中國恒石基業有限公司
China Hengshi Foundation Company Limited

(Incorporated under the laws of the Cayman Islands with limited liability)

Stock code : 1197

2015 ANNUAL REPORT

Contents

Corporate Profile

China Hengshi Foundation Company Limited ("**Hengshi**" or the "**Company**") and its subsidiaries (the "**Group**" or "**we**") is the world-leading producer and supplier of fiberglass fabrics used in wind turbine blades and is the only PRC-based company among the top three manufacturers and suppliers in the world. The Company had the largest exporting volume of fiberglass fabrics used in wind turbine blades by tonnage among all PRC-based companies.

2015 marked a significant milestone for the development history of the Company. Hengshi was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 21 December 2015. It not only raised huge capital for the development of the Company and established an international capital platform, but also promoted brand recognition of the Company to a very considerable extent.

As of now, the Company owned two production bases in Zhejiang of China and Suez of Egypt. Its products are exported to countries and areas including Europe, America, Middle East, Southeast Asia and enjoy a relatively high credibility in the domestic and overseas markets. We offered five types of fiberglass fabrics: multi-axial fabrics, uni-directional fabrics, woven roving combo mats, stitched mats and E/PP compofil fabrics. Among these products, multi-axial fabrics and uni-directional fabrics are our key products, most of which are used in the wind power generation sector, and the remaining products are mainly sold to customers in a variety of other industries, including transportation, ship manufacturing, water and oil pipelines, building and construction and sporting goods. For the year ended 31 December 2015, 88.80% of the revenue of the Company was generated from wind power related sector.

Corporate Information

BOARD OF DIRECTORS

Non-Executive Directors

Mr. ZHANG Yuqiang (張毓強) *(Chairman)*
Mr. ZHANG Jiankan (張健侃)
Mr. TANG Hsin-hua (唐興華)
Mr. WANG Yuan (王源)

Executive Directors

Mr. ZHOU Tingcai (周廷才)
Ms. HUANG Junjun (黃鈞筠)

Independent Non-Executive Directors

Mr. FANG Xianbai (方賢柏)
Mr. PAN Fei (潘飛)
Mr. CHEN Zhijie (陳志傑)

AUDIT COMMITTEE

Mr. FANG Xianbai (方賢柏) *(Chairman)*
Mr. WANG Yuan (王源)
Mr. PAN Fei (潘飛)

REMUNERATION COMMITTEE

Mr. FANG Xianbai (方賢柏) *(Chairman)*
Mr. ZHANG Jiankan (張健侃)
Mr. PAN Fei (潘飛)

NOMINATION COMMITTEE

Mr. ZHANG Yuqiang (張毓強) *(Chairman)*
Mr. FANG Xianbai (方賢柏)
Mr. CHEN Zhijie (陳志傑)

JOINT COMPANY SECRETARIES

Mr. YIN Hang (尹航)
Ms. WONG Sau Ping *(ACIS, ACS)*

AUTHORISED REPRESENTATIVES

Mr. YIN Hang (尹航)
Ms. HUANG Junjun (黃鈞筠)

REGISTERED OFFICE

190 Elgin Avenue
George Town
Grand Cayman
KY1-9005
Cayman Islands

HEADQUARTERS

No. 1 Guang Yun South Road
Tongxiang Economic Development Zone
Tongxiang, Zhejiang Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

36/F, Tower Two, Times Square,
1 Matheson Street, Causeway Bay,
Hong Kong

COMPANY WEBSITE

www.chinahengshi.com.cn

STOCK CODE

1197

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F, One Pacific Place
88 Queensway
Admiralty, Hong Kong

Corporate Information *(Continued)*

COMPLIANCE ADVISER

Guotai Junan Capital Limited
27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

LEGAL ADVISER

Stevenson, Wong & Co.
4/F, 5/F & 1602
Central Tower
28 Queen's Road Central
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Intertrust Corporate Services (Cayman) Limited
190 Elgin Avenue
George Town
Grand Cayman
KY1-9005
Cayman Islands

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKS

Bank of China Limited
Tongxiang Branch
No. 44 Yuanlin Road
Tongxiang, Zhejiang Province
PRC

China Merchants Bank Co., Limited
Jiaxing Tongxiang Branch
No. 122 Zhenxing East Road
Tongxiang, Zhejiang Province
PRC

LISTING DATE

21 December 2015

Four-Year Financial and Operating Highlights

The table below set outs the four-year financial highlights of the Company for the periods indicated:

Year ended 31 December	**2015** **RMB'000**	2014 *RMB'000*	2013 *RMB'000*	2012 *RMB'000*
Operating results				
Revenue	**1,002,901**	678,600	405,393	440,963
Gross profit	**298,521**	190,659	84,441	104,977
Research expenditure	**(32,688)**	(21,004)	(13,310)	(15,284)
Finance costs	**(21,590)**	(25,507)	(34,174)	(30,086)
Profit before tax	**209,661**	147,479	83,454	77,453
Profit for the year	**181,492**	131,734	78,110	71,612
Total comprehensive income for the year	**180,951**	131,666	78,110	71,612
Profit for the year attributable to:				
Owners of the Company	**181,977**	131,789	78,110	71,612
Non-controlling interests	**(485)**	(55)	–	–
	181,492	131,734	78,110	71,612
Total comprehensive income for the year attributable to:				
Owners of the Company	**181,490**	131,728	78,110	71,612
Non-controlling interests	**(539)**	(62)	–	–
	180,951	131,666	78,110	71,612

As at 31 December	**2015** **RMB'000**	2014 *RMB'000*	2013 *RMB'000*	2012 *RMB'000*
Assets and liabilities:				
Non-current assets	**589,026**	490,653	352,406	382,680
Current assets	**1,100,747**	634,326	731,734	700,716
Total assets	**1,689,773**	1,124,979	1,084,140	1,083,396
Total liabilities	**638,135**	575,070	667,419	677,706
Total equity	**1,051,638**	549,909	416,721	405,690

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors of China Hengshi Foundation Company Limited, I am pleased to present the annual report of the Company for the year ended 31 December 2015.

The Company is the world-leading producer and supplier of fiberglass fabrics used in wind turbine blades, is among top three manufacturers and suppliers of fiberglass fabrics used in wind turbine blades in the world, and the only PRC-based company among the top three global players. The Company had the largest exporting volume of fiberglass fabrics used in wind turbine blades by tonnage among all PRC-based companies.

Since its establishment in 2000, the Company has been dedicated to researching, developing and manufacturing fiberglass fabrics that are customised to various technical specifications required by customers. Our business focus in recent years is to provide high quality fiberglass fabrics used in large-capacity onshore and offshore wind turbines with a unit capacity of 1.5 MW or above. Supported by our strong research and development capabilities, we are able to offer fiberglass fabrics used in wind turbines with a unit capacity of up to 8.0 MW. We are also a key participant in the development and formulation of the PRC industry standard of fiberglass stitched fabrics (玻璃纖維縫編織物 GB/T 25040-2010).

We have one of the most diverse and comprehensive fiberglass fabrics portfolios for applications in the wind turbine blade sector, and we are able to customise our fiberglass fabrics to satisfy the strictest technical specifications in our industry. We offered five types of fiberglass fabrics: multi-axial fabrics, uni-directional fabrics, woven roving combo mats, stitched mats and E/PP compofil fabrics. Among these products, multi-axial fabrics and uni-directional fabrics are our key products, most of which are sold to customers in the wind turbine blade sector, and the remaining products are mainly sold to industries including transportation, ship manufacturing, water and oil pipelines, building and construction and sporting goods.

We have established good reputation in the global wind turbine blade sector and have become one of the top choices for customers pursuing high-quality fiberglass fabrics used in wind turbine blades. Our key customers are manufacturers of wind turbines and blades worldwide and in the PRC, including a number of players with significant market presence, such as Siemens, Vestas, LM Wind Power, TPI Composites Inc., Guangdong Ming Yang Wind Power Industry Group Co., Ltd. (廣東明陽風電產業集團有限公司), Sinomatech Wind Power Blade Co., Ltd. (中材科技風電葉片股份有限公司) and Lianyungang Zhongfu Lianzhong Composites Group Co., Ltd. (連雲港中複連眾複合材料集團有限公司). Our current customer base covers all of the leading global manufacturers of wind turbines and blades. Our revenue generated from fiberglass fabrics used in wind turbines accounted for 74.42%, 83.10% and 88.80% of our total revenue respectively in the past three years.

Looking back, 2015 marked a year of full challenges and outstanding achievements to the Company and a milestone for the Company's history and its business development. On 21 December 2015, the Company was successfully listed on the Main Board of the Stock Exchange. It not only establishes an international financing platform and raises considerable capital for future development of the Company, but also enhances its brand recognition to a very large extent. In addition, benefitted from the strong growth of the wind power industry, the advantages and leading position of the Company in the industry and the grasp of the market opportunities by management, the Company extended the momentum of the past strong growth. In 2015, the sales volume, sales revenue and profit grew significantly and reached record high. The Company recorded sales volume of 94,149 tonnes, representing an increase of 40.17% as compared with that of last year; sales revenue amounted to RMB1,002.9 million, representing an increase of 47.79% as compared with that of last year; of which, our revenue generated from sales to the wind turbine blade sector amounted to RMB890.5 million, representing an increase of 57.91% as compared with that of last year; gross profit amounted to RMB298.5 million, representing an increase of 56.57% as compared with that of last year; net profit amounted to RMB181.5 million, representing an increase of 37.77% as compared with that of last year.

