晉江市人民政府) for a period of five years. In 2013, Mr. Chim was appointed as a member of the 11th Committee in Fujian Province of the CPPCC (中國人民政治協商會議第十一屆福建省委員會委員) and a honourary president of the 3rd Executive Committee of Jinjiang Charity Federation (晉江市慈善總會第三屆理事會榮譽會長). Mr. Chim is the elder brother of Mr. Chim Wai Shing Jackson, the father of Mr. Chim Man Yan and the uncle of Mr. Chim Ping Yu and Mr. Chim Ming Heung.

DIRECTORS (CONTINUED)

Executive Directors (Continued)

Mr. CHIM Wai Shing Jackson (粘偉誠), aged 42, is an executive director and the chief executive officer of the Company. Mr. Chim is also a member of the Remuneration Committee. Mr. Chim was appointed as an executive director of the Company on 26 August 2009. Mr. Chim is responsible for strategic planning and the overall management of the daily business of the Group. Mr. Chim has more than 10 years of experience in the non-woven materials industry. Mr. Chim is the visiting professor of School of Textiles of Tianjin Polytechnic University (天津工業大學), an executive director of China National Textile and Apparel Council (中國紡織工業聯合會常務理事), and a vice president of the Association of Industrial Textiles in China (中國產業用紡織品行業協會副會長). In 2013, Mr. Chim was appointed as a member of the 11th Committee in Fujian Province of the CPPCC (中國人民政治協商會議第十一屆福建省委員會委員). Mr. Chim graduated with a master degree in management from Xiamen University (廈門大學) in 2005 and was awarded as a senior engineer by Fujian Province Personnel Department (福建省人事廳) of the PRC in 2006. Mr. Chim is the younger brother of Mr. Chim Wai Kong and the uncle of Mr. Chim Man Yan, Mr. Chim Ping Yu and Mr. Chim Ming Heung.

Mr. XUE Mangmang (薛茫茫), aged 44, is an executive director of the Company. Mr. Xue was appointed as an executive director of the Company on 25 April 2012. Mr. Xue has over 11 years of experience in resources management. Mr. Xue joined CECEP Chongqing in January 2003 and was appointed as a general manager of CECEP Chongqing in April 2012. Mr. Xue has been appointed as an executive director of Billion Industrial Holdings Limited, a company listed on the Stock Exchange (stock code: 2299), since 17 September 2012. Mr. Xue graduated from Chongqing University (重慶大學) with a master degree of business administration in 2003.

Non-executive Directors

Mr. YANG Yihua (楊義華), aged 62, is a non-executive director of the Company. Mr. Yang was appointed as a non-executive director of the Company on 1 November 2013. Mr. Yang has extensive experience and knowledge in business management and economics. He has served as the chief economist of CECEP since May 2010. Mr. Yang has been appointed as a co-chairman and non-executive director of Billion Industrial Holdings Limited, a company listed on the Stock Exchange (stock code: 2299), since 19 March 2014. Mr. Yang obtained a master degree of business administration from City University (城市大學) in the United States in December 2003 and a postgraduate certificate in professional studies in business administration from Economic Research Centre (經濟研究所) of Nankai University (南開大學) in the PRC in June 2004.

Ms. MA Yun (馬雲), aged 47, is a non-executive director of the Company. Ms. Ma was appointed as a non-executive director of the Company on 1 June 2015. Ms. Ma is a senior accountant and has over 23 years of experience in accounting and financial management. Ms. Ma was a former non-executive director of the Company for the period from 30 March 2013 to 31 October 2013. Ms. Ma served as the accountant of the finance department of Chongqing Surveying and Design Institute of Water Resources, Electric Power and Architecture (重慶市水利電力建築勘測設計研究院) from 1989 to 1997. Ms. Ma has joined CECEP Chongqing since 1997 and is currently the chief accountant of CECEP Chongqing. Ms. Ma is also the executive director of a subsidiary of CECEP Chongqing, namely Haikou Dong Fang Yuan Biological Energy Company Limited (海口東方渝安生物能源有限公司). Ms. Ma served as a non-executive director of Billion Industrial Holdings Limited, a company listed on the Stock Exchange (stock code: 2299), from 31 March 2013 to 19 March 2014. Ms. Ma obtained a master of business administration qualification from the Business Administration Faculty of Chongqing University in 2008.

DIRECTORS (CONTINUED)

Independent Non-executive Directors

Mr. FENG Xue Ben (馮學本), aged 64, is an independent non-executive director of the Company, and the Chairman of the Nomination Committee, a member of the Audit Committee and a member of the Remuneration Committee. Mr. Feng was appointed as an independent non-executive director of the Company on 4 February 2010. Mr. Feng has over 30 years of experience in textile industry. He is currently the chief engineer in Wuxi Jiayuan Nonwovens Technology Research Institute (無錫嘉元非織造技術研究所首席工程師). From 2007 until now, Mr. Feng served as a deputy director of the Non-woven Fabrics Machinery Professional Committee under China Textile Machinery and Equipment Industrial Association (中國紡織機械器材工業協會非織造布機械專業委員會副理事) and an expert consultant of China Industrial Textiles Association (中國產業用紡織品協會專家顧問), as well as the 1st vice president of the Study Group of Non-woven Machinery of China Textile Machinery Society (第一屆中國紡織機械學會非織造機械學組副理事) since 2011. Mr. Feng is the chief editor of the professional textbook titled "Pine Non-woven Fabrics Technology and Quality Control" (《針刺非織造布工藝技術與產品控制》), and published a wealth of articles in chemical fibres, non-woven materials and non-woven industrial facilities. Mr. Feng served as an independent non-executive director of China Automotive Interior Decoration Holdings Limited, a company listed on the Stock Exchange (stock code: 48), from April 2010 to June 2015.

Mr. WONG Siu Hong (黃兆康), aged 47, is an independent non-executive director of the Company, and the Chairman of the Audit Committee, a member of the Nomination Committee and a member of the Remuneration Committee. Mr. Wong was appointed as an independent non-executive director of the Company on 4 February 2010. Mr. Wong graduated from Deakin University (迪肯大學) in Australia with a bachelor of commerce double majoring in accounting and commercial law in 1994. Mr. Wong previously worked in an international accounting firm and has 20 years of experience in auditing, accounting and finance. Mr. Wong is now the chief financial officer and company secretary of Heng Tai Consumables Group Limited, a company listed on the Stock Exchange (stock code: 197). Mr. Wong is a certified public accountant of the CPA Australia and the Hong Kong Institute of Certified Public Accountants.

DIRECTORS (CONTINUED)

Independent Non-executive Directors (Continued)

Mr. XU Qinghua (徐慶華), aged 63, is an independent non-executive director of the Company, and the Chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination Committee. Mr. Xu was appointed as an independent non-executive director of the Company on 1 November 2013. Mr. Xu has extensive experience and knowledge in environmental protection and management. From November 2011 to June 2013, Mr. Xu has served as the chief engineer in nuclear safety and the chief secretary of the Department of International Co-operation (核安全總工程師兼國際合作司司長) of the Ministry of Environmental Protection of the PRC (中國環境保護部) (the "Ministry"). He has served as a committee member of the science and technology committee (科學技術委員會委員) of the Ministry since July 2012. Mr. Xu has also served as a member of the 10th executive council of the Chinese People's Association for Friendship with Foreign Countries (中國人民對外友好協會第十屆全國理事會理事) since May 2012. He had also previously served as a member of the 2nd executive council of the Association for Relations Across the Taiwan Straits (海峽兩岸關係協會第二屆理事會理事), a member of the 5th executive council of the China Association for International Science and Technology Cooperation (中國國際科學技術合作協會第五屆理事會理事), the chief secretary of the Department of International Co-operation (國際合作司司長) of the State Environmental Protection Administration of the PRC (中國國家環境保護總局), the secretary general of China Environmental Protection Foundation (中華環保基金會秘書長), the director of standards department of the Department of Science, Technology and Standards (科技標準司標準處處長) of the Environmental Protection Bureau of the PRC (中國環境保護局) (the "Bureau"). He had also previously served as the deputy representative of the PRC standing representative office in United Nations Environmental Programme (中國常駐聯合國環境規劃署代表處副代表) and a member of the 3rd executive council of U.N. Association of China (中國聯合國協會第三屆理事會理事). Mr. Xu was approved as a senior engineer in environmental engineering in January 1998 by the Bureau. He obtained a bachelor degree from Department of Chemical and Environmental Engineering and a master degree from School of Technology of Beijing University of Technology (北京工業大學) in the PRC in July 1982 and December 1984 respectively. In December 1988, Mr. Xu completed a training program in applied remote sensing at the Asian Institute of Technology in Thailand. In December 1992, he participated as a representative of the PRC in the environmental management seminars organised by the United Nations Environment Programme. In June 2006, he completed a leaders development programme organised by John F. Kennedy School of Government of Harvard University.

SENIOR MANAGEMENT

Mr. CHAN Kwok Yuen Elvis (陳國源), aged 43, is the chief financial officer, company secretary and an authorized representative of the Company. Mr. Chan is responsible for the implementation and supervision of financial, secretarial and investor relation affairs of the Group. Mr. Chan has over 19 years of experience in the field of accounting and finance. Prior to joining the Group, Mr. Chan served as the chief financial officer and company secretary of Kiu Hung International Holdings Limited, a company listed on the Stock Exchange (stock code: 381), for over 9 years. Mr. Chan is a fellow of the Hong Kong Institute of Certified Public Accountants, a fellow of the Association of Chartered Certified Accountants, a Chartered Financial Analyst of the CFA Institute and a member of the Hong Kong Society of Financial Analysts. Mr. Chan obtained a bachelor's degree in commerce from Queen's University in Canada in 1995 and a master of science degree in corporate governance and directorship from the Hong Kong Baptist University (香港浸會大學) in 2013.

Mr. JI Liquan (紀理荃), aged 54, is the chief operating officer of the Group. Mr. Ji is responsible for supervising the daily operation and operation strategy of the Group. Mr. Ji graduated from Xiamen Institute of Finance (廈門財經學院) in 1985, and graduated from the School of Economics, Peking University (北京大學經濟學院) in 1990 with a major in economics management. Mr. Ji has over 25 years of experience in enterprise management.

Mr. HONG Lianqiao (洪連橋), aged 47, is the executive vice president of the Group and the executive vice president of 福建鑫華股份有限公司 (Xinhua Share Co., Ltd. Fujian) ("Xinhua Co."), a subsidiary of the Group, responsible for fine-tuning the operation quotation system, improving the management and control over the operating cost of the Group and assisting the chief operating officer in achieving the operation target of the Group. Mr. Hong has 22 years of management experiences in the chemical fibres and non-woven materials industries.