Looking ahead, we will further strengthen and improve our leading market position across the world, continuously enhance the advantages of research and development, manufacturing, sale and services in fiberglass fabrics used in wind turbine blades, accelerate the research and development and production of large MW grade of fiberglass fabrics used in wind turbine blades with greater room for development and added value. We will always persist in international development, further achieve internationalisation in terms of technology, talent, management and capital and devote to be the leading enterprise in global wind power-related fiberglass fabrics manufacturing, contribute ourselves to the wind power industry and create valuable returns to our Shareholders.

Yours sincerely,

ZHANG Yuqiang
Chairman of the Board of Directors

Management Discussion and Analysis

INDUSTRY OVERVIEW AND SEGMENT BUSINESS CONDITION

Market Review

In 2015, the global wind power industry experienced a robust growth. According to the latest data released by the Global Wind Energy Council, the global newly-installed capacity reached 63,013 MW in 2015, representing an increase of 22% as compared with that of 2014; among which, the newly installed capacity in the PRC reached 30,500 MW, representing an increase of 29% as compared with the same period last year and accounting for 48.4% of the global newly installed capacity. As at the end of 2015, the global cumulative installed wind power capacity reached 432,419 MW, representing an increase of 17% as compared with the same period last year. The cumulative installed wind power capacity in the PRC reached 145.1GW, which exceeded Europe for the first time and became the country (region) with the largest cumulative installed wind power capacity in the world. Leveraging various advantages including its relatively mature techniques, rather competitive unit investment cost and the good reliability, wind power has led the entire world transforming from fossil energy to clean energy and will realise a long term and stable growth in the future.

Business Review

The Company is the world leading manufacturer and supplier of fiberglass fabrics used in wind turbine blades. According to the report conducted by an independent third party research institution, DNV GL Group AS (an independent certification body for renewable energy), in terms of sales, in 2014, the Company's market share in fiberglass fabrics used in wind turbine blades in the world was 13.7%, ranking the third among the manufacturers and suppliers of fiberglass fabrics used in wind turbine blades in the world and becoming the only PRC company among the top three manufacturers and suppliers. In the PRC market, the Company ranked the first in terms of the export volume of fiberglass fabrics used in wind turbine blades.

We supply five major types of fiberglass fabrics: multi-axial fabrics, uni-directional fabrics, woven roving combo mats, stitched mats and E/PP compofil fabrics. Among these products, multi-axial fabrics and uni-direction fabrics are our key products, most of which are distributed to all leading manufacturers of wind turbine and blades in the world, such as Siemens, Vestas, Guangdong Ming Yang Wind Power Industry Group Co., Ltd. (廣東明陽風電產業集團有限公司), Sinomatech Wind Power Blade Co., Ltd. (中材科技風電葉片股份有限公司) and Lianyungang Zhongfu Lianzhong Composites Group Co., Ltd. (連雲港中複連眾複合材料集團有限公司). During the year of 2015, our revenue generated from sales to the wind turbine blade sector, which is the aggregate of sales of products specified in contracts for wind turbine blade sector was 88.80% of total sales revenue of the Company. The remaining products are mainly sold to customers in a variety of industries, including transportation, ship manufacturing, water and oil pipelines, building and construction and sporting goods.

In 2015, our business continued to experience a robust growth. The sales volume amounted to 94,149 tonnes, representing an increase of 40.17% as compared with that of last year; the sales revenue amounted to RMB1,002.9 million, representing an increase of 47.79% as compared with that of last year; among which, sales revenue of products related to wind turbine industry amounted to RMB890.5 million, representing an increase of 57.91% as compared with that of last year; gross profit amounted to RMB298.5 million, representing an increase of 56.57% as compared with that of last year; net profit amount to RMB181.5 million, representing an increase of 37.77% as compared with that of last year.

The following table sets forth the sales revenue of the Company by product:

	As of 31 December 2015	As of 31 December 2014
	RMB'000	*RMB'000*
Multi-axial fabrics	**721,784**	488,122
Uni-directional fabrics	**226,026**	132,478
Woven roving combo mats	**19,724**	20,708
Stitched mats	**4,633**	8,924
E/PP compile fabrics	**30,734**	28,368
Total	**1,002,901**	678,600

The following table sets forth the sales revenue of the Company by end-application fields:

	As of 31 December 2015	As of 31 December 2014
	RMB'000	*RMB'000*
Relevant products of wind turbine blade	**890,539**	563,940
Others	**112,362**	114,660
Total	**1,002,901**	678,600

The following table sets forth the sales revenue of the Company by geographic location:

	As of 31 December 2015 *RMB'000*	As of 31 December 2014 *RMB'000*
Overseas market		
Europe	**281,032**	195,962
North America	**152,925**	136,468
Asia (includes Hong Kong, Macau and Taiwan and excludes the PRC)	**53,007**	74,006
Latin America	**21,377**	5,853
Australia	**153**	334
Africa	**329**	–
	508,823	412,623
PRC market (excludes Hong Kong, Macau and Taiwan)	**494,078**	265,977
Total	**1,002,901**	678,600

ANALYSIS AND DISCUSSION ON THE RESULTS

Benefitted from the powerful growth in the global wind power industry in 2015, the predominant leading position of the Company and the proper capture of market opportunities by the management, during the year under review, the Company extended the trend of the powerful growth in the production and sales, resulting in a significant outcome of the development of new customers and new products, further expansion of market share, breakthroughs in tackling major technical problems, further strengthened quality management and continuous upgrade of production capacity and efficiency.

1. Production and sales

During the year under review, the sales volume, sales revenue and profit increased significantly and reached record high. The production volume for 2015 amounted to 93,931 tonnes, representing an increase of 37.43% as compared with the same period last year whereas sales volume amounted to 94,149 tonnes, representing an increase of 40.17% as compared with the same period last year; sales revenue amounted to RMB1,002.9 million, representing an increase of 47.79% as compared with the same period last year; among which, the revenue generated from sales to wind turbine blade amounted to RMB890.5 million, representing an increase of 57.91% as compared with that of last year; gross profit amounted to RMB298.5 million, representing an increase of 56.57% as compared with that of last year; net profit amounted to RMB181.5 million, representing an increase of 37.77% as compared with that of last year.

2. Market development

During the year under review, in accordance with the principle of "Consolidating old customers and exploring new clients", the Company visited domestic and international customers 120 times in aggregate throughout the year with 18 new customers developed in total, including two international well-known wind power customers LM Wind Power and TPI Composites Inc., which is expected to contribute to the long-term business development of the Company for 2016 and the future; meanwhile, we are actively exploring various customers in Europe and India which is expected to obtain substantial breakthrough and progress in 2016.

3. Production management and energy conservation and consumption reduction

During the year under review, adhering to the guiding concept of cost reduction and efficiency enhancement, we have vigorously implemented series of innovation measures including production management and process control plan, through the renovation of equipment, process innovation, regulated production operation and environment standard inspection, resulting in a substantial increase in both the high-grade rate and production efficiency, among which, the high-grade rate of uni-directional fabrics increased by nearly 20%, the daily production volume increased by more than 10%; the daily production volume increased by more than 20% year-on-year.

4. Research and development of product and technique and verification

During the year under review, the Company obtained a substantial progress in respect of technique innovation and advanced technology, including technical breakthrough for uni-directional fabrics, improvement of multi-axial fabrics, detection and elimination of metal and objects in fabrics and improvement of creel. Meanwhile, according to the guiding concept of accelerating of quality verification of products and new products development, the Company completed products verification for 4 new domestic customers and successfully developed customised new products for various customers which obtained wide recognition and positive feedbacks from customers in 2015.

5. Egyptian company

During the year under review, the work of Hengshi Egypt Fiberglass Fabrics S.A.E ("**Hengshi Egypt**") was smoothly carried forward in the manner contemplated by previous plans, and has obtained various government approvals and 30 permits, as well as completed the installation and commissioning of machine equipment and auxiliary equipment, already possessing conditions for production.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2015, the revenue of the Company amounted to approximately RMB1,002.9 million, representing a year-on-year increase of approximately RMB324.3 million or 47.79%. The revenue growth was mainly attributable to the continuous improvement of the global wind power market, the continuous growth on market demand of fiberglass fabrics used in wind turbine blades and our complete product portfolio and the research and development capacities of new products.

Cost of sales

For the year ended 31 December 2015, our cost of sales amounted to approximately RMB704.4 million, representing a year-on-year increase of approximately RMB216.5 million or 44.37%. The increase on cost of sales was mainly attributable to the increase in corresponding costs including costs of raw materials, labor costs, costs of package materials and depreciation costs as a result of sales increase of the Company.

Gross profit and gross profit margin

For the year ended 31 December 2015, our gross profit amounted to approximately RMB298.5 million, representing a year-on-year increase of approximately RMB107.9 million or 56.57%, and our gross profit margin was 29.77%, whereas the gross profit margin of the same period of last year was 28.10%. The growth on our gross profit and gross profit margin was mainly attributable to the customized products and services provided by the Company to customers, resulting in an increase in the average selling price of the products; besides, the production refinement management of the Company was further enhanced, the production cost was effectively under control, the increase in the sales of product also reduced the unit depreciation of the products.