Ms. WU Xiaoqing (吳曉青), aged 52, is the chief technical officer and head of the quality control centre of the Group and responsible for the provision of technical support for the Group as well as the supervision and implementation of technological innovation, technology promotion and quality improvement. Ms. Wu served as an independent non-executive director of the Company from 30 March 2013 to 31 October 2013. Ms. Wu is a professor, a Ph.D. tutor and the deputy head of the composite materials research center of Tianjin Polytechnic University (天津工業大學) and the deputy head of the advanced weaving composite materials research and development center. Ms. Wu obtained a bachelor degree specializing in composite materials from Wuhan University of Technology (武漢理工大學) in PRC in July 1985 and a doctoral degree in textile engineering from Tianjin Polytechnic University in October 2006. Ms. Wu served as the head of the technical department of Tianjin Jinmei FRP Company Limited (天津津美玻璃鋼有限公司) from 1985 to 1994. She was the assistant professor of the composite materials research center of Tianjin Polytechnic University from 1994 to 1999. Ms. Wu was a visiting research fellow of University of Southampton in the United Kingdom from 2003 to 2004.

Mr. WU Rui (吳鋭), aged 50, is the general manager of the non-woven materials department and head of the technology research and development centre of the Group. Mr. Wu has over 30 years of experience in woven materials industry, and was awarded the champion in the competition of "Five inventions for the Country" (《國家五小發明一等獎》) in 1990. Mr. Wu was the production manager of a non-woven materials factory, and he was well-experienced in production technology, product innovation and management expertise. Mr. Wu has unique insights in product sales and marketing as he also engaged in the sales of non-woven materials for many years. With accumulating rich working experience for many years he gained a deep understanding of non-woven production processes and marketing. Mr. Wu is an economist as he studied economics as his profession. Mr. Wu is a comprehensive talent with high quality and all-round development, as he develops unique theories on the one-stop operation of production, sales and management systems and has abundant practical experience in this regard.

SENIOR MANAGEMENT (CONTINUED)

Mr. CHEN Hui (陳暉), aged 47, is a vice president and financial controller of Fujian region of the Group. Mr. Chen is responsible for the implementation and supervision of the finance affairs for various subsidiaries in Fujian region of the Group. Mr. Chen graduated from Fujian Economic Management Cadre Institute (福建經濟管理幹部學院) with a major in Accounting in 1991. Mr. Chen has over 21 years of experience in accounting and finance industry.

Ms. ZHAI Hongbing (翟紅兵), aged 49, is the assistant to chief operating officer, the administrative officer of the Group, the head of human resources and administration centre, and the Party branch secretary and the president of the labour union of Xinhua Co., responsible for leading the party and political branch organization, work union and Youth League Committee, the human resources and administration centre and the general office of the Group. Ms. Zhai graduated from the Great Wall University, Beijing (北京長城研修學院) with a bachelor degree majoring in business administration in 2001. Ms. Zhai also completed the internal auditor training in environmental management system (ISO14001:2004) in 2007, and completed the training for internal auditor regarding ISO9001:2008 quality management system in 2009. She received the certificate from American Certification Institute in 2011, and obtained the qualification of Certified Quality Engineer ("CQE"). During the same year, she passed the review by the National Assessment Committee of Senior Operating Manager conducted against the appraisal standards as published by the Ministry of Commerce and Ministry of Labour of the PRC, and was qualified as a senior operating manager certified by the Ministry of Human Resources and Social Security.

Mr. CHIM Ping Yu (粘平如), aged 34, is the general manager of the new materials department of the Group, responsible for the operation and management of the new materials department of the Group. Mr. Chim was well-experienced in sales and marketing of non-woven materials industry. Mr. Chim is currently majoring in modern knitting technology through the Online Education Institute of Donghua University (東華大學網絡教育學院). Mr. Chim is the nephew of Mr. Chim Wai Kong and Mr. Chim Wai Shing Jackson.

Mr. CHIM Ming Heung (粘明响), aged 29, is the general manager of the chemical fibres and chemicals department of the Group and the general manager of 晉江海東青貿易有限公司 (Gerfalcon Trade Co., Ltd. Jinjiang), a subsidiary of the Group, responsible for the operation and management of the chemical fibres and chemicals department of the Group. Mr. Chim is currently majoring in modern knitting technology through the Online Education Institute of Donghua University. Mr. Chim is the nephew of Mr. Chim Wai Kong and Mr. Chim Wai Shing Jackson.

Mr. CHIM Man Yan (粘文欣), aged 27, is the assistant to the executive vice president of the Group and the deputy general manager of the non-woven materials department, responsible for the marketing and procurement of the business department. Mr. Chim is currently majoring in modern knitting technology through the Online Education Institute of Donghua University. Mr. Chim is the son of Mr. Chim Wai Kong and the nephew of Mr. Chim Wai Shing Jackson.

English translation of official Chinese company names are for identification purpose only.

Report of the Directors

The directors of the Company herein present their report and the audited consolidated financial statements of the Company and the Group for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The Group's operations are substantially conducted in the PRC through its direct or indirect subsidiaries. Details of the principal activities of the principal subsidiaries are set out in note 18 to the consolidated financial statements.

Details of the business review of the Company are set out in the Co-Chairmen's Statement, Management Discussion and Analysis and Environmental, Social & Governance Report of this annual report which form part of the Report of the Directors.

During the year, the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on the Group.

SEGMENT INFORMATION

An analysis of the Group's revenue and results by principal activities and geographical area of operations for the year ended 31 December 2015 is set out in note 7 to the consolidated financial statements.

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

The Group's result for the year ended 31 December 2015 is set out in the consolidated financial statements on page 48. The state of affairs of the Company and of the Group at that date are set out in note 23(a) to the consolidated financial statements and in the consolidated statement of financial position on pages 49 to 50, respectively.

On 22 March 2016, the Directors have resolved to recommend the payment of a final dividend of HK0.7 cent per ordinary share to the Shareholders as recorded on the register of members of the Company on Wednesday, 22 June 2016. The final dividend will be paid to the Shareholders on or about Thursday, 30 June 2016. Coupled with the interim dividend of HK1.2 cents per ordinary share that was already paid to the Shareholders during the year, the total amount of dividends declared to the Shareholders for the year ended 31 December 2015 will be amounted to HK1.9 cents per ordinary share.

The annual general meeting (the "AGM") of the Company will be held on Friday, 27 May 2016. The register of members of the Company will be closed from Wednesday, 25 May 2016 to Friday, 27 May 2016, both days inclusive, during which period no transfer of shares shall be effected. To qualify for the attendance and voting at the AGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited (the "Hong Kong Share Registrar") at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 24 May 2016.

The register of members of the Company will be closed from Wednesday, 15 June 2016 to Wednesday, 22 June 2016, both days inclusive, during which period no transfer of shares shall be effected. To qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Hong Kong Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 14 June 2016.

SUMMARY FINANCIAL INFORMATION

Results

	Year ended 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**1,241,824**	1,322,598	1,494,105	1,559,223	1,373,606
Profit before tax	**236,915**	332,706	352,736	356,474	313,820
Income tax expense	**(55,656)**	(66,300)	(110,166)	(110,853)	(63,050)
Profit for the year attributable to owners of the Company	**181,259**	266,406	242,570	245,621	250,770

Assets and liabilities

	At 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**2,297,368**	2,248,525	2,081,011	2,104,503	1,743,405
Total liabilities	**(581,348)**	(644,367)	(681,417)	(891,935)	(722,570)
Net assets	**1,716,020**	1,604,158	1,399,594	1,212,568	1,020,835

Notes:

1. *The consolidated results of the Group for the years ended 31 December 2014 and 2015 are set out on page 48 of this annual report.*

2. *The consolidated financial position of the Group as at 31 December 2014 and 2015 are as set out on pages 49 to 50 of this annual report.*

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the year are set out in notes 15 and 17 to the consolidated financial statements.

BORROWINGS

Details of the borrowings of the Group as at 31 December 2015 are set out in notes 25 and 26 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 22 to the consolidated financial statements.

In recognition of the continual support of the Shareholders and encouraging the Shareholders to support the Group in its future business development in long term, 1,552,844,000 ordinary shares of the Company at HK$0.1 each were issued as bonus shares to the qualifying shareholders whose names are shown on the register of members of the Company on 14 August 2015 on a two-to-one basis, by way of capitalisation of a portion of the share premium account of the Company on 21 August 2015.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in notes 23(b) to the consolidated financial statements and in the consolidated statement of changes in equity on page 51, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company had distributable reserves of approximately RMB205,346,000. Under the Company's second amended and restated memorandum and articles of association and the Companies Law (Revised) of the Cayman Islands, the share premium of the Company of approximately RMB112,543,000 at 31 December 2015 are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling approximately RMB10,000 (2014: RMB420,000).

RETIREMENT BENEFITS SCHEMES

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

The total cost charged to the consolidated income statement of approximately RMB1,045,000 (2014: RMB1,130,000) represents retirement benefit schemes contributions paid/payable to the schemes by the Group at the rates specified in the rules of the schemes. At 31 December 2014 and 2015, no contributions due in respect of the reporting years had not been paid over to the schemes.

No employer's contribution was forfeited during the year. No unutilised forfeited contribution (2014: Nil) was available at 31 December 2015 to reduce the Group's future contributions.

The Group does not have any other pension scheme for its employees. In the opinion of the directors of the Company, the Group did not have any significant contingent liabilities as at 31 December 2015 in respect of the retirement of its employees.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 53% (2014: 58%) of the total sales for the year and sales to the largest customer included therein accounted for approximately 18% (2014: 22%). Purchases from the Group's five largest suppliers accounted for approximately 41% (2014: 43%) of the total purchases for the year and purchases from the largest supplier included therein accounted for approximately 20% (2014: 16%).

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

DIRECTORS

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

Executive Directors

Mr. Wang Li *(Co-Chairman) (appointed on 1 July 2015)*
Mr. Yu Heping *(Co-Chairman) (resigned on 1 July 2015)*
Mr. Chim Wai Kong *(Co-Chairman)*
Mr. Chim Wai Shing Jackson *(Chief Executive Officer)*
Mr. Xue Mangmang

Non-Executive Directors

Mr. Yang Yihua
Mr. Pan Tingxuan *(resigned on 1 June 2015)*
Ms. Ma Yun *(appointed on 1 June 2015)*

Independent Non-Executive Directors

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

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

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

In addition, Mr. Chim Wai Kong and Mr. Chim Wai Shing Jackson are also directors of the Company's subsidiaries during the year.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Biographical details of the directors of the Company and of the senior management of the Group are set out on pages 25 to 30 of this annual report.