Other income

For the year ended 31 December 2015, our other income amounted to approximately RMB15.4 million, representing a year-on-year decrease of approximately RMB11.5 million or 42.73%. The decrease is attributable to the reasons that the related parties at the end of 2014 repaid the loans, resulting in the decrease of interest income of other related parties and the related premises of the Company were transferred to local governments, and also the Company terminated the relevant lease agreements with related parties, the rental income was reduced.

Other gains and losses

For the year ended 31 December 2015, our other gains and losses amounted to approximately RMB69.6 million, representing a year-on-year increase of approximately RMB32.6 million or 88.06%. The reasons are that the Company terminated the Bank credit guarantee to the related parties and shareholders, resulting in an increase in income after releasing the financial guarantee contracts; and the increased allowance for doubtful debts had offset the increase in foreign exchange gains.

Selling and Distribution Expenses

For the year ended 31 December 2015, our selling expenses amounted to approximately RMB61.6 million, representing a year-on-year increase of approximately RMB17.6 million or 40.07%. The increase in our selling expenses was mainly attributable to the increase in transportation costs as a result of the increase in sales volume of the Company in 2015, as well as the increase in sales expenses as a result of the increase in marketing staff and increment of average salary of relevant staff.

Administrative Expenses

For the year ended 31 December 2015, our total administrative expenses amounted to approximately RMB30.0 million, representing a year-on-year increase of approximately RMB16.5 million or 122.03%. The increase in administrative expenses was mainly attributable to the increase in costs of relevant human resources as a result of the expansion of our business scale, as well as the increase of relevant expenses of our subsidiaries, Hengshi Egypt and Hengshi USA Company Limited ("**Hengshi USA**").

Research Expenditure

For the year ended 31 December 2015, our total research expenditure amounted to approximately RMB32.7 million, representing an increase of approximately RMB11.7 million or 55.63% as compared with that of last year, accounting for 3.26% of our revenue (2014: approximately 3.10%). The increase in research expenditure during the year under review was mainly attributable to the increase in the number of researchers staff and consumption of relevant raw materials due to active research activities in 2015 in order to attract new customers of wind turbine blades and satisfy new requirements of new technological specifications of customers.

Finance Costs

For the year ended 31 December 2015, our finance costs amounted to approximately RMB21.6 million, representing a year-on-year decrease of approximately RMB3.9 million, mainly due to decreasing interests of bank borrowings and decreasing average balance of bank borrowings.

Income tax expense

For the year ended 31 December 2015, the income tax expense of the Company amounted to approximately RMB28.2 million, representing a year-on year increase of approximately RMB12.4 million, mainly due to the increase of profit.

Profit for the year

In view of all the reasons above, profit of the year ended 31 December 2015 amounted to approximately RMB181.5 million, representing a year-on-year increase of approximately RMB49.8 million or 37.77%.

Source of Liquidity and Finance

As at 31 December 2015, the balance of cash and cash equivalents amounted to RMB502.4 million, representing an increase of RMB440.7 million as compared with that of 2014; short-term borrowings amounted to RMB400.0 million, representing an increase of RMB79.6 million as compared with that of 2014, and the borrowing rate is 4.60%.

Inventories

As at 31 December 2015, inventories amounted to approximately RMB96.7 million, representing an increase of approximately RMB14.0 million or 16.92% as compared with that of 2014. The increase in inventories was mainly attributable to the expansion of production scale of the Company to meet the demands of customers for wind turbine blades in 2016.

Trade Receivables

As at 31 December 2015, trade receivables amounted to approximately RMB343.9 million, representing an increase of approximately RMB165.5 million or 92.77% as compared with that of 2014. The increase in trade receivables is attributable to the increase in percentage of sale to customers from the PRC in 2015 as compared to 2014 and the credit period granted to customers from the PRC is longer than that of overseas customers.

Trade Payables

As at 31 December 2015, trade and other payables amounted to RMB47.0 million, representing an increase of approximately RMB6.1 million or 14.91% compared to that of 2014. The increase in trade payables is mainly attributable to the increase in payables for purchasing raw materials by the Company from independent third-party suppliers and the increase in listing expenses.

Exchange Rate Risk

Exchange rate risk is mainly attributable to our bank borrowings, sales and purchases, and the trade receivables, trade payables, cash balance and loans valued in currencies other than RMB. We generate exchange rate risk against US dollars, Euros, HK dollars and Egyptian pounds. The Directors and management of the Company continued to supervise relevant exchanges rate risks, and adopt appropriate currency hedging policies in a timely manner.

Capital Commitments and Contingent Liabilities

As at 31 December 2015, the aggregate capital commitments and contingent liabilities of the Company amounted to approximately RMB75.0 million, representing an increase of approximately RMB21.4 million or 39.93% as compared with that of 2014, mainly due to the purchase of offices. As at 31 December 2015, the Company did not have any material contingent liabilities.

Significant Investments Held

Save as disclosed in this annual report and except for investment in subsidiaries during the year under review, the Group did not hold any significant investment in equity interest in any other company.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

As at 31 December 2015, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies during the year under review.

Pledge of Assets

As at 31 December 2015, the property, plant and equipment of the Company (carry value of approximately RMB98.2 million) were pledged to banks for bank borrowings.

Gearing Ratio

As at 31 December 2015, the Company's gearing ratio was approximately 23.67% (2014: 37.36%), calculated as the total borrowings divided by total assets multiplied by 100%.

Policies for Employment and Remuneration

As at 31 December 2015, the Company had 1,086 employees in total, representing an increase of 180 as compared with that of 2014. The increase in number of employees was mainly due to the enhancement of production capacity of the Company. The remuneration policy of the Group for employees was set up by the Board based on each employee's experience, qualification and capability. Other benefits include statutory Mandatory Provident Funds and social insurances.

BUSINESS OUTLOOK

1. Overall trend of the development of the industry

2015 is the year when global wind power industry thrived, especially when the PRC recorded unprecedented high at new installation capacity. It is expected the wind power industry will maintain the upward trend in 2016 and some new market characteristics will appear: 1) as the growth of off-shore wind power market will increase, wind power blades with large mega-watts will become one of the major trends of future development; 2) the trend of mergers and acquisition is becoming clearer, the process of business integration will be faster; 3) as market competition, including price, quality, technology, research and development, branding and scale, is intensifying, only quality enterprises with integrated competitive edge will stand out; 4) the markets in Africa, Asia and Latin America will account for an increasing share of the global market after their opening; 5) regarding the future development of wind power industry, the policy support is fading out or even stepping down, resulting the technological improvement and innovation of the industry becoming the major driving forces for the future.

2. Development strategies

As a leading enterprise of fiberglass fabrics used in wind turbine blades, with the unprecedented opportunity of new energy resources development and our leading position in the industry, the Company will continue to consolidate the competitive edge of the research and development, manufacturing, sales and services of fiberglass fabrics used in wind turbine blades, while stepping up the research and development of production of fiberglass fabrics used in blades with high mega-watts. We will also follow the developmental direction of internationalisation, further internationalise our technology, talents and capitals, so as to become the leading enterprise among the global manufacturers of wind power construction material, contribute to the new energy resources industry and bring more fruitful returns to the shareholders.

3. Operating plans and main targets

(1) Market

2016 will be a challenging year, we will adhere to the selling strategies of "two enhancements, two reductions, two adjustments and one balance".

Enhancing overall market share – we will continue to maintain a good relationship with existing customers, especially strategic customers, striving to increase the base of existing customers;

Enhancing absolute selling amount – we will rapidly develop new customers, especially those that have passed the preliminary testing and certification and those that are undergoing testing and certification;

Lowering the proportion of major customers – we will reduce our reliance on individual customers;

Lowering the proportion of overdue trade receivables – we will properly manage the trade receivables from customers and control credit limit, lower the risk of trade receivables and increase the liquidity of capital;

Adjusting customer structure – we will continue to increase the proportion of overseas market, especially the rising markets including European off-shore wind power markets, Indian markets, American markets and Latin American markets;

Adjusting product structure – we will gradually enhance the sales and proportion of high-modulus products;

Balancing the sales of both national and international plants – we will step up pushing forward the testing and certification of the customers of Egyptian plants, and according to the actual production capacity thereof, we balance the product structure and transportation destination and endeavour to choose the destinations with lower middle expenses so as to make more profit for the Company and save more middle expenses for the customers.

(2) Products

In 2016, the Company will continue to strengthen the support of innovation, integrate the research and development resources of the entire production chain, nurture and reserve teams of professionals who are capable of design, familiar with production process and equipment, and knowledgeable of application, as well as establish open platforms of research and development, initiate the application of innovation and push forward the promotion of advanced technology. Meanwhile, we will strengthen the interaction and communication with customers and carry out customer-oriented innovation and research and development so as to provide a package of resolution to the customers.

(3) Quality

In 2016, the Company will further enhance the systematization and regularization of quality control, implement quality control among employees, ensure that quality risks can be effectively identified at the areas of process design and production, fully realise customers' demands and endeavour to avoid quality risk.