DIRECTORS' SERVICE CONTRACTS

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

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

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

DIRECTORS' INTERESTS IN CONTRACTS

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

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

As at 31 December 2015, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code as set out in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

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

Shares/underlying shares in the Company

Name of Directors	*Number of shares/underlying shares held*	*Approximate % of the relevant issued share capital*	*Nature of interests*
Mr. Chim Wai Kong	607,320,000 (L)	26.07%	Settlor of trust *(Note 1)*
	184,906,513 (L)	7.94%	Beneficiary of trust *(Note 2)*
	6,810,000 (L)	0.29%	Interests of controlled corporation *(Note 3)*
	986,127,570 (L)	42.34%	Interest of other party to an agreement under section 317 of the SFO *(Notes 4 and 7)*
Mr. Chim Wai Shing Jackson	607,320,000 (L)	26.07%	Settlor of trust *(Note 1)*
	154,504,365 (L)	6.63%	Beneficiary of trust *(Note 5)*
	992,937,570 (L)	42.63%	Interest of other party to an agreement under section 317 of the SFO *(Notes 6 and 7)*

(L): Long Position

Notes:

1. *607,320,000 shares are held by Nian's Brother Holding Limited ("Nian's Brother Holding"). The entire interest of Nian's Brother Holding is wholly owned by Nian's Brother Investment Limited ("Nian's Investment") which in turn is held by Magnus Nominees Limited ("Magnus") as a nominee in favour of Coutts & Co Trustees (Jersey) Ltd. ("Coutts"). Nian's Investment is a company incorporated in the British Virgin Islands provided by Coutts for the purpose of establishing the Nian's Brother Trust. Coutts is the trustee of Nian's Brother Trust. Nian's Brother Trust is a discretionary trust set up by Mr. Chim Wai Kong and Mr. Chim Wai Shing Jackson, both being executive Directors, for the benefit of their family members. For the purpose of Part XV of the SFO, each of Mr. Chim Wai Kong and Mr. Chim Wai Shing Jackson is deemed to be interested in the shares held by Nian's Brother Holding as the settlors of Nian's Brother Trust.*

2. *Mr. Chim Wai Kong is also one of the beneficiaries of the Nian's Brother Trust and is deemed to be interested in 184,906,513 shares directly held by Nian's Brother Holding.*

3. *6,810,000 shares are held by Better Prospect Limited ("Better Prospect") which is 100% owned by Mr. Chim Wai Kong. He is therefore deemed to be interested in the 6,810,000 shares held by Better Prospect. Mr. Chim Wai Kong is a director of Better Prospect.*

4. *These 986,127,570 shares are held by Hong Kong (Rong An) Investment Limited ("Hong Kong Rong An"). As a result of the shareholders deed entered into on 4 June 2013 among Hong Kong Rong An, Nian's Brother Holding, Mr. Chim Wai Kong and Mr. Chim Wai Shing Jackson (the "Shareholders Deed"), Mr. Chim Wai Kong is deemed (for the purpose of the duty of disclosure) to be interested in the above shares pursuant to Part XV of the SFO.*

5. *Mr. Chim Wai Shing Jackson is also one of the beneficiaries of the Nian's Brother Trust and is deemed to be interested in 154,504,365 shares directly held by Nian's Brother Holding.*

6. *These 992,937,570 shares comprise 986,127,570 shares directly held by Hong Kong Rong An and 6,810,000 shares indirectly held by Mr. Chim Wai Kong. As a result of the entering into of the Shareholders Deed, Mr. Chim Wai Shing Jackson is deemed (for the purpose of the duty of disclosure) to be interested in the above shares pursuant to Part XV of the SFO.*

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

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

Shares/underlying shares in the Company (Continued)

Save as disclosed above, as at 31 December 2015, none of the Directors and the chief executives of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code contained in the Listing Rules to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the Share Option Scheme adopted by the Company on 12 May 2010, at no time during the year ended 31 December 2015 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company adopted a Share Option Scheme which shall be valid and effective for a period of ten years commencing from 12 May 2010. The purpose of the Share Option Scheme is to provide incentives or rewards to any full-time or part-time employee, officer, agent, consultant or representative of the Company or any member of the Group for their contribution to the Group and/or to enable the Group to recruit and retain high calibre employees and attract human resources that are available to the Group. Pursuant to the Share Option Scheme, the Directors may, at their discretion, invite any eligible employees (including executive Directors), any non-executive Directors, Shareholders, suppliers and customers of the Group and any other parties having contributed or may contribute to the development of the Group to take up options to subscribe for the shares. The subscription price shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the shares on the date of the offer; (ii) the average closing price of the shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the share.

The acceptance of an offer of the grant of the respective share options must be made within 28 days from the date of offer with a non-refundable payment of HK$1.00 from each grantee. An option may be exercised at any time during a period to be determined by the Board, which shall not in any event exceed ten years from the date of grant. The Share Option Scheme does not specify any minimum holding period but the Board has the authority to determine the minimum period for which a share option in respect of some or all of the shares forming the subject of the share options must be held before it can be exercised.

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

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

SHARE OPTION SCHEME (CONTINUED)

No share options have been granted by the Company pursuant to the Share Option Scheme during the year ended 31 December 2015. As at 31 December 2014 and 2015, no share options remained outstanding. As at the date of this annual report, the number of securities of the Company available for issue under the Share Option Scheme was 66,290,000, representing approximately 2.85% of the issued share capital of the Company.

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

So far as is known to any Director or chief executive of the Company, as at 31 December 2015, the persons or companies (other than a Director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of Shareholders	*Number of shares held*	*Approximate % of the relevant issued share capital*	*Nature of interests*
Hong Kong Rong An	986,127,570 (L)	42.34%	Beneficial owner *(Note 1)*
	614,130,000 (L)	26.36%	Interest of other party to an agreement under section 317 of the SFO *(Note 2)*
CECEP Chongqing	1,600,257,570 (L)	68.70%	Interest of controlled corporation *(Note 1)*
CECEP	1,600,257,570 (L)	68.70%	Interest of controlled corporation *(Note 1)*
Nian's Brother Holding	607,320,000 (L)	26.07%	Beneficial owner *(Note 3)*
	992,937,570 (L)	42.63%	Interest of other party to an agreement under section 317 of the SFO *(Note 4)*
Nian's Investment	1,600,257,570 (L)	68.70%	Interest of controlled corporation *(Note 3)*
Magnus	1,600,257,570 (L)	68.70%	Interest of controlled corporation *(Note 5)*
Coutts	1,600,257,570 (L)	68.70%	Trustee *(Note 5)*
Export – Import Bank of China	150,000,000 (L)	6.44%	Security interest in shares *(Note 6)*

(L): Long Position

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

Notes:

1. *Hong Kong Rong An is a wholly-owned subsidiary of 重慶中節能實業有限責任公司 (CECEP Chongqing Industry Co., Ltd.#) ("CECEP Chongqing") which is owned as to approximately 98.03% by 中國節能環保集團公司 (China Energy Conservation and Environmental Protection Group#) ("CECEP"). For the purpose of Part XV of the SFO, CECEP Chongqing and CECEP are therefore deemed to be interested in the shares held by Hong Kong Rong An. Hong Kong Rong An has pledged 150,000,000 shares in favour of the Export-Import Bank of China as security for a loan facility provided by such bank to it.*

2. *These 614,130,000 shares comprise 607,320,000 shares directly held by Nian's Brother Holding and 6,810,000 shares indirectly held by Mr. Chim Wai Kong. As a result of the entering into of the Shareholders Deed, Hong Kong Rong An is deemed (for the purpose of the duty of disclosure) to be interested in the above shares pursuant to Part XV of the SFO.*

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

4. *These 992,937,570 shares comprise 986,127,570 shares directly held by Hong Kong Rong An and 6,810,000 shares indirectly held by Mr. Chim Wai Kong. As a result of the entering into of the Shareholders Deed, Nian's Brother Holding is deemed (for the purpose of the duty of disclosure) to be interested in the above shares pursuant to Part XV of the SFO.*

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

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

Save as disclosed herein, the Directors are not aware of any person who was, as at 31 December 2015, directly or indirectly, interested or had short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, was directly or indirectly, interested in 5% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company or any options in respect of such capital.

DIRECTORS' INDEMNITY

According to the articles of association of the Company, the Directors for the time being of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty in their respective offices.

The Company has maintained appropriate directors liability insurance in respect of legal action against the Directors during the year ended 31 December 2015.

The English name is translated for reference only.

LOAN AGREEMENT

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

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

CONNECTED AND RELATED PARTIES TRANSACTIONS

Details of the related parties transactions of the Group during the year ended 31 December 2015 are set out in note 34 to the consolidated financial statements. Save for the transactions disclosed in this section below which are subject to announcement and disclosure requirements under Chapter 14A of the Listing Rules, other related parties transactions of the Group set out in note 34(a) to (e) to the consolidated financial statements also constituted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules but are exempt from the disclosure requirements under Chapter 14A of the Listing Rules. The Company has complied with the applicable disclosure requirements of Chapter 14A of the Listing Rules.

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

Rental Agreements between Xinhua Co. and Hua Xin Plastic

On 22 December 2014, Xinhua Co. as the tenant and 晉江華鑫塑料橡膠製品有限公司 (Jinjiang Hua Xin Plastic & Rubber Products Co., Ltd.#) ("Hua Xin Plastic") as the landlord entered into a rental agreement (the "First Rental Agreement") whereby Xinhua Co. agreed to lease from Hua Xin Plastic two buildings with an aggregate floor area of approximately 3,374.16 sq.m. for production and operation purposes. The First Rental Agreement was for a term of 36 months commencing from 1 January 2015 at a monthly rental of RMB33,741.60, exclusive of water and electricity charges. For the year ended 31 December 2015, Xinhua Co. paid total rentals of RMB404,899.20 to Hua Xin Plastic.

On 22 December 2014, Xiuhua Co. as the tenant and Hua Xin Plastic as the landlord entered into a rental agreement (the "Second Rental Agreement") whereby Xinhua Co. agreed to lease from Hua Xin Plastic one building with a floor area of approximately 7,700.58 sq.m. for staff quarter. The Second Rental Agreement was for a term of 3 years commencing from 1 January 2015 at a monthly rental of RMB70,000. For the year ended 31 December 2015, Xinhua Co. paid total rentals of RMB840,000 to Hua Xin Plastic.

The English name is translated for reference only.

CONNECTED AND RELATED PARTIES TRANSACTIONS (CONTINUED)

Rental Agreement between Xinhua Co. and Hua Xin Weaving

On 22 December 2014, Xinhua Co. as the tenant and 晉江市華鑫織造發展有限公司 (Huaxin Weaving Development Co., Ltd. Jinjiang#) ("Hua Xin Weaving") as the landlord entered into a rental agreement (the "Third Rental Agreement") whereby Xinhua Co. agreed to lease from Hua Xin Weaving one building with a floor area of approximately 2,882.96 sq.m. for production and operation purposes. The Third Rental Agreement was for a term of 36 months commencing from 1 January 2015 at a monthly rental of RMB28,829.60, exclusive of water and electricity charges. For the year ended 31 December 2015, Xinhua Co. paid total rentals of RMB345,955.20 to Hua Xin Weaving.