(4) Production

In 2016, we will be driven by innovation, safeguard our business with enhanced execution, develop our business with assessment and testing, rely on refined management, so as to ensure the realization of every yearly anticipated target each year.

(5) Basic Management

In 2016, basic management requires further refinement, striving for the direction of "three increases, one decrease", which means lowering personnel cost and management cost, enhancing the brand image, improving employees' quality and increasing employees' satisfaction. We will enhance our overall operating efficiency of the Company by improving basic management.

Directors and Senior Management Profile

NON-EXECUTIVE DIRECTORS

Mr. ZHANG Yuqiang (張毓強), aged 61, is the chairman of the Board and a non-executive Director. Mr. ZHANG was appointed as a Director of the Company (the "**Director**") in February 2015 and is primarily responsible for formulating the overall development strategies and business plans of the Group. Mr. ZHANG is also the chairman of Zhenshi Holding Group Co., Ltd. ("**Zhenshi**"), the president of China Jushi Co., Ltd. ("**China Jushi**") and the chairman and a director of Jushi Group Co., Ltd. ("**Jushi Group**"). Mr. ZHANG is also the vice chairman of China Building Materials Federation (中國建築材料聯合會) and China Composites Industry Association (中國複合材料工業協會) as well as the vice chairman of China Fiberglass Industry Association. From August 1971 to June 1989, Mr. ZHANG had worked as a staff worker, workshop manager, chief of the production unit, vice director and director of Tongxiang Fiberglass Factory. Mr. ZHANG founded Tongxiang Zhenshi Company Ltd., the predecessor of Zhenshi in June 1989 and has been acting as the chairman ever since. Mr. ZHANG founded Jushi Group Co., Ltd in March 1993 and has been acting as the chairman ever since. Since March 1999, Mr. ZHANG has been acting as the vice chairman, general manager and chief executive officer of China Jushi, previously known as China Fiberglass Co., Ltd. and China Chemical Building Materials Company Ltd. Mr. ZHANG has over 40 years working experience in the fiberglass industry. Under the guidance of Mr. ZHANG, Jushi Group has become one of the largest production entities in the world. Mr. ZHANG obtained the qualification certificate of senior engineer (professor level) conferred by China National Building Material Company Ltd. (中國建築材料集團公司) in December 2008. Mr. ZHANG has received numerous awards and enjoyed special government allowance from the State Council for his outstanding contribution to the building materials industry. In 2009, Mr. ZHANG was voted by Forbes as the best chief executive officer of listed companies in China. Mr. ZHANG participated the MBA courses held by Zhejiang University of Technology and received a programme certificate in December 2002. Mr ZHANG Yuqiang is the father of another non-executive Director, Mr. ZHANG Jiankan.

Mr. ZHANG Jiankan (張健侃), aged 33, is a non-executive Director. Mr. ZHANG was appointed as the Director in February 2015 and participates in formulating the strategic development plans of the Group. Mr. ZHANG has also been the chairman of the board of directors of Zhejiang Hengshi Fiberglass Fabrics Co., Ltd. ("**Hengshi Fiberglass**") since September 2013. Mr. ZHANG joined Zhenshi in January 2009 and has been acting as the assistant to the president ever since. Mr. Zhang had acted as project manager at Beijing Hony Future Investment Advisor Ltd. (北京弘毅遠方投資顧問有限公司) from January 2008 to December 2008. Mr. ZHANG Jiankan is the son of another non-executive Director, Mr. ZHANG Yuqiang.

Mr. TANG Hsin-hua (唐興華), aged 63, is a non-executive Director. Mr. TANG was appointed as the Director in May 2015 and participates in formulating the strategic development plans of the Group. Mr. TANG is also the chairman of the board of directors of Jushi USA Fiberglass Co., Ltd. and the supervisor of China Jushi. Mr. TANG has also been a director of Hengshi Fiberglass since January 2004. From 1996 to 2003, Mr. TANG had acted as the chief executive officer of United Suntech Craft Inc. From 1995 to 2010, Mr TANG had also acted as the chief executive officer of Gibson Enterprises Inc. Mr. TANG obtained a bachelor is degree in urban planning from National Chengchi University (台灣政治大學) in June 1976.

Mr. WANG Yuan (王源), aged 38, is a non-executive Director. Mr. WANG was appointed as the Director in May 2015 and participates in formulating the strategic development plans of the Group. Mr. WANG has also been the chairman of the board of directors of Zhenshi Group's Indonesian branch since 2011 and the vice president of Zhenshi since 2010. From May 2001 to August 2003, Mr. WANG had worked as the project manager at Beijing Hollyhigh International Capital Consulting Co., Ltd.. From September 2003 to August 2007, Mr. WANG had acted as deputy minister in the strategic investment department of Jushi Group. From 2007 to 2009, Mr. WANG had acted as the assistant to the president of Zhenshi. Mr. WANG obtained a bachelor's degree in economics from Nanjing University of Aeronautics and Astronautics (南京航空航天大學) in Nanjing, China, in June 2000 and a master degree in management from University of International Business and Economics (中國北京對外經濟貿易大學), in Beijing, China, in June 2007.

EXECUTIVE DIRECTORS

Mr. ZHOU Tingcai (周廷才), aged 50, is an executive Director and the general manager. Mr. ZHOU was appointed as the Director in May 2015 and the general manager in November 2014 and is primarily responsible for overall operations of the Group. Mr. ZHOU joined the Group in November 2014 and has been acting as the general manager ever since. From September 1989 to October 1997, Mr. ZHOU had worked as the workshop manager, project manager and project engineer of Lanzhou Plate Glass Factory (蘭州平板玻璃廠). From October 1997 to February 2008, Mr. ZHOU had received training and held different positions in various departments of Saint-Gobain China. From February 2008 to July 2008, Mr. ZHOU had acted as the deputy general manager of Jushi Group Chengdu Branch (巨石集團成都公司). From August 2008 to November 2014, Mr. ZHOU had acted as deputy general manager and general manager of Kunshan Huafeng Composite Material Co., Ltd. (昆山華風複合材料有限公司). Mr. ZHOU joined Kunshan Huafeng Wind-Power Engineering Co., Ltd. (昆山華風風電科技有限公司) as deputy general manager and general manager responsible for developing and managing industrial chain from April 2010 to November 2014. Mr. ZHOU obtained a bachelor's degree in material engineering from Wuhan University of Technology (中國武漢工業大學) in Wuhan, China, in June 1989.

Ms. HUANG Junjun (黃鈞筠), aged 36, is an executive Director and the deputy general manager. Ms. HUANG was appointed as the Director in May 2015. She had been a deputy manager of Hengshi Fiberglass since 2008 with primary responsibilities in sales and foreign trade, and has become a deputy general manager since January 2014. From July 2003 to October 2004, Ms. HUANG had worked as a president office staff of Jushi Group. From 2004 to 2006, Ms. HUANG had been an executive in the general manager's office of Jucheng Real Estate Development Co., Ltd. (巨成置業有限公司). From March 2006 to August 2008, Ms. HUANG had worked as a marketing specialist in Jushi Group. From 2010 to 2013, in addition to her responsibilities at Hengshi Fiberglass, Ms. HUANG had also been the assistant to the general manager in Zhejiang Meishi New Materials Company Ltd. (浙江美石新材料有限公司). She obtained a bachelor's degree in finance from Hubei University (湖北大學) in Wuhan, China, in June 2003.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. FANG Xianbai (方賢柏), aged 78, is an independent non-executive Director. Mr. FANG was appointed as the Director in May 2015 and is primarily responsible for supervising and providing independent judgment to the Board. Mr. FANG has been an evaluation expert for technology innovation award granted by China Building Materials Industrial Association (中國建築材料工業協會) and China Jiye Jiancai Labour Union National Committee (中國機冶建材工會全國委員會). From 1964 to 1998, Mr. FANG had worked in Nanjing Fiberglass R&D Institute (南京玻璃纖維研究設計院) as vice chief engineer and senior engineer (professor level). Mr. FANG has enjoyed special government allowance from the State Council since October 1992. Mr. FANG was awarded as senior engineer by State Construction Materials Industry Administration (國家建築材料工業局) in December 1987. From January 1995 to December 2009, Mr. FANG had worked in Jushi Group as chief engineer and senior engineer (professor level) responsible for the management, development and innovation of fiberglass technology. Mr. FANG obtained a diploma in Shenyang Construction Specialised Institution (中國沈陽市沈陽建築工業專科學校) in Shenyang, China, in July 1961.

Mr. CHEN Zhijie (陳志傑), aged 44, is an independent non-executive Director. Mr. CHEN was appointed as the Director in May 2015 and is primarily responsible for supervising and providing independent judgment to the Board. Mr. CHEN has been the general manager of Huatai Ruilian Fund Management Company (華泰瑞聯基金管理公司), a subsidiary of Huatai United Securities Company Ltd. (華泰聯合證券有限公司), and the managing partner of Huatai Ruilian M&A Fund (華泰瑞聯併購基金) since April 2014. Mr. CHEN has also acted as the director of Sunbird Yacht Co., Ltd. (太陽鳥遊艇股份公司), a company listed on the Shenzhen Stock Exchange, since September 2014. From October 2004 to April 2014, Mr. CHEN had acted as the vice general manager and general manager of the department of merger and acquisition and private equity and the managing director of the investment banking department at Huatai United Securities Company Ltd.. Mr. CHEN obtained an MBA degree from Tsinghua University (中國北京清華大學) in Beijing, China, in June 2001.