Maximum aggregate Annual values

Based on the rents payable per month as set out in the First Rental Agreement, the Second Rental Agreement and the Third Rental Agreement, the breakdown of the annual caps payable by Xinhua Co. thereunder are as follows:

	Year ended 31 December 2015 *RMB*	***Year ending 31 December 2016*** *RMB*	***Year ending 31 December 2017*** *RMB*
The First Rental Agreement	404,899.20	404,899.20	404,899.20
The Second Rental Agreement	840,000.00	840,000.00	840,000.00
The Third Rental Agreement	345,955.20	345,955.20	345,955.20
Total	1,590,854.40	1,590,854.40	1,590,854.40

Xinhua Co. is a wholly-owned subsidiary of the Company. Hua Xin Plastic is wholly-owned by Mr. Chim Man Yan since 12 May 2015. Mr. Chim Man Yan is the son of Mr. Chim Wai Kong, an executive Director and a substantial shareholder of the Company. Hua Xin Weaving is ultimately owned by Ms. Sze Kam Kam as to 50% and Ms. Chim Ching Ching as to 50%. Ms. Sze Kam Kam is the spouse of Mr. Chim Wai Kong and Ms. Chim Ching Ching is the daughter of Mr. Chim Wai Kong. Therefore, Hua Xin Plastic and Hua Xin Weaving are connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the entering into of the abovementioned rental agreements constituted continuing connected transactions of the Company as defined in Chapter 14A of the Listing Rules. Further details of these rental agreements were disclosed in the Company's announcement dated 22 December 2014.

The English name is translated for reference only.

CONNECTED AND RELATED PARTIES TRANSACTIONS (CONTINUED)

The Sale and Purchase Framework Agreement between the Group and CECEP

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

As the First Framework Sale and Purchase Agreement expired on 31 December 2015, the PRC Subsidiaries and CECEP entered into a framework agreement (the "2016 CECEP Framework Agreement") on 11 January 2016 to renew the terms and conditions of the transactions contemplated thereunder, for a period commencing from 1 January 2016 and ending on 31 December 2018 (both days inclusive). The annual cap under the 2016 CECEP Framework Agreement is RMB10,000,000 for each of the three financial years ending 31 December 2016, 2017 and 2018, respectively.

CECEP Chongqing is a controlling Shareholder which is indirectly interested in approximately 42.34% of the issued share capital of the Company and is entitled to control the voting rights associated with approximately 26.07% of the issued share capital of the Company held by Nian's Brother Holding at general meetings of the Company pursuant to the Shareholders Deed. Accordingly, CECEP Chongqing is a connected person of the Company pursuant to the Listing Rules. CECEP is the controlling shareholder of CECEP Chongqing, as such, CECEP is an associate of CECEP Chongqing and therefore a connected person of the Company pursuant to the Listing Rules.

For the year ended 31 December 2015, there was no sales to CECEP or its subsidiaries pursuant to the First Framework Sale and Purchase Agreement, which was within the annual cap of RMB260,000,000 as disclosed in the Company's announcement dated 6 March 2013.

Sale and Purchase Framework Agreement between the Group and Billion Fujian

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

The English name is translated for reference only.

CONNECTED AND RELATED PARTIES TRANSACTIONS (CONTINUED)

Sale and Purchase Framework Agreement between the Group and Billion Fujian (Continued)

As the Second Framework Sale and Purchase Agreement expired on 31 December 2015, the PRC Subsidiaries and Billion Fujian entered into a framework agreement (the "2016 Billion Framework Agreement") on 21 December 2015 to renew the terms and conditions of the transactions contemplated thereunder, for a period commencing from 1 January 2016 and ending on 31 December 2018 (both days inclusive). The annual cap for the COSTIN Purchases under the 2016 Billion Framework Agreement is RMB50,000,000 for each of the three financial years ending 31 December 2016, 2017 and 2018, respectively. And the annual cap for the COSTIN Sales under the 2016 Billion Framework Agreement is RMB500,000 for each of the three financial years ending 31 December 2016, 2017 and 2018, respectively.

CECEP Chongqing is a controlling Shareholder which is indirectly interested in approximately 42.34% of the issued share capital of the Company and is entitled to control the voting rights associated with approximately 26.07% of the issued share capital of the Company held by Nian's Brother Holding at general meetings of the Company pursuant to the Shareholders Deed. Accordingly, CECEP Chongqing is a connected person of the Company pursuant to the Listing Rules. CECEP Chongqing is also a controlling shareholder of Billion Industrial Holdings Limited ("Billion Industrial") and controls the composition of a majority of the board of directors of Billion Industrial, which is the holding company of Billion Fujian. As such, Billion Fujian is an associate of CECEP Chongqing and therefore a connected person of the Company pursuant to the Listing Rules.

For the year ended 31 December 2015, the PRC Subsidiaries have purchased products from Billion Fujian amounted to approximately RMB20,913,000 and Billion Fujian has purchased products from the PRC Subsidiaries amounted to approximately RMB121,000, each of which was within the annual cap of RMB76,500,000 and RMB500,000, respectively, as disclosed in the Company's announcement dated 5 July 2013.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the above continuing connected transactions of the Group during the year and confirmed that these transactions have been entered into (a) in the ordinary and usual course of the Group's business; (b) on normal commercial terms; and (c) according to the relevant agreements governing them on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

RSM Hong Kong was engaged to report on the above continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the aforesaid continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

CONNECTED AND RELATED PARTIES TRANSACTIONS (CONTINUED)

Based on the information and documents made available to them, RSM Hong Kong concluded that:

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

– for transactions involving the provision of goods or services by the Group, the transactions were, in all material respects, in accordance with the pricing policies of the Group;

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

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

NON-COMPETITION UNDERTAKING

Each of Nian's Brother Holding, Nian's Investment, Mr. Chim Wai Kong and Mr. Chim Wai Shing Jackson (collectively, the "Covenantors") has given certain non-competition undertakings in favour of the Company pursuant to a deed of non-competition dated 1 June 2010, details of which were disclosed in the prospectus of the Company dated 8 June 2010.

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

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

Information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 14 to 19.

INDEPENDENT CONFIRMATION

The Company has received, form each independent non-executive Director, an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors are independent.

AUDITOR

At the Company's last annual general meeting, RSM Nelson Wheeler was re-appointed as auditor of the Company. On 26 October 2015, our auditor changed the name under which it practices to RSM Hong Kong and accordingly has signed its report under its new name.

RSM Hong Kong will retire, and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of RSM Hong Kong as auditor of the Company will be put at the forthcoming annual general meeting.

AUDIT COMMITTEE

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

ON BEHALF OF THE BOARD
CECEP COSTIN New Materials Group Limited

Wang Li
Co-Chairman

Chim Wai Kong
Co-Chairman

Hong Kong, 22 March 2016

Independent Auditor's Report

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

We have audited the consolidated financial statements of CECEP COSTIN New Materials Group Limited (the "Company") and its subsidiaries set out on pages 48 to 100, which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other 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 International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

Independent Auditor's Report

OPINION

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

RSM Hong Kong
Certified Public Accountants
Hong Kong

22 March 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
Revenue	7	**1,241,824**	1,322,598
Cost of goods sold		**(890,978)**	(893,151)
Gross profit		**350,846**	429,447
Other income	8	**22,307**	28,821
Distribution expenses		**(15,463)**	(16,754)
Administrative expenses		**(103,429)**	(87,704)
Profit from operations		**254,261**	353,810
Finance costs	9	**(17,346)**	(21,104)
Profit before tax		**236,915**	332,706
Income tax expense	10	**(55,656)**	(66,300)
Profit for the year attributable to owners of the Company	11	**181,259**	266,406
Other comprehensive income after tax:			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(6,527)**	(356)
Total comprehensive income for the year attributable to owners of the Company		**174,732**	266,050
Earnings per share	14		(restated)
Basic		**RMB7.78 cents**	RMB11.44 cents
Diluted		**N/A**	N/A

Consolidated Statement of Financial Position

At 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**344,358**	391,312
Construction in progress	16	**7,521**	68
Investment properties	17	**9,100**	9,821
Prepayments for acquisition of property, plant and equipment		**13,064**	9,463
Total non-current assets		**374,043**	410,664
Current assets			
Inventories	19	**89,851**	99,165
Trade and bills receivables	20	**211,605**	349,120
Prepayments, deposits and other receivables		**14,151**	8,701
Pledged bank deposits	21	**20,561**	42,100
Bank and cash balances	21	**1,587,157**	1,338,775
Total current assets		**1,923,325**	1,837,861
TOTAL ASSETS		**2,297,368**	2,248,525
EQUITY AND LIABILITIES			
Share capital	22	**196,409**	68,475
Reserves	24(a)	**1,519,611**	1,535,683
Total equity		**1,716,020**	1,604,158
LIABILITIES			
Non-current liabilities			
Bank borrowings	25	**–**	79,147
Loan from an intermediate holding company	26	**3,000**	–
Deferred tax liabilities	27	**79,021**	71,889
Total non-current liabilities		**82,021**	151,036

Consolidated Statement of Financial Position

At 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
Current liabilities			
Trade and bills payables	29	**112,808**	119,852
Accruals and other payables		**41,740**	70,711
Bank borrowings	25	**337,615**	286,769
Current tax liabilities		**7,164**	15,999
Total current liabilities		**499,327**	493,331
TOTAL EQUITY AND LIABILITIES		**2,297,368**	2,248,525

Approved by the Board of Directors and are signed on its behalf by:

Wang Li	**Chim Wai Kong**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Share capital RMB'000	Share premium account RMB'000 (note 24(b)(i))	Foreign currency translation reserve RMB'000 (note 24(b)(ii))	Statutory reserve RMB'000 (note 24(b)(iii))	Capital reserve RMB'000 (note 24(b)(iv))	Merger reserve RMB'000 (note 24(b)(v))	Retained profits RMB'000	Total RMB'000
At 1 January 2014	68,475	240,477	(10,218)	178,653	20,934	79,974	821,299	1,399,594
Total comprehensive income for the year	–	–	(356)	–	–	–	266,406	266,050
Transfer to statutory reserve	–	–	–	7,188	–	–	(7,188)	–
Dividends paid (note 13)	–	–	–	–	–	–	(61,486)	(61,486)
Changes in equity for the year	–	–	(356)	7,188	–	–	197,732	204,564
At 31 December 2014 and 1 January 2015	**68,475**	**240,477**	**(10,574)**	**185,841**	**20,934**	**79,974**	**1,019,031**	**1,604,158**
Total comprehensive income for the year	**–**	**–**	**(6,527)**	**–**	**–**	**–**	**181,259**	**174,732**
Dividends paid (note 13)	**–**	**–**	**–**	**–**	**–**	**–**	**(62,870)**	**(62,870)**
Issue of bonus shares (note 22)	**127,934**	**(127,934)**	**–**	**–**	**–**	**–**	**–**	**–**
Changes in equity for the year	**127,934**	**(127,934)**	**(6,527)**	**–**	**–**	**–**	**118,389**	**111,862**
At 31 December 2015	**196,409**	**112,543**	**(17,101)**	**185,841**	**20,934**	**79,974**	**1,137,420**	**1,716,020**