Mr. PAN Fei (潘飛), aged 60, is an independent non-executive Director. Mr. PAN was appointed as the Director in May 2015 and is primarily responsible for supervising and providing independent judgment to the Board. Mr. PAN has been the professor of accounting and deputy dean of the school of accountancy in Shanghai University of Finance and Economics (上海財經大學) since July 2000. Mr. PAN has been an independent director of Bright Dairy & Food Co., Ltd. (光明乳業股份有限公司), a company listed on the Shanghai Stock Exchange, since July 2009, an independent director of Shanghai M&G Stationery Inc. (上海晨光文具股份有限公司), a company listed on the Shanghai Stock Exchange, since June 2014 and an independent director of Universal Scientific Industrial (Shanghai) Co., Ltd. (環旭電子股份有限公司), a company listed on the Shanghai Stock Exchange, since March 2011. Mr. PAN was an independent director of Shanghai Bailian Group Co., Ltd. (上海百聯集團股份有限公司), a company listed on the Shanghai Stock Exchange, from June 2010 to June 2015, an independent director of Shanghai Wanye Enterprises Co., Ltd. (上海萬業企業股份有限公司), a company listed on the Shanghai Stock Exchange, from May 2012 to May 2015 and an independent non-executive director of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (stock code: 1349), a company listed on the Stock Exchange, from June 2003 to May 2014. From March 1983 to June 1995 and from July 1995 to June 2000, Mr. PAN had been a lecturer of accounting and an associate professor of accounting in Shanghai University of Finance and Economics. Mr. PAN obtained a bachelor's degree, a master's degree and a doctoral degree in accounting from Shanghai University of Finance and Economics in January 1983, March 1991 and July 1998 respectively, in Shanghai, China.

SENIOR MANAGEMENT

Mr. LI Hui (李輝), aged 37, is the deputy general manager. Mr. LI was appointed as the deputy general manager of the Company in January 2009 and is primarily responsible for comprehensive administrative management and quality control. Mr. LI joined the Group in January 2007. From 1998 to 2002, Mr. LI had worked as depositary director in Huludao Branch of the Bank of China, Liaoning, China. From 2002 to 2004, Mr. LI had worked as the manager of the customer relationship department in Wuxi Union Pay Card Service Company (無錫市銀聯卡專業服務公司). From 2007 to 2009, Mr. LI had acted as the assistant to the general manager of Hengshi Fiberglass. Mr. LI obtained a bachelor's degree in economic law (self-study) in Liaoning University (中國瀋陽市遼寧大學), Shenyang, China, in December 1999.

Mr. RAO Chaofu (饒朝富), aged 42, is the chief financial officer of the Group. Mr. RAO was appointed as the chief financial officer of the Company in May 2015 and is responsible for financial affairs of the Group. Mr. RAO has been the vice minister of the accounting department of Zhenshi and, among other things, has been responsible for overseeing financial affairs relating to our Group since 2010. From 1997 to 2006, Mr. RAO had worked as an accountant and the financial manager of Tongxiang Gaoke Electricity Co., Ltd. (振石前附屬公司桐鄉高科電子有限公司), a former subsidiary of Zhenshi. From 2006 to 2008, Mr. RAO had acted as the financial manager of Shenzhen Yuanshi Rubber Electricity Co., Ltd. (振石前附屬公司深圳源石塑料電子有限公司), a former subsidiary of Zhenshi. From 2008 to 2010, Mr. RAO had acted as the group accountant of Zhenshi. Mr. RAO obtained a bachelor degree in accounting from Hangzhou Dianzi Industrial College (中國杭州杭州電子工業學院), Hangzhou, China, in July 1997.

JOINT COMPANY SECRETARIES

Mr. YIN Hang (尹航), was appointed as a joint company as a joint company secretary of the Company on 7 May 2015. From March 2009 to December 2013, Mr. YIN had acted as the secretary to the chairman of Jushi Group. From January 2011 to December 2012, Mr. YIN had also acted as an investment strategy commissioner of Jushi Group. From January 2014 to April 2015, Mr. YIN had acted as the deputy director of the development strategy department in Zhenshi. Mr. YIN obtained a bachelor degree in marketing from Washington State University, Washington, United States, in July 2008.

Ms. WONG Sau Ping (黃秀萍) is a joint company secretary of the Company. Ms. WONG is a senior manager of the Listing Services Department of TMF Hong Kong Limited (a fellow subsidiary of KCS Hong Kong Limited). She has over 15 years of experience in the company secretarial field. Ms. WONG had worked for one of the four largest international audit firms, where she served large and well-known companies listed on the Stock Exchange. Ms. WONG holds a bachelor degree in business administration and a master degree in professional accounting and information systems. She is an associate member of Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administration in the United Kingdom.

Directors' Report

The board of directors of the Company (the "**Board**") is pleased to present the annual report and the audited consolidated financial statements of the Company for the year ended 31 December 2015.

GLOBAL OFFERING

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 23 February 2015 under the Companies Law, Cap 22 of the Law of the Cayman Islands (the "**Companies Law**"). The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 21 December 2015.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. Its subsidiaries are principally engaged in research and development, production and sales of various fiberglass fabrics produced in accordance with different technical specification since their establishment. During the reporting period, there were no significant changes in the Company's business.

An analysis on the revenue of the Group during the year is set out in the note 7 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 58 of this annual report.

SUBSIDIARIES

Details of the principal subsidiaries of the Company as at 31 December 2015 are set out in the note 42 to the consolidated financial statements.

FINAL DIVIDENDS

The Board recommends to distribute a final dividend in respect of the year ended 31 December 2015 at RMB0.0546 per share (2014: nil) which is subject to the approval from the shareholders of the Company (the "**Shareholders**") at the annual general meeting to be held on Tuesday, 17 May 2016 (the "**AGM**") and is expected to be distributed on Monday, 6 June 2016 to the Shareholders whose names appear on the register of members of the Company on Wednesday, 25 May 2016.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the identity of Shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from Saturday, 7 May 2016 to Tuesday, 17 May 2016, both days inclusive. In order to be eligible for attending the AGM, all completed transfer forms accomplished by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 6 May 2016.

In order to determine the identity of members who are eligible for receiving the final dividend, the register of members of the Company will be closed from Monday, 23 May 2016 to Wednesday, 25 May 2016, both days inclusive. In order to be eligible for receiving the final dividend, all completed transfer forms accomplished by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 20 May 2016.

BUSINESS REVIEW

A review of the business of the Group for the year ended 31 December 2015 and a discussion on the Group's future business development are provided in the Management Discussion and Analysis on pages 8 to 17 of this annual report. An analysis of the Group's performance during the reporting period using financial key performance indicators is provided in the Four-Year Financial and Operating Highlights on page 5 of this annual report.

MAJOR RISKS AND UNCERTAINTIES

During the year, the Company reviewed the risks of the Group identified and conducted a relevant assessment. The major risks the Group was exposed to are summarized as below:

Market risks	—	The slowdown in the growth of the PRC and global economy; and the impact on wind power market from the changes in the government policies.
Operating risks	—	The increase in the cost of raw materials; Research and development and the launch of new products not progressing as planned; and the number of purchase orders of products being lower than expected.
Financial risks	—	Credit risks, risks of fluctuations in liquidities, interest rate risks and exchange rate risks.
Overseas market risks	—	Operating risks associated with the expansion of the production capacity of the production base in Egypt; and risks associated with the anti-dumping duties imposed on our products by the European Union.

ENVIRONMENTAL POLICIES AND PERFORMANCE

As the world-leading producer and supplier of fiberglass fabrics used in wind turbine blades, the Company values highly environmental protection and has strictly implemented regulations such as the Environmental Protection Law of the PRC, the Water Pollution Prevention and Control Law of the PRC and the Noise Pollution Prevention and Control Law of the PRC. It has also established an environmental safety supervision group in accordance with the actual circumstances of its production and operation to implement various environmental protection policies and oversee the garbage sorting of all business units as well as supervise and manage the refuse collection points in a bid to ensure that the industrial refuse and hazardous solid waste are not stored together with consumer waste. All such acts have ensured the reliability of the waste disposal procedures. Before constructing production facilities and expanding the production scale, the Company has obtained all necessary approvals and permissions from relevant government authorities.

COMPLIANCE WITH LAWS AND REGULATIONS

Established in the Cayman Islands, the Company operates its principal businesses in mainland China, whereas its shares are listed on the Stock Exchange. Accordingly, our establishment and operations shall be subject to the relevant laws of the Cayman Islands, mainland China and Hong Kong. During the year ended 31 December 2015 and as of the date of this annual report, we were in compliance with the relevant laws and regulations of the Cayman Islands, mainland China and Hong Kong.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group adheres to people-oriented principle and offer reasonable treatment to employees. Meanwhile, it retains talents and constantly improves policies including remuneration and benefits, trainings and occupational health and safety with regular reviews and updates.

The Group maintains sound relationship with customers. In order to perfect the service, the Group established a complaint management mechanism including complaints collection, analysis and research and improvement recommendation.

The Group maintains sound relationship with suppliers, on which it annually conducts fair and strict inspection.

FINANCIAL SUMMARY/FINANCIAL REVIEW

A summary of the operating results, assets and liabilities of the Company for the last four fiscal years is set out on page 5 of this annual report.

USE OF NET PROCEEDS FROM INITIAL PUBLIC OFFERING

The net proceeds from the initial public offering, after deducting the underwriting fees and relevant expenses, amounted to approximately RMB427.3 million, which will be used on the ways stated in the prospectus of the Company dated 8 December 2015.

PRINCIPAL CUSTOMERS AND SUPPLIERS

The transaction amount of the Company for the top five customers accounted for 62.31% of the operating revenue of the Company for 2015, among which, the transaction amount of the single largest customer accounted for 19.04% of the operating revenue of the Company for 2015.

The transaction amount of the top five suppliers of the Company for the year 2015 accounted for 80.60% of the procure amount of the Company for the year 2015. The transaction amount of the largest supplier of the Company accounted for 51.45% of the procure amount of the Company for the year 2015.

Zhenshi, China Jushi, Jushi Group and Zhenshi Group Zhejiang Yushi International Logistics Co., Ltd. ("**Yushi International**") are four of the top five suppliers of the Company. As at 31 December 2015, Zhenshi held 19.76% equity interests in China Jushi and Mr. Zhang Yuqiang, the chairman, non-executive Director and substantial shareholder of the Company, held 70.28% equity interests in Zhenshi. Mr. Zhang Yuqiang was the general manager and director of China Jushi. Mr. Zhang Jiankan, the non-executive Director, indirectly held 25.23% equity interests in Zhenshi through Tongxiang Wushi Trading Company Limited. In addition, Mr. Tang Hsin-hua, the non-executive Director, was a supervisor of China Jushi and held 0.77% equity interests in China Jushi.

Jushi Group is a wholly-owned subsidiary of China Jushi.

Yushi International is a subsidiary of Zhenshi.

Shanghai Tianshi International Logistics Co., Ltd. ("**Shanghai Tianshi**") is one of the top five suppliers of the Company. Mr. Zhang Jiankan, the non-executive Director, owned as to 70% of equity interests of the registered capital of Shanghai Tianshi.

Save as disclosed in this annual report, during the reporting period, none of Directors, their close associates or shareholders (who to the best knowledge of the Directors held more than 5% interest in the issued share capital of the Company) held any interests in the top five customers and suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of changes in the property, plant and equipment of the Company and the Group as of the year ended 31 December 2015 are set out in note 18 to the consolidated financial statements of this annual report.

The real property interests held by the Group in the PRC as at 31 October 2015 were revalued by Greater China Appraisal Limited, an independent property valuer, and the relevant property valuation report is set out in the Appendix III – Property Valuation of the prospectus of the Company issued on 8 December 2015. The appraised value is approximately RMB197.0 million. During the reporting period, the real property interests were not recorded at the appraised value.

SHARE CAPITAL

Details of changes in the share capital of the Company during the year are set out in the note 33 to the consolidated financial statements of this annual report.

RESERVE AND DISTRIBUTABLE RESERVE

Details of changes in the reserve of the Company and the Group for 2015 are set out in the note 43 of the consolidated financial statements and the consolidated statement of changes in equity on pages 61 to 62, respectively, among which, information on reserve distributable to Shareholders of the Company in 2015 is set out in note 43 to the consolidated financial statements.

BANK LOANS

Details of bank loans of the Company and the Group as at 31 December 2015 are set out in note 31 to the consolidated financial statements.

DIRECTORS

For the year ended 31 December 2015 to the date of this annual report, the Board comprises the following Directors:

Non-executive Directors

Mr. Zhang Yuqiang (appointed in February 2015)
Mr. Zhang Jiankan (appointed in February 2015)
Mr. Tang Hsin-hua (appointed in May 2015)
Mr. Wang Yuan (appointed in May 2015)

Executive Directors

Mr. Zhou Tingcai (appointed in May 2015)
Ms. Huang Junjun (appointed in May 2015)

Independent non-executive Directors

Mr. Fang Xianbai (appointed in May 2015)
Mr. Pan Fei (appointed in May 2015)
Mr. Chen Zhijie (appointed in May 2015)

The biographical details of the Directors and senior management are set out in the section headed "Directors and Senior Management Profile" on pages 18 to 21 of this annual report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation from each of its independent non-executive Directors for their independence pursuant to Rule 3.13 of the Listing Rules and the Company considers that such Directors are independent as of the year ended 31 December 2015.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

The Remuneration Committee considers and makes recommendation to the Board on the remuneration and other benefits payable to the Directors by the Group. The committee regularly oversees the remuneration of all Directors to ensure that their remuneration and compensation are at appropriate level. The Group maintains competitive remuneration packages with reference to the industry standard and according to the business development of the Group to attract and retain its Directors as well as to control costs.

The remuneration of Directors is determined based on the duty, responsibility and personal performance of each Director and the results of the Company.

Details of the remuneration of Directors and five individuals of the Group with highest emoluments as of the year ended 31 December 2015 are set out in the note 13 and note 14 to the consolidated financial statements.

SERVICE CONTRACTS AND APPOINTMENT LETTERS OF DIRECTORS

Each of the executive Directors and non-executive Directors has entered into a service contract with the Company in May 2015 with a term of 3 years commencing from May 2015 which may be terminated according to the respective terms of the service contracts.

Each of the independent non-executive Director has entered into an appointment letter with the Company on 13 May 2015 for a term commencing from 21 December 2015 (i.e. the date on which the shares of the Company were listed on the Stock Exchange) and ending on the day prior to the second session of the annual general meeting, subject to the election by approval at the first session of the annual general meeting.

None of the Directors has entered into any service contract with any members of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Substantial Transactions, Arrangements and Contracts

Save as disclosed in the section headed "Connected Transaction and Continuing Connected Transactions", none of the Directors directly or indirectly held any substantial interests in other substantial transactions, arrangements and contracts of the Company or any of its subsidiaries as at 31 December 2015 or any time during the year. The Company did not provide any loans to any Directors or senior management during the year.

Compliance of Non-competition Agreement

Mr. Zhang Yuqiang (the "**Controlling Shareholder**") has entered into a non-competition agreement with the Company on 2 December 2015, according to which, Mr. Zhang has undertook that he will not and will procure his associates not to directly or indirectly carry out, participate or acquire any business which is in any respect in competition with or similar to or is likely to be in competition with the business of the Group, or hold any rights or interests or otherwise hold, participate or engage in or be connected with such business.

Independent non-executive Directors have reviewed and confirmed that the Controlling Shareholder complied with the non-competition agreement and performed the non-competition agreement in accordance with its terms from the date of listing to the date of this annual report.

Directors' Interests in Competing Business

As at 31 December 2015, none of the Directors or their close associates held any interests in any business which directly or indirectly competes or may compete with the business of the Group.

Retirement and Employees Benefit Scheme

Details of retirement and employees benefit scheme of the Company are set out in note 38 to the consolidated financial statements.

Pre-Emptive Right

There is no regulation concerning pre-emptive right in the memorandum and articles of association of the Company (the "**Articles of Association**") and the laws of Cayman Islands.

Interests and Short Positions of Directors and Chief Executives in Shares, Underlying Shares or Debentures

As at 31 December 2015, interests or short positions held by Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "**SFO**")) which were required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests or short positions which were taken or deemed to have under such provisions of the SFO); or (b) recorded in the register maintained by the Company pursuant to the section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange were as follows:

(i) Interests in the Company

Director	Nature of interest	Number of shares held (4)	Approximate percentage of shareholding (5)
Zhang Yuqiang (1)	Interest of a controlled corporation	329,602,500 (L)	32.96%
Zhang Jiankan (2)	Interest of a controlled corporation	120,397,500 (L)	12.04%
Tang Hsin-hua (3)	Interest of a controlled corporation	225,000,000 (L)	22.50%

Notes:

(1) Mr. Zhang Yuqiang directly held 95.95% of issued share capital of Huachen Investment Limited and under the SFO, he was deemed to be interested in the 329,602,500 shares of the Company held by Huachen Investment Limited.

(2) Mr. Zhang Jiankan directly held all issued share capital of Huakai Investment Limited and under the SFO, he was deemed to be interested in the 120,397,500 shares of the Company held by Huakai Investment Limited.

(3) Mr. Tang Hsin-hua indirectly held all issued share capital of Trade Power Investments Limited through all direct interests he held in Soar City Investments Limited and under SFO, he was deemed to be interested in the 225,000,000 shares of the Company held by Trade Power Investments Limited.

(4) The letter (L) denotes the long position in such securities.

(5) As at 31 December 2015, the number of issued share capital of the Company amounted to 1,000,000,000 shares.

(ii) Interests in associated corporations

None of the Directors or chief executives of the Company has any interests or short positions in the shares, underlying shares or debentures of any associated corporations of the Company.