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**236,915**	332,706
Adjustments for:			
Allowance for trade receivables	20	**22,374**	7,640
Allowance for inventories	11	**11,069**	–
Depreciation	15 & 17	**52,382**	51,494
Finance costs	9	**17,346**	21,104
Gain on disposals of property, plant and equipment	8 & 11	**(249)**	(44)
Reversal of allowance for trade receivables	20	**(1,714)**	–
Bank interest income	8	**(9,868)**	(4,812)
Operating profit before working capital changes		**328,255**	408,088
(Increase)/decrease in inventories		**(1,755)**	42,483
Decrease in trade and bills receivables		**116,855**	7,079
(Increase)/decrease in prepayments, deposits and other receivables		**(5,450)**	4,003
Decrease in trade and bills payables		**(7,044)**	(28,025)
(Decrease)/increase in accruals and other payables	30(a)	**(20,776)**	16,840
Cash generated from operations		**410,085**	450,468
Finance lease charges paid		**–**	(6)
Interest paid		**(17,069)**	(20,181)
Income taxes paid		**(57,359)**	(61,803)
Net cash generated from operating activities		**335,657**	368,478
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment	30(a)(b)	**(12,672)**	(1,916)
Proceeds from disposals of property, plant and equipment		**430**	130
Payment for construction in progress		**(7,237)**	(6,959)
Increase in prepayments for acquisition of property, plant and equipment	30(b)	**(4,215)**	(4,130)
Interest received		**9,868**	4,812
Decrease/(increase) in pledged bank deposits		**21,539**	(34,951)
Net cash generated from/(used in) investing activities		**7,713**	(43,014)

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Note	**2015 RMB'000**	*2014 RMB'000*
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan raised from an intermediate holding company		**3,000**	–
Bank borrowings raised		**348,061**	324,992
Repayment of bank borrowings		**(388,043)**	(355,516)
Repayment of capital element of finance lease payables		**–**	(182)
Dividends paid to owners of the Company	13	**(62,870)**	(61,486)
Net cash used in financing activities		**(99,852)**	(92,192)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**243,518**	233,272
Effect of foreign exchange rate changes		**4,864**	299
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**1,338,775**	1,105,204
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**1,587,157**	1,338,775
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances	21	**1,587,157**	1,338,775

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

1. GENERAL INFORMATION

CECEP COSTIN New Materials Group Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman KY1-1112, Cayman Islands. The address of its principal place of business is Xinhua Industrial Garden Niancuopu Longhu JinJiang Fujian, the People's Republic of China (the "PRC"). The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 18 to the consolidated financial statements.

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

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND REQUIREMENTS

(a) Application of new and revised IFRSs

In the current year, the Group has adopted all the new and revised IFRSs that are relevant to its operations and effective for its accounting year beginning on 1 January 2015. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements amounts reported for the current and prior year.

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

(b) New and revised IFRSs in issue but not yet effective

The Group has not early applied new and revised IFRSs that have been issued but are not yet effective for the financial year beginning on 1 January 2015. The directors anticipate that the new and revised IFRSs will be adopted in the Group's consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all new and revised IFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
Amendments to IAS 1	Disclosure Initiative[3]
Amendments to IAS 7	Statement of Cash Flows[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[3]

1 *Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.*
2 *Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.*
3 *Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.*
4 *Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.*

(c) New Hong Kong Companies Ordinance (Cap. 622)

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) came into operation during the financial year. Although the Company is not incorporated in Hong Kong, the Rules Governing the Listing of Securities (the "Listing Rule") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") require the Company to comply with the disclosure requirements of the new Hong Kong Companies Ordinance (Cap. 622). As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(d) Amendments to the Listing Rules on the Stock Exchange

The Stock Exchange in April 2015 released revised Appendix 16 of the Listing Rules in relation to disclosure of financial information in annual reports that are applicable for accounting periods ending on or after 31 December 2015, with earlier application permitted. The Company has adopted the amendments resulting in changes to the presentation and disclosures of certain information in the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

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

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

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

(a) Consolidation

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency translation

(i) Functional and presentation currency

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

The functional currency of the Company is Hong Kong dollars. The director considered that choosing RMB as the presentation currency best suit the needs of the shareholders and investors.

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

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

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

(iii) Translation on consolidation

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

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

– Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment

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

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

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

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

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

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

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

(d) Investment properties

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases

The Group as lessee

(i) Operating leases

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

(ii) Finance leases

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

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

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

The Group as lessor

Operating leases

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

(f) Research and development expenditure

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

(g) Inventories

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Recognition and derecognition of financial instruments

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

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

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

(i) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

The Group classifies its financial assets in 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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade and other receivables, bank balances and cash are classified in this category.

(j) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), 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 allowance for impairment.

(k) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial liabilities and equity instruments

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

(i) Borrowings

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

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

(ii) Trade and other payables

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

(iii) Equity instruments

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

(m) Revenue recognition

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

(i) Sales of goods

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

(ii) Interest income

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

(iii) Rental income

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of whose benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

(o) Borrowing costs

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

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

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

(p) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Taxation

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(s) Impairment of financial assets

At the end of each reporting period, the Group assesses whether its financial assets are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

For trade receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Provisions and contingent liabilities

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

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

(u) Events after the reporting period

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(a) Property, plant and equipment, investment properties and depreciation

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

The carrying amounts of property, plant and equipment and investment properties as at 31 December 2015 were RMB344,358,000 and RMB9,100,000 (2014: RMB391,312,000 and RMB9,821,000) respectively.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(b) Income taxes

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

During the year, RMB55,656,000 (2014: RMB66,300,000) of income tax was charged to profit or loss based on the estimated profit.

(c) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts, in particular of a loss event, requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

As at 31 December 2015, accumulated impairment loss for bad and doubtful debts amounted to RMB42,444,000 (2014: RMB21,784,000).

(d) Allowance for slow-moving inventories

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

As at 31 December 2015, allowance for slow-moving inventories amounted to RMB11,069,000 (2014: Nil).

6. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

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

	2015 **RMB'000**	*2014* *RMB'000*
Denominated in HK$ held by PRC subsidiaries		
Bank and cash balances	**1**	222
Denominated in RMB held by HK subsidiaries		
Deposits and other receivables	**52**	52
Bank and cash balances	**4,546**	4,540
Total	**4,598**	4,592
Denominated in US$ held by PRC subsidiaries		
Trade and bills receivables	**66,194**	24,219
Pledged bank deposits, bank and cash balances	**10,802**	20,139
Trade and bills payables	**(9,336)**	(13,297)
Accruals and other payables	**(313)**	(294)
Bank borrowings	**(22,358)**	(93,622)
Total	**44,989**	(62,855)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Foreign currency risk (Continued)

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

Foreign currency/ functional currency	**2015** Increase/ (decrease) in foreign exchange rates	**2015** RMB'000	*2014* Increase/ (decrease) in foreign exchange rates	*2014* RMB'000
US$/RMB	**5%**	**1,914**	5%	(2,669)
	(5)%	**(1,914)**	(5)%	2,669
HK$/RMB	**5%**	**(192)**	5%	(183)
	(5)%	**192**	(5)%	183

(b) Credit risk

The Group's credit risk is primarily attributable to its trade and bills receivables, other receivables, pledged bank deposits and bank and cash balances. In order to minimise credit risk, the directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The Group has policies in place to ensure that sales are made to customers with an appropriate credit history.

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

The Group has certain concentration of credit risk as 66% (2014: 61%) of the total trade receivables were due from the Group's five largest trade receivables as at 31 December 2015.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

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

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

	On demand or less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
At 31 December 2015				
Trade and bills payables	**112,808**	**–**	**–**	**112,808**
Accruals and other payables	**39,458**	**–**	**–**	**39,458**
Bank borrowings *(note)*	**344,399**	**–**	**–**	**344,399**
Loan from an intermediate holding company	**–**	**–**	**3,128**	**3,128**
At 31 December 2014				
Trade and bills payables	119,852	–	–	119,852
Accruals and other payables	66,959	–	–	66,959
Bank borrowings *(note)*	296,629	80,385	–	377,014

Note:

Bank borrowings including the bank loans, invoice financing and trust receipt loans with a repayment on demand clause are included in the 'on demand or less than 1 year' time band in the above maturity analysis. As at 31 December 2015, the aggregate undiscounted principal amount of the bank loans, invoice financing and trust receipt loans amounted to RMB23,417,000, RMB24,219,000 and RMB16,022,000 respectively (2014: RMB21,437,000, Nil and Nil respectively). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank borrowings will be repaid one year after the end of the reporting period in accordance with the scheduled repayment date set out in the loan agreements. At that time, the aggregate principal and interest cash outflows of the bank loans, invoice financing and trust receipt loans will amount to RMB24,033,000, RMB24,300,000 and RMB16,100,000 respectively (2014: RMB21,871,000, Nil and Nil respectively).

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Interest rate risk

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

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR and central bank base interest rate arising from the Group's HK$ and RMB denominated borrowings.

At 31 December 2015, if interest rates had been 100 basis points lower with all other variables held constant, consolidated profit after tax for the year and equity would have been approximately RMB10,458,000 (2014: RMB8,100,000) lower, arising mainly as a result of lower interest income on pledged bank deposits, bank and cash balances and lower interest expense on bank borrowings.

At 31 December 2015, if interest rates had been 100 basis points higher with all other variables held constant, consolidated profit after tax for the year and the equity would have been approximately RMB10,458,000 (2014: RMB8,100,000) higher, arising mainly as a result of higher interest income on pledged bank deposits, bank and cash balances and higher interest expense on bank borrowings.

(e) Categories of financial instruments at 31 December

	2015	*2014*
	RMB'000	*RMB'000*
Financial assets:		
Loans and receivables (including cash and cash equivalents)	**1,821,309**	1,732,263
Financial liabilities:		
Financial liabilities at amortised cost	**492,881**	552,727

(f) Fair values

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

7. REVENUE AND SEGMENT INFORMATION

(a) Revenue

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

(b) Segment information

The Group has four (2014: three) major operating and reportable segments as follows:

(i)	Non-woven materials	–	manufacture and sale of non-woven fabrics and other types of non-woven materials
(ii)	Recycled chemical fibres	–	manufacture and sale of chemical fibres produced from recycled materials such as polyester chips
(iii)	Thermal resistant filtration materials	–	manufacture and sale of thermal resistant filtration materials
(iv)	Tapioca chips trading	–	import and export of tapioca chips

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

The Group's other operating segment includes the chemical industry business, which involves the manufacture and sale of chemical products. This segment does not meet any of the quantitative thresholds for determining reportable segment. The information of this other operating segment is included in the 'other' column. No operating segments have been aggregated.

The accounting policies of the operating segments are the same as those described in note 4 to the consolidated financial statements. Segment profits or losses do not include administrative expenses, distribution expenses, other income, finance costs and income tax expenses. Segment assets do not include some property, plant and equipment, investment properties, some prepayments for acquisition of property, plant and equipment, some inventories, trade and bills receivables, prepayments, deposits and other receivables, pledged bank deposits and bank and cash balances.