Interests and Short Positions of Substantial Shareholders in Shares and Underlying Shares

As at 31 December 2015, so far as the Directors are aware, the following persons (not being a Director or chief executives) who had or deemed to have interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Name	Nature of Interest	Number of shares held (5)	Approximate percentage of shareholding (6)
Mr. Fang Yan Zau Alexander (1)	Interest of controlled corporations	75,000,000 (L)	7.50%
Huachen Investment Limited (2)	Beneficial owner	329,602,500 (L)	32.96%
Huakai Investment Limited (3)	Beneficial owner	120,397,500 (L)	12.04%
Soar City Investments Limited (4)	Interest of controlled corporations	225,000,000 (L)	22.50%
Trade Power Investments Limited (4)	Beneficial owner	225,000,000 (L)	22.50%
Top Way Alliance Limited (1)	Interest of controlled corporations	75,000,000 (L)	7.50%
Joyfar Limited (1)	Beneficial owner	75,000,000 (L)	7.50%

Notes:

(1) Top Way Alliance Limited directly held all issued share capital of Joyfar Limited and was deemed to be interested in the 75,000,000 shares of the Company held by Joyfar Limited. Mr. Fang Yan Zau Alexander indirectly held all issued share capital of Joyfar Limited through all direct interest he held in Top Way Alliance Limited and under the SFO, Mr. Fang Yan Zau Alexander was deemed to be interested in the 75,000,000 shares of the Company held by Joyfar Limited.

(2) Huachen Investment Limited directly held 329,602,500 shares of the Company while Mr. Zhang Yuqiang directly held 95.95% issued share capital of Huachen Investment Limited and under the SFO, Mr. Zhang Yuqiang was deemed to be interested in the 329,602,500 shares of the Company held by Huachen Investment Limited.

(3) Huakai Investment Limited directly held 120,397,500 shares of the Company while Mr. Zhang Jiankan directly held all issued share capital of Huakai Investment Limited and under the SFO, Mr. Zhang Jiankan was deemed to be interested in the 120,397,500 shares of the Company held by Huakai Investment Limited.

(4) Soar City Investments Limited directly held all issued share capital of Trade Power Investments Limited and was deemed to be interested in the 225,000,000 shares of the Company held by Trade Power Investments Limited. Mr. Tang Hsin-hua indirectly held all issued share capital of Trade Power Investments Limited through all direct interests he held in Soar City Investments Limited and under the SFO, Mr. Tang Hsin-hua was deemed to be interested in the 225,000,000 shares held by Trade Power Investments Limited.

(5) The letter (L) denotes the long position in such securities.

(6) As at 31 December 2015, the number of issued share capital of the Company amounted to 1,000,000,000 shares.

Arrangements to Purchase Shares or Debentures

Saved as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate granted to any Directors 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 or fellow subsidiaries a party to any arrangements to enable the Director to acquire such rights in any other body corporate.

Purchase, Sales or Redemption of Company's Listed Securities

Neither the Company, nor any of its subsidiaries had bought-back, sold or redeemed any listed securities of the Company from the date of listing to 31 December 2015.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

Details of certain transactions entered into between the Company and parties deemed as "connected parties" in accordance with applicable accounting principles during the year 2015 are disclosed in note 41 of consolidated financial statements in this annual report. According to the requirements of 14A of the Listing Rules, during the reporting period, one of the transactions constituted connected transaction and two of the transactions constituted continuing connected transactions under the Listing Rules and shall be in compliance with the requirements of the Listing Rules and disclosed in this annual report. Details of the connected transaction and continuing connected transactions are set out as follows:

CONNECTED TRANSACTION

(A) Acquisition of a property

On 4 December 2015, Hengshi Fiberglass, a wholly-owned subsidiary of the Company, entered into a property sale and purchase agreement with Zhenshi, pursuant to which Zhenshi agreed to sell and Hengshi Fiberglass agreed to purchase three floors of office space (the "**Property**") in a building which is under construction at Gexin Area, Zhendong New District, Tongxiang, Zhejiang Province, the PRC (中國浙江省桐鄉市振東新區革新區塊) for a total consideration of approximately RMB75.9 million. The total planned gross floor area of the Property is approximately 3,300 square metres upon completion. The Property is scheduled for delivery by 2018.

The total consideration for the acquisition of the Property was arrived at after arm's length negotiation between the parties based on the prevailing market price for similar properties in the areas transacted around the time of the negotiation. The consideration is to be satisfied in cash by instalment payments as follows:

Timing	**Payment amount**
Within three months after signing of the agreement	70% of the total consideration
By the first anniversary of the agreement	15% of the total consideration
By the second anniversary of the agreement	The balance of the consideration

We intend to settle part of the consideration, being approximately RMB59.0 million, by part of the net proceeds of the global offering. We intend to settle the remainder of the consideration by our own internal resources.

The Property will be used by our Group as our office. As our business continues to grow, we need more space to accommodate our expanding team of staff. After searching for possible sites, we believe the Property is a good venue for this purpose, as the area in which the Property is located is a focused development and planning zone for business and commercial use.

The Directors are of the view that the terms and conditions of this acquisition are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Zhenshi, of which Mr. Zhang Yuqiang is interested in 70.28% of the registered capital, is an associate of Mr. Zhang Yuqiang and therefore a connected person of the Company.

The transaction has not yet been completed.

CONTINUING CONNECTED TRANSACTIONS

(A) Framework agreement of purchasing Logistics Services entered into with Yushi International

Background

Yushi International is a company which specialises in providing logistics services. The Company has been procuring from Yushi International logistics services by which Yushi International (1) transports the fiberglass purchased by the Company from China Jushi to the production plants of the Company, (2) provides to the Company export agency services, including freight booking and customs clearance, in respect of the fiberglass products which are manufactured by the Company to its customers overseas, and (3) provides to the Company import agency services, including customs declaration and domestic transportation, in respect of imported raw materials (collectively "**Logistics Services**").

The Company entered into a framework agreement with Yushi International on 2 December 2015 ("**Yushi International Framework Agreement**"), under which Yushi International agrees to provide Logistics Services to the Company.

Yushi International, a subsidiary of Zhenshi (Mr. Zhang Yuqiang owned as to 70.28% of equity interests of its registered capital) is the connected person of Mr. Zhang Yuqiang, who is the Company's chairman, non-executive Director and ultimate Controlling Shareholder, thereby being a connected person of the Company and thus, Yushi International Framework Agreement constituted a continuing connected transaction of the Company.

Transaction and description of key terms

Under the Yushi International Framework Agreement, Yushi International has agreed that:

(a) it will not provide Logistics Services to any independent third party unless it has first satisfied the needs of the Company for such services;

(b) if it cannot satisfy the need of the Company for Logistic Services or if independent third parties can offer terms more favourable than those offered by it, the Company is entitled to procure Logistic Services from independent third parties;

(c) it is entitled to provide Logistics Services to independent third parties provided that this will not affect its provision of Logistics Services to the Company;

(d) it will not, and will procure its subsidiaries (if any) not to, provide Logistics Services or other services to the Company on terms which are less favourable than those offered to independent third parties; and

(e) The Yushi International Framework Agreement will not affect the Company's right to choose its counterparty for transactions or enter into transactions with third parties.

Price determination

The Company conducts a competitive tender process at the beginning of each year to select the logistics agents which will provide Logistics Services to the Company during the year. During the competitive tender process, the Company seeks quotations from at least three logistics agents. Logistics agents which are invited to submit quotations may include logistics agents which provided or have been providing export agency services to the Company and other logistics agents which have the capability for offering the Logistics Services required by the Company. The Company assesses the candidates by reference to a number of factors including prices, service levels, geographical location, scale of operation and reputation. A logistics agent which is so selected provides the Logistics Services to the Company according to a further negotiated pre-determined price schedule for a term of one year. If the selected logistics agent wishes to deviate from the pre-determined price schedule in providing a Logistic Service to the Company under special circumstances, the Company will seek quotations from at least two other logistics agents and may exercise its right to procure that Logistics Service from another logistics agent which offers better terms to the Company. This pricing mechanism ensures that the pricing terms at which the Company solicits Logistics Services from a logistics agent are fair and reasonable.

Reasons for, and benefits of, the arrangement

The Company appointed a logistics agent to provide Logistics Services to the Company. Yushi International has been appointed on an annual basis as one of its logistics agents after undergoing the above competitive tender processes since 2013 to provide Logistics Services to the Company.

Term and termination

The effective period of the Yushi International Framework Agreement is from the date of listing to 31 December 2017. The Yushi International Framework Agreements can be terminated if the connected transaction under the Yushi International Framework Agreement may lead to non-compliance with the requirements for connected transactions under the Listing Rules. Upon expiry of the term of the Yushi International Framework Agreement, the Company has an option to extend the term for another three years by signing a renewal or supplemental framework agreement.

According to the framework agreement, the total amount paid or payable to Yushi International for Logistics Services by the Company for the year ended 31 December 2015 was approximately RMB42.59 million, which did not exceed the annual cap of the transaction amounting to approximately RMB45.81 million in total, and the annual caps of 2016 and 2017 amounted to approximately RMB54.41 million and RMB72.23 million, respectively.

(B) Framework agreement of purchasing export agency services entered into with Shanghai Tianshi

Background

Shanghai Tianshi is a company based in Shanghai which specialises in providing export agency services. The Company has been engaging Shanghai Tianshi to provide to the Company export agency services, including freight booking and customs clearance, in respect of the fiberglass fabric products which are manufactured by the Company to its customers overseas since 2012 in its ordinary and usual course of business.