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

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7. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

(i) Information about operating segment profit or loss and segment assets:

	Non-woven materials		Recycled chemical fibres		Thermal resistant filtration materials		Tapioca chips trading		Other		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December												
Revenue from external customers	1,015,324	1,037,816	109,435	175,408	51,908	100,777	58,217	–	6,940	8,597	1,241,824	1,322,598
Intersegment revenue	1,501	1,675	3,334	10,648	–	–	–	–	–	–	4,835	12,323
Segment profit/(loss)	329,999	388,659	19,994	31,513	(3,109)	6,495	1,703	–	2,259	2,780	350,846	429,447
Depreciation	16,895	16,693	6,176	5,994	11,828	11,745	–	–	293	293	35,192	34,725
Reversal of allowance for trade receivables	–	–	–	–	(1,714)	–	–	–	–	–	(1,714)	–
Other material non-cash items:												
Allowance for trade receivables	–	–	–	–	22,374	7,640	–	–	–	–	22,374	7,640
Allowance for inventories	–	–	–	–	11,069	–	–	–	–	–	11,069	–
Additions to segment non-current assets	1,499	11,057	2,041	4,086	650	67	–	–	–	6	4,190	15,216
At 31 December												
Segment assets	139,879	153,972	49,287	50,868	125,376	138,508	–	–	3,419	4,532	317,961	347,880

7. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

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

	2015 RMB'000	2014 RMB'000
Revenue		
Total revenue of reportable segments	1,246,659	1,334,921
Elimination of intersegment revenue	(4,835)	(12,323)
Consolidated total revenue	1,241,824	1,322,598

	2015 RMB'000	2014 RMB'000
Profit or loss		
Total profit of reportable segments	350,846	429,447
Unallocated amounts:		
Other income	22,307	28,821
Distribution expenses	(15,463)	(16,754)
Administrative expenses	(103,429)	(87,704)
Finance costs	(17,346)	(21,104)
Consolidated total profit before tax	236,915	332,706

	2015 RMB'000	2014 RMB'000
Assets		
Total assets of reportable segments	317,961	347,880
Unallocated amounts:		
Property, plant and equipment	124,080	140,020
Investment properties	9,100	9,821
Prepayments for acquisition of property, plant and equipment	5,650	4,283
Inventories	7,103	7,825
Trade and bills receivables	211,605	349,120
Prepayments, deposits and other receivables	14,151	8,701
Pledged bank deposits	20,561	42,100
Bank and cash balances	1,587,157	1,338,775
Consolidated total assets	2,297,368	2,248,525

7. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

(iii) Geographical information:

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	2015 RMB'000	2014 RMB'000
Revenue		
PRC except Hong Kong	804,678	1,090,343
Hong Kong	377,733	164,901
Others	59,413	67,354
Consolidated total revenue	1,241,824	1,322,598

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

(iv) Revenue from major customers:

	2015 RMB'000	2014 RMB'000
Non-woven materials segment		
Customer a	225,612	287,452
Customer b	118,741	209,067
Customer c	114,176	163,947

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

8. OTHER INCOME

	2015 RMB'000	2014 RMB'000
Net exchange gain	5,980	–
Gain on disposals of property, plant and equipment	249	44
Government grants (note)	2,420	20,363
Income from trading of scrap materials	873	1,064
Bank interest income	9,868	4,812
Rental income (note 17)	2,136	2,337
Others	781	201
	22,307	28,821

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

9. FINANCE COSTS

	2015 RMB'000	2014 RMB'000
Finance lease charges	–	6
Interest expense on bank borrowings	17,346	21,098
	17,346	21,104

10. INCOME TAX EXPENSE

Income tax has been recognised in profit or loss as following:

	2015 RMB'000	2014 RMB'000
Current tax – PRC		
Provision for the year	42,694	50,144
Under-provision in prior year	980	1,118
	43,674	51,262
Deferred tax (note 27)	11,982	15,038
	55,656	66,300

Hong Kong Profits Tax has been provided at a rate of 16.5% (2014: 16.5%) on the estimated assessable profits for the year ended 31 December 2015.

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

On 14 August 2014, 福建鑫華股份有限公司 (Xinhua Share Co., Ltd. Fujian) ("Xinhua Co.") was recognised as an advanced technology enterprise (高新技術企業) and is entitled to enjoy an income tax concession at a preferential rate of 15% effective from 1 January 2014. Applicable PRC EIT rate of 15% has been applied for the provision of income tax expenses for three years from 1 January 2014 to 31 December 2016.

On 26 December 2014, Xinhua Co. was recognised as a comprehensive resources utilisation enterprise (資源綜合利用企業) and was eligible to apply for an income tax concession for exemption of 10% of the revenue from recycled chemical fibres for two years from 1 January 2014 to 31 December 2015.

No provision for Hong Kong Profits Tax is required for the subsidiaries of the Company incorporated in Hong Kong since they have no assessable profits for the years ended 31 December 2014 and 2015.

10. INCOME TAX EXPENSE (CONTINUED)

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

	2015 RMB'000	2014 RMB'000
Profit before tax	**236,915**	332,706
Tax at the weighted average rate of 16% (2014: 15%)	**37,483**	51,306
Tax effect of expenses that are not deductible	**4,281**	1,728
Tax effect of income that is not taxable	**(127)**	(5)
Tax effect of temporary differences not recognised	**11**	29
Tax effect of unused tax losses not recognised	**1,931**	521
Tax effect of utilisation of tax losses not previously recognised	**(885)**	(804)
Tax effect of tax concession	**–**	(2,631)
Under-provision in prior year	**980**	1,118
PRC dividend withholding tax (note 27)	**11,982**	15,038
Income tax expense	**55,656**	66,300

11. PROFIT FOR THE YEAR

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

	2015 RMB'000	2014 RMB'000
Allowance for trade receivables (note (i))	**22,374**	7,640
Allowance for inventories (note (i))	**11,069**	–
Auditor's remuneration	**1,810**	1,669
Cost of inventories sold (note (ii))	**890,978**	893,151
Depreciation of property, plant and equipment	**51,661**	50,595
Depreciation of investment properties	**721**	899
Gain on disposals of property, plant and equipment	**(249)**	(44)
Net exchange (gain)/loss	**(5,980)**	1,775
Operating lease charges in respect of land and buildings	**2,746**	5,004
Research and development expenditure (note (iii))	**11,124**	11,637
Reversal of allowance for trade receivables (note (i) & (iv))	**(1,714)**	–
Staff costs (excluding directors' emoluments)		
Salaries, bonus and allowances	**49,488**	58,764
Retirement benefits scheme contributions	**1,016**	1,104
	50,504	59,868

Notes:

(i) These items are included in administrative expenses.

(ii) Cost of inventories sold includes staff costs, depreciation and operating lease charges of approximately RMB66,949,000 (2014: RMB70,919,000) which are included in the amounts disclosed separately above.

(iii) Research and development expenditure includes staff costs of approximately RMB1,536,000 (2014: RMB3,344,000) which is included in the amount disclosed separately above.

(iv) Certain trade receivables were recovered by way of cash settlement that resulted in the reversal of allowance for trade receivables of RMB1,714,000 (2014: Nil) for the year.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of directors of the Company for the year, disclosed pursuant to the Listing Rules and the Hong Kong Companies Ordinance, were as follows:

For the year ended 31 December 2015

	Fees RMB'000	Salaries and allowances RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Name of director				
Executive directors				
Chim Wai Kong *(Co-chairman)*	–	966	15	981
Chim Wai Shing Jackson	–	1,234	14	1,248
Wang Li *(Co-Chairman)* (note (ii))	–	483	–	483
Xue Mangmang	–	193	–	193
Yu Heping *(Co-chairman)* (note (iv))	–	483	–	483
	–	3,359	29	3,388
Non-executive directors				
Ma Yun (note (i))	56	–	–	56
Pan Tingxuan (note (iii))	40	–	–	40
Yang Yihua	97	–	–	97
	193	–	–	193
Independent Non-executive directors				
Feng Xue Ben	143	–	–	143
Wong Siu Hong	143	–	–	143
Xu Qinghua	124	–	–	124
	410	–	–	410
	603	3,359	29	3,991

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

For the year ended 31 December 2014

	Fees RMB'000	*Salaries and allowances RMB'000*	*Retirement benefits scheme contributions RMB'000*	*Total RMB'000*
Name of director				
Executive directors				
Chim Wai Kong *(Co-chairman)*	–	951	13	964
Chim Wai Shing Jackson	–	1,164	13	1,177
Xue Mangmang	–	189	–	189
Yu Heping *(Co-chairman)*	–	951	–	951
	–	3,255	26	3,281
Non-executive directors				
Pan Tingxuan	95	–	–	95
Yang Yihua	95	–	–	95
	190	–	–	190
Independent Non-executive directors				
Feng Xue Ben	138	–	–	138
Wong Siu Hong	138	–	–	138
Xu Qinghua	119	–	–	119
	395	–	–	395
	585	3,255	26	3,866

Notes:

(i) Appointed on 1 June 2015
(ii) Appointed on 1 July 2015
(iii) Resigned on 1 June 2015
(iv) Resigned on 1 July 2015

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

Neither the chief executive nor any of the directors waived any emoluments during the year (2014: Nil).

The five highest paid individuals in the Group during the year included three (2014: three) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining two (2014: two) individuals are set out below:

	2015 **RMB'000**	*2014* *RMB'000*
Salaries and allowances	**1,858**	1,574
Discretionary bonus	**65**	128
Retirement benefits scheme contributions	**14**	13
	1,937	1,715

The emoluments fell within the following band:

	Number of individuals	
	2015	*2014*
HK$1,000,001 to HK$1,500,000 (equivalent to RMB805,001 to RMB1,208,000 (2014: RMB792,001 to RMB1,188,000))	**2**	2

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

13. DIVIDENDS

	2015 RMB'000	2014 RMB'000
2015 Interim of HK1.2 cents (equivalent to RMB1.0 cents) (2014: HK3.5 cents (equivalent to RMB2.8 cents)) per ordinary share paid	**23,071**	21,617
2014 Final of HK6.5 cents (equivalent to RMB5.1 cents) (2014: 2013 Final of HK6.5 cents (equivalent to RMB5.1 cents)) per ordinary share paid	**39,799**	39,869
	62,870	61,486

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2015 of HK0.7 cents (equivalent to RMB0.6 cents) per ordinary share has been proposed by the directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

The final dividend has not been recognised as a liability as at 31 December 2015.

Pursuant to the PRC Enterprise Income Tax Law, the Company is required to withhold 10% PRC Enterprise Income Tax when it distributes dividends, to its non-PRC resident enterprise shareholder.

14. EARNINGS PER SHARE

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

	2015 RMB'000	2014 RMB'000
Earnings		
Earnings for the purpose of calculating basic earnings per share – profit attributable to owners of the Company	**181,259**	266,406
Number of shares		(restated)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**2,329,266,000**	2,329,266,000

No diluted earnings per share is presented as the Company did not have any dilutive potential ordinary share during the years ended 31 December 2014 and 2015.

The basic earnings per share amounts for 2014 have been adjusted to reflect the issue of bonus shares during the year.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Prepaid land lease payments RMB'000	Leasehold improvements RMB'000	Machinery and equipment RMB'000	Office equipment and fixtures RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost							
At 1 January 2014	177,998	90,157	511	325,338	7,837	13,295	615,136
Additions	19,944	–	–	4,539	378	1,400	26,261
Disposals	–	–	–	–	(24)	(419)	(443)
Exchange differences	–	–	2	–	1	3	6
Transfer from construction in progress (note 16)	5,340	–	–	3,400	–	–	8,740
Transfer from investment properties (note 17)	8,450	–	–	–	–	–	8,450
Transfer to investment properties (note 17)	(13,232)	–	–	–	–	–	(13,232)
At 31 December 2014 and 1 January 2015	198,500	90,157	513	333,277	8,192	14,279	644,918
Additions	983	–	–	3,094	224	574	4,875
Disposals	–	–	–	–	–	(1,136)	(1,136)
Write off	–	–	–	–	(16)	–	(16)
Exchange differences	–	–	31	–	28	65	124
At 31 December 2015	199,483	90,157	544	336,371	8,428	13,782	648,765
Accumulated depreciation							
At 1 January 2014	27,109	23,625	511	141,694	4,061	6,889	203,889
Charge for the year	8,843	4,498	–	33,195	1,330	2,729	50,595
Disposals	–	–	–	–	(20)	(337)	(357)
Exchange differences	–	–	2	–	–	2	4
Transfer from investment properties (note 17)	2,165	–	–	–	–	–	2,165
Transfer to investment properties (note 17)	(2,690)	–	–	–	–	–	(2,690)

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings RMB'000	Prepaid land lease payments RMB'000	Leasehold improvements RMB'000	Machinery and equipment RMB'000	Office equipment and fixtures RMB'000	Motor vehicles RMB'000	Total RMB'000
At 31 December 2014 and 1 January 2015	35,427	28,123	513	174,889	5,371	9,283	253,606
Charge for the year	10,144	4,498	–	33,302	1,212	2,505	51,661
Disposals	–	–	–	–	–	(955)	(955)
Write off	–	–	–	–	(16)	–	(16)
Exchange differences	–	–	31	–	16	64	111
At 31 December 2015	45,571	32,621	544	208,191	6,583	10,897	304,407
Carrying amount							
At 31 December 2015	153,912	57,536	–	128,180	1,845	2,885	344,358
At 31 December 2014	163,073	62,034	–	158,388	2,821	4,996	391,312

At 31 December 2015, the carrying amount of buildings and prepaid land lease payments pledged as security for the banking facilities granted to the Group amounted to approximately RMB152,442,000 (2014: RMB107,829,000) (note 25).

16. CONSTRUCTION IN PROGRESS

	2015 RMB'000	2014 RMB'000
At 1 January	68	8,234
Additions	7,453	574
Transfer to property, plant and equipment (note 15)	–	(8,740)
At 31 December	7,521	68

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

17. INVESTMENT PROPERTIES

	RMB'000
Cost	
At 1 January 2014	8,450
Transfer from property, plant and equipment (note 15)	13,232
Transfer to property, plant and equipment (note 15)	(8,450)
At 31 December 2014, 1 January 2015 and 31 December 2015	13,232
Accumulated depreciation	
At 1 January 2014	1,987
Charge for the year	899
Transfer from property, plant and equipment (note 15)	2,690
Transfer to property, plant and equipment (note 15)	(2,165)
At 31 December 2014 and 1 January 2015	3,411
Charge for the year	721
At 31 December 2015	4,132
Carrying amount	
At 31 December 2015	9,100
At 31 December 2014	9,821

17. INVESTMENT PROPERTIES (CONTINUED)

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

The fair values of the Group's investment properties at 31 December 2015 are approximately RMB10,743,000 (2014: RMB11,415,000). The fair values of the Group's investment properties have been determined by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent firm of professional valuers.

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

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

At 31 December 2015, the carrying amount of investment properties pledged as security for the banking facilities granted to the Group amounted to approximately RMB3,537,000 (2014: RMB3,887,000) (note 25).

During the year ended 31 December 2015, property leasing revenue includes gross rental income from investment properties of approximately RMB2,136,000 (2014: RMB2,337,000) (note 8).

18. INVESTMENT IN SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2015 are as follows:

Name	Place of incorporation/ registration and operation	Issued and paid up capital/ registered capital	Percentage of ownership interest Direct	Percentage of ownership interest Indirect	Principal activities
COSTIN Investment Limited ("COSTIN BVI")	British Virgin Islands	US$20	100%	–	Investment holding
Gerfalcon International Limited	British Virgin Islands	US$1	–	100%	Investment holding
Gerfalcon Industrial (Nonwoven) Investment Company Limited ("Gerfalcon Industrial")	Hong Kong	HK$23,790,000	–	100%	Investment holding and sale of non-woven materials and recycled chemical fibres
Garfalcon Investment Limited	British Virgin Islands	US$1	–	100%	Investment holding
Gerfalcon Investment Company Limited	Hong Kong	HK$1,000	–	100%	Investment holding
Gerfalcon Hong Kong Company Limited	Hong Kong	HK$1,000	–	100%	Investment holding
海東青非織工業(福建)有限公司* (Gerfalcon Nonwoven Industrial (Fujian) Co., Ltd.)*	PRC	US$13,990,000	–	100%	Manufacture of filtration materials and non-woven materials, provision of information technology and management supporting service
晉江海東青貿易有限公司* (Gerfalcon Trade Co., Ltd. Jinjiang)*	PRC	HK$81,000,000	–	100%	Retail and wholesale of filtration materials, non-woven materials, foods, drinks, crafts, health products, daily necessities and flowers

18. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name	*Place of incorporation/ registration and operation*	*Issued and paid up capital/ registered capital*	*Percentage of ownership interest Direct*	*Indirect*	*Principal activities*
福建鑫華股份有限公司[#] (Xinhua Share Co., Ltd. Fujian) ("Xinhua Co.")[#]	PRC	RMB80,000,000	–	100%	Manufacture and sale of non-woven materials, recycled chemical fibres and thermal resistant filtration materials
海東青(北京)科技諮詢有限公司* (COSTIN (Beijing) Technology Consulting Company Limited) ("COSTIN Beijing")*	PRC	HK$10,000,000	–	100%	Provisions of non-woven materials technology consulting services and wholesale of filtration materials and non-woven materials
泉州市鑫華商務服務有限公司[#] (Quanzhou Xinhua Business Services Co., Ltd.) ("Quanzhou Xinhua")[#]	PRC	RMB5,000,000 (note (i))	–	100%	Provision of business and exhibition services

Note:

(i) *On 7 May 2015, Quanzhou Xinhua was established in the PRC as a wholly-owned foreign enterprise held by Xinhua Co. with a registered capital of RMB5,000,000 which have not been paid up.*

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

[#] *These subsidiaries are registered as wholly-owned domestic enterprise under the PRC laws.*

The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

19. INVENTORIES

	2015 RMB'000	*2014 RMB'000*
Raw materials	**56,179**	57,640
Finished goods	**33,672**	41,525
	89,851	99,165

For the year ended 31 December 2015, finished goods with carrying amount of approximately RMB11,069,000 (2014: Nil) were slow-moving and fully impaired.

20. TRADE AND BILLS RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade receivables	253,531	369,453
Less: Allowance for doubtful debts	(42,444)	(21,784)
	211,087	347,669
Bills receivables	518	1,451
	211,605	349,120

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 180 days (2014: 30 to 180 days). Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

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

	2015 RMB'000	2014 RMB'000
Up to 30 days	106,047	183,400
31 to 60 days	61,734	105,366
61 to 90 days	26,510	24,715
91 to 120 days	1,842	3,565
121 to 150 days	5,517	6,166
151 to 180 days	1,184	6,464
Over 180 days	8,253	17,993
	211,087	347,669

As at 31 December 2015, an allowance was made for estimated irrecoverable trade receivables of approximately RMB42,444,000 (2014: RMB21,784,000).

20. TRADE AND BILLS RECEIVABLES (CONTINUED)

Reconciliation of allowance for trade receivables:

	2015 RMB'000	2014 RMB'000
At 1 January	21,784	14,144
Allowance for the year	22,374	7,640
Reversal of the allowance	(1,714)	–
At 31 December	42,444	21,784

As of 31 December 2015, trade receivables of approximately RMB14,068,000 (2014: RMB39,321,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The aging analysis of these trade receivables is as follows:

	2015 RMB'000	2014 RMB'000
Up to 30 days	5,250	5,126
31 to 60 days	1,684	9,067
61 to 90 days	1,396	4,108
91 to 120 days	2,011	3,401
121 days to 150 days	1,232	7,480
151 days to 180 days	1,229	8,090
Over 180 days	1,266	2,049
	14,068	39,321

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

	2015 RMB'000	2014 RMB'000
RMB	135,673	313,496
US$	75,932	35,624
	211,605	349,120

21. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

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

	At 31 December 2015				
	RMB	**HK$**	**US$**	**DKK**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Cash at bank and on hand	**1,567,901**	**2,195**	**17,060**	**1**	**1,587,157**
Pledged bank deposits	**10,400**	**–**	**10,161**	**–**	**20,561**
	1,578,301	**2,195**	**27,221**	**1**	**1,607,718**

	At 31 December 2014				
	RMB	HK$	US$	DKK	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and on hand	1,320,742	4,843	13,189	1	1,338,775
Pledged bank deposits	22,908	–	19,192	–	42,100
	1,343,650	4,843	32,381	1	1,380,875

The Group's pledged bank deposits represented deposits pledged to banks to secure banking facilities granted to the Group as set out in note 25 to the consolidated financial statements.

The Group's pledged bank deposits are at fixed interest rate 0.8% – 2.5% (2014: 2.0% – 4.4%) per annum and therefore are subject to fair value interest rate risk.

As at 31 December 2015, the pledged bank deposits and bank and cash balances of the Group's subsidiaries in the PRC denominated in RMB amounted to approximately RMB1,573,755,000 (2014: RMB1,339,110,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

22. SHARE CAPITAL

	Note	Number of shares	Amount HK$	Amount as presented RMB
Authorised:				
Ordinary shares of HK$0.1 each				
At 1 January 2014, 31 December 2014 and 1 January 2015		2,000,000,000	200,000,000	176,000,000
Increase	(a)	2,000,000,000	200,000,000	164,774,000
At 31 December 2015		4,000,000,000	400,000,000	340,774,000
Ordinary shares, issued and fully paid:				
At 1 January 2014, 31 December 2014 and 1 January 2015		776,422,000	77,642,200	68,474,747
Issue of bonus shares	(b)	1,552,844,000	155,284,400	127,934,159
At 31 December 2015		2,329,266,000	232,926,600	196,408,906

Notes:

(a) *Pursuant to an extraordinary general meeting passed on 7 August 2015, the Company increased its authorized share capital to HK$400,000,000 divided into 4,000,000,000 ordinary shares of par value HK$0.10 each, by the creation of an additional 2,000,000,000 ordinary shares of HK$0.10 each.*

(b) *Pursuant to the approval of the shareholders at the extraordinary general meeting of the Company on 7 August 2015, 1,552,844,000 ordinary shares of the Company at HK$0.1 each were issued as bonus shares to the qualifying shareholders whose names are shown on the register of members of the Company on 14 August 2015 on a two-to-one basis, by way of capitalisation of a portion of the share premium account of the Company on 21 August 2015.*

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

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

In order to maintain or adjust the capital structure, the Group may adjust the amount of payment of dividends paid to shareholders, if any, return capital to shareholders, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts. No changes were made in the objectives, policies and processes during the years ended 31 December 2014 and 2015.

The Group monitors capital using a gearing ratio, which is the Group's total interest-bearing borrowings over its total assets. The Group's policy is to keep the gearing ratio at a reasonable level. The Group's gearing ratio as at 31 December 2015 was 15% (2014: 16%).

The externally imposed capital requirements for the Group are: (i) in order to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares; (ii) CECEP Group remains as the single largest shareholder of the Group; and (iii) to meet financial covenants attached to the bank borrowings. The Group has complied with all the above requirements during the years ended 31 December 2014 and 2015.

23. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Note	2015 RMB'000	2014 RMB'000
ASSETS			
Non-current assets			
Investment in subsidiaries		**19,931**	18,767
Current assets			
Prepayments		**333**	192
Dividend receivables		**383,549**	306,003
Due from subsidiaries		**98,501**	131,152
Bank and cash balances		**945**	1,607
Total current assets		**483,328**	438,954
TOTAL ASSETS		**503,259**	457,721
EQUITY AND LIABILITIES			
Share capital		**196,409**	68,475
Reserves	24(b)	**205,346**	269,938
Total equity		**401,755**	338,413
LIABILITIES			
Non-current liabilities			
Bank borrowings		**–**	71,232
Current liabilities			
Accruals and other payables		**988**	1,793
Bank borrowings		**99,066**	44,833
Due to a subsidiary		**1,450**	1,450
Total current liabilities		**101,504**	48,076
TOTAL EQUITY AND LIABILITIES		**503,259**	457,721

Approved by the Board of Directors and are signed on its behalf by:

Wang Li
Director

Chim Wai Kong
Director

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

23. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(b) Reserve movement of the Company

	Share premium account RMB'000 (note 24(b)(i))	Foreign currency translation reserve RMB'000 (note 24(b)(ii))	Contributed surplus RMB'000 (note 24(b)(vi))	Retained profits RMB'000	Total RMB'000
At 1 January 2014	240,477	(40,652)	20,909	19,622	240,356
Total comprehensive income for the year	–	889	–	90,179	91,068
Dividends paid (note 13)	–	–	–	(61,486)	(61,486)
Changes in equity for the year	–	889	–	28,693	29,582
At 31 December 2014 and 1 January 2015	**240,477**	**(39,763)**	**20,909**	**48,315**	**269,938**
Total comprehensive income for the year	**–**	**22,363**	**–**	**103,849**	**126,212**
Dividends paid (note 13)	**–**	**–**	**–**	**(62,870)**	**(62,870)**
Issue of bonus shares (note 22)	**(127,934)**	**–**	**–**	**–**	**(127,934)**
Changes in equity for the year	**(127,934)**	**22,363**	**–**	**40,979**	**(64,592)**
At 31 December 2015	**112,543**	**(17,400)**	**20,909**	**89,294**	**205,346**

24. RESERVES

(a) The Group

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

(b) Nature and purpose of reserves

(i) Share premium account

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

(ii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(b) to the consolidated financial statements.

(iii) Statutory reserve

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

(iv) Capital reserve

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

(v) Merger reserve

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

(vi) Contributed surplus

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

25. BANK BORROWINGS

	2015 **RMB'000**	*2014* *RMB'000*
Bank loans	**297,374**	363,137
Invoice financing	**24,219**	2,779
Trust receipt loan	**16,022**	–
	337,615	365,916
Bank borrowings are repayable as follows:		
On demand or within one year	**337,615**	286,769
In the second year	**–**	79,147
	337,615	365,916
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(337,615)**	(286,769)
Amount due for settlement after 12 months	**–**	79,147

At 31 December 2015, invoice financing and trust receipt loan were repayable within 120 days (2014: 120 days) from their respective drawdown days.

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

	2015 **RMB'000**	*2014* *RMB'000*
RMB	**175,950**	153,450
HK$	**99,066**	116,065
US$	**62,599**	96,401
	337,615	365,916

25. BANK BORROWINGS (CONTINUED)

The average interest rates at 31 December were as follows:

	2015	2014
Short-term bank loans (floating rate)	2.57%	2.58%
Short-term bank loans (fixed rate)	4.39% – 6.24%	1.75% – 7.86%
Long-term bank loans (floating rate)	3.35% – 7.04%	3.34% – 7.04%
Long-term bank loans (fixed rate)	7.59%	7.59%
Invoice financing (floating rate)	2.32% – 2.92%	2.23% – 2.85%
Trust receipt loans (floating rate)	2.93%	N/A

Bank loans of approximately RMB193,758,000 (2014: RMB238,522,000) are arranged at fixed interest rates and expose the Group to fair value interest rate risk. Other borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

Bank loans of approximately RMB297,374,000 (2014: RMB363,137,000), invoice financing of approximately RMB24,219,000 (2014: RMB2,779,000), trust receipt loan of approximately RMB16,022,000 (2014: Nil) and bills payables (note 29) of approximately RMB40,720,000 (2014: RMB12,000,000) are secured by:

– Corporate guarantees provided by the Company and subsidiaries;

– Charges over the buildings, prepaid land lease payments, investment properties and pledged bank deposits (notes 15, 17 and 21); and

– Guarantees from related companies and related parties (note 34(d) and (e)).

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

26. LOAN FROM AN INTERMEDIATE HOLDING COMPANY

The balance was unsecured, interest-bearing at fixed rate of 1.425% per annum and was repayable on 16 December 2018.

27. DEFERRED TAX LIABILITIES

	2015 RMB'000	2014 RMB'000
PRC dividend withholding tax		
At 1 January	71,889	56,851
Payment	(4,850)	–
Charge to profit or loss for the year (note 10)	11,982	15,038
At 31 December	79,021	71,889

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

At the end of the reporting period the Group has unused tax losses of approximately RMB31,087,000 (2014: RMB22,595,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The unrecognised tax losses of approximately RMB22,029,000 (2014: RMB14,137,000) will expire as follows:

	2015 RMB'000	2014 RMB'000
Year 2016	5,781	5,634
Year 2017	3,878	3,869
Year 2018	1,517	1,509
Year 2019	3,129	3,125
Year 2020	7,724	–
	22,029	14,137

28. RETIREMENT BENEFITS SCHEME

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of contribution of HK$1,500 (before 1 June 2014: HK$1,250) per employee and vest fully with employees when contributed into the MPF Scheme.

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

29. TRADE AND BILLS PAYABLES

	2015 **RMB'000**	*2014* *RMB'000*
Trade payables	**72,088**	107,852
Bills payables (note 25)	**40,720**	12,000
	112,808	119,852

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

	2015 **RMB'000**	*2014* *RMB'000*
Up to 30 days	**17,695**	58,968
31 to 60 days	**13,839**	29,856
61 to 90 days	**6,647**	8,507
91 to 120 days	**5,150**	5,118
121 to 150 days	**4,565**	770
151 days to 180 days	**5,254**	1,534
Over 180 days	**18,938**	3,099
	72,088	107,852

29. TRADE AND BILLS PAYABLES (CONTINUED)

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

	2015 RMB'000	2014 RMB'000
RMB	100,784	106,555
US$	12,024	13,297
	112,808	119,852

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

(a) During the year, additions to property, plant and equipment of approximately RMB1,227,000 (2014: RMB9,638,000) was not yet paid and included in accruals and other payables.

(b) During the year, additions to property, plant and equipment of approximately RMB614,000 (2014: RMB19,190,000) was satisfied by way of utilising the deposits paid in previous year.

31. CONTINGENT LIABILITIES

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

32. CAPITAL COMMITMENTS

Capital commitments contracted for at the end of the reporting period but not yet incurred are as follows:

	2015 RMB'000	2014 RMB'000
Construction in progress	560	1,420
Property, plant and equipment	10,652	10,025
	11,212	11,445

33. LEASE COMMITMENTS

(a) The Group as lessee

At 31 December 2015 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2015 RMB'000	2014 RMB'000
Within one year	2,881	3,997
In the second to fifth year inclusive	4,514	3,546
	7,395	7,543

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

(b) The Group as lessor

At 31 December 2015 the total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2015 RMB'000	2014 RMB'000
Within one year	430	150
In the second to fifth year inclusive	645	–
	1,075	150

Leasehold land and property rental income earned during the year was approximately RMB2,136,000 (2014: RMB2,337,000). All of the Group's investment properties are held for rental purposes. All of the leasehold land and properties held have committed tenants from one to three years.

34. MATERIAL RELATED PARTY TRANSACTIONS

(a) In addition to those related party balances disclosed elsewhere in the consolidated financial statements, the Group had the following material balances with its related parties at the end of the reporting period:

	2015 RMB'000	2014 RMB'000
Trade receivables to related companies (note c (i))	255	602
Trade deposit paid to a related company(note c (i))	3,049	–
Trade payable to a related company (note c (i))	–	2,349
Loan payable to an intermediate holding company	3,000	–
Other payable to an intermediate holding company	1,000	1,000

34. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) In addition to those related party transactions disclosed elsewhere in the consolidated financial statements, the Group had the following material transactions with its related parties during the year:

	2015 RMB'000	2014 RMB'000
Rental expenses charged by related companies (note c (ii))	1,591	2,240
Purchases of raw materials from a related company (note c (i))	20,913	38,523
Sales of finished goods to related companies(note c (i))	121	402

(c) Relationship with the Group:

(i) The related companies are controlled by ultimate parent.

(ii) The related companies are controlled by close family members of the director of the Group.

(d) At 31 December 2015, certain related companies have guaranteed certain banking facilities granted to the Group in the amount of approximately RMB282,000,000 (2014: RMB283,000,000).

(e) At 31 December 2015, certain directors and related parties have jointly guaranteed certain banking facilities granted to the Group in the amount of approximately RMB300,000,000 (2014: RMB300,000,000).

(f) The remuneration of directors and other members of key management during the year was as follow:

	2015 RMB'000	2014 RMB'000
Salaries, bonus and allowances		
– Directors	3,962	3,840
– Key management	1,923	1,702
Sub-total	5,885	5,542
Retirement benefits scheme contributions		
– Directors	29	26
– Key management	14	14
Sub-total	43	40
Total	5,928	5,582