The Company entered into a framework agreement with Shanghai Tianshi on 2 December 2015 ("**Tianshi Framework Agreement**"), under which Shanghai Tianshi agrees to provide export agency services to the Company.

Shanghai Tianshi (Mr. Zhang Jiankan owned as to 70% of equity interests of its registered capital) is the connected person of Mr. Zhang Jiankan, who is the Company's non-executive Director, thereby being a connected person of the Company and thus, Tianshi Framework Agreement constituted a continuing connected transaction of the Company.

Transaction and description of key terms

Under the Tianshi Framework Agreement, Shanghai Tianshi has agreed that:

(a) it will not provide export agency services to any independent third party unless it has satisfied the needs of the Company for such services;

(b) if it cannot satisfy the need of the Company for export agency services or if independent third parties can offer terms more favourable than those offered by it, the Company is entitled to procure export agency services from independent third parties;

(c) it is entitled to provide export agency services to independent third parties provided that this will not affect its provision of export agency services to the Company;

(d) it will not, and will procure its subsidiaries (if any) not to, provide export agency services or other services to the Company on terms which are less favourable than those offered to independent third parties; and

(e) the Tianshi Framework Agreement will not affect the Company's right to choose its counterparty for transactions or enter into transactions with third parties.

Price determination

The Company conducts a competitive tender process at the beginning of each year to select the export agents which will provide export agency services to the Company during the year. During the competitive tender process, the Company seeks quotations from at least three export agents. Export agents which are invited to submit quotations may include export agents which provided or have been providing export agency services to the Company and other export agents which have the capability for offering the export agency services required by the Company. The Company assesses the candidates by reference to a number of factors including prices, service levels, geographical location, scale of operation and reputation. An export agent which is so selected provides the export agency services to the Company according to a further negotiated pre-determined price schedule for a term of one year. If the selected export agent wishes to deviate from the pre-determined price schedule in providing an export agency service to the Company under special circumstances, the Company will seek quotations from at least two other export agents and may exercise its right to procure that export agency service from an export agent which offers better terms to the Company. This pricing mechanism ensures that the pricing terms at which the Company solicits export agency services from an expert agent are fair and reasonable.

Reasons for, and benefits of, the arrangement

The Company engages export agents to provide export-related services including freight booking and customs clearance to export its fiberglass fabric products to its customers overseas. Shanghai Tianshi has been appointed on an annual basis as one of its export agents following a competitive tender process since 2012 to provide export agency service to the Company. The Company uses mainly Shanghai Tianshi, which is based in Shanghai, to export its fiberglass fabric products through Shanghai to its customers in the Americas.

Term and termination

The effective period of the Tianshi Framework Agreement is from the date of listing to 31 December 2017. The Tianshi Framework Agreement can be terminated if the connected transaction under the Tianshi Framework Agreement may lead to non-compliance with the requirements for connected transactions under the Listing Rules. Upon expiry of the term of the Tianshi Framework Agreement, the Company has an option to extend the term for another three years by signing a renewal or supplemental framework agreement.

According to the framework agreement, the total amount paid or payable to Shanghai Tianshi for export agency services by the Company for the year ended 31 December 2015 was approximately RMB11.05 million, which did not exceed the annual cap of the transaction amounting to approximately RMB13.81 million in total, and the annual caps of 2016 and 2017 amounted to approximately RMB15.85 million and RMB20.30 million, respectively.

Recommendations from auditors and independent non-executive Directors on continuing connected transactions

Auditors have reported and confirmed continuing connected transactions to the Audit Committee in accordance with relevant work in progress:

(a) the transactions have been approved by the Board;

(b) the transactions were in compliance with the pricing policies of the Company in all material aspects;

(c) the transactions were entered into in accordance with relevant agreements regulating those transactions in all material aspects; and

(d) the transactions did not exceed the annual cap of relevant continuing connected transactions.

Independent non-executive Directors have reviewed the continuing connected transactions, and confirmed that:

(a) the transactions were entered into in accordance with ordinary and usual course of business of the Company;

(b) the transactions were entered into in accordance with normal commercial terms or the terms of the transactions better than those terms from obtaining services or from provision of services or obtained from independent third parties by the Company;

(c) the terms of transactions are fair and reasonable and are in the interests of the Shareholders as a whole in accordance with the relevant agreements of continuing connected transactions mentioned above; and

(d) the transactions did not exceed the annual cap of relevant continuing connected transactions.

According to the requirements of the Listing Rules, Deloitte Touche Tohmatsu, the auditor of the Company, has reported the continuing connected transactions of the Company. The Company has received the unqualified letter issued by Deloitte Touche Tohmatsu in relation to the continuing connected transactions disclosed above.

STRATEGIC COOPERATION WITH CHINA JUSHI

According to the undertakings made by the Company in the prospectus when listing, this annual report will announce the details of cooperation agreement entered into with China Jushi and its subsidiaries and the purchase of fiberglass:

Background

According to the DNV GL Group AS Report, China Jushi, through its wholly-owned subsidiary Jushi Group, is the second largest fiberglass manufacturer worldwide and the largest fiberglass manufacturer in Asia in terms of sales volume by tonnage in 2014, accounting for approximately 17% and 29% of the global and Asian market shares during the same year, respectively. As at 31 December 2015, Zhenshi held a 19.76% equity interest in China Jushi, and our chairman, non-executive Director and ultimate Controlling Shareholder, Mr. Zhang Yuqiang, is also the general manager and a director of China Jushi. In addition, as at 31 December 2015, Mr. Tang Hsin-hua, who was China Jushi's supervisor and held a 0.77% interest in China Jushi, owned a 22.5% equity interest in our Company, and one director and one senior management member of China Jushi owned, in aggregate, less than 0.96% equity interest in our Company. Save as disclosed above, none of China Jushi's directors, supervisors and senior management members was our Director or senior management member or held any equity interest in the Company.

Fiberglass is the key raw material used by us to manufacture fiberglass fabrics. During the track record period, we purchased substantially all fiberglass, directly or indirectly (note), from China Jushi and Zhenshi. In 2012, 2013, 2014 and 2015, our aggregate purchases of raw materials from China Jushi and Zhenshi amounted to RMB257.3 million, RMB208.3 million, RMB395.4 million and RMB518.0 million, respectively, and accounted for 76.6%, 64.9%, 81.0% and 73.58% of our total cost of sales for the same periods, respectively.

In order to guarantee the long-term supply of fiberglass from China Jushi, we entered into a strategic cooperation agreement with Jushi Group on 1 January 2015 with a term from 1 January 2015 to 31 December 2017. If there is no material breach of contract during the term of agreement, the term of agreement will be further extended for 5 years.

Note: From 1 April 2015, we directly purchased raw materials and package materials from relevant suppliers, but no longer purchased raw materials and package materials through Zhenshi. For details, please refer to the section "Suppliers" in the prospectus published on 8 December 2015 by the Company.

Transaction and description of key terms

Key terms of Strategic Cooperation Agreement with Jushi Group are set out as follows:

- Procurement. Jushi Group agrees to act as a strategic supplier of fiberglass for us and supply fiberglass to us, our subsidiaries or other companies designated by us on a priority basis. The specific supply volume and price will be determined by us and Jushi Group under purchase agreements to be separately entered into.

- Research and development. Jushi Group and we agree to establish information sharing mechanism in relation to the market information and technology development of fiberglass.

- Scope of cooperation. The cooperation under the agreement also covers subsidiaries of us and Jushi Group, in particular the respective subsidiaries of Jushi Group and us in Egypt.

- Term. The term of the agreement is from 1 January 2015 to 31 December 2017 and will be extended for another five years if there is no material breach during the term of the agreement.

Commercial Considerations for Sourcing Fiberglass from China Jushi

Our procurement of fiberglass from China Jushi has proven to be commercially successful. We intend to continue purchasing most of the fiberglass from China Jushi, and believe that our continued purchase of fiberglass from China Jushi will not have a material adverse effect on our business, results of operations and financial condition, after taking the following considerations into account:

- Proven long-term relationship. We have been sourcing fiberglass from China Jushi since our inception in 2000. During the track record period and up to the date of this annual report, we had not encountered any shortage or delay in the supply of fiberglass from China Jushi. We enter into annual procurement agreements with China Jushi which contain fixed prices for the supply of different types of fiberglass. Before entering into such an agreement, we have sought, and will seek, quotations from at least two independent fiberglass suppliers to ensure that the prices and terms offered by China Jushi in respect of the sale of fiberglass to us are fair and reasonable, in the interest of the Shareholders as a whole and comparable to those offered by the other fiberglass suppliers.

- Reputation and quality. Most of the fiberglass procured by us is used as the base material to manufacture fiberglass fabrics in wind turbine blades, which pose significant challenges to the strength, modulus and anti-fatigue characteristics of the fiberglass. As such, we select suppliers of fiberglass carefully with a focus on reputation of the suppliers and quality of the fiberglass. According to the DNV GL Group AS Report, China Jushi, through its wholly-owned subsidiary Jushi Group, is the second largest fiberglass manufacturer worldwide and the largest fiberglass manufacturer in Asia in terms of sales volume by tonnage in 2014, accounting for approximately 17% and 29% of the global and Asian market shares during the same year, respectively. We believe that it has gained a strong position and reputation in the fiberglass industry. Quality of the fiberglass supplied by China Jushi to us has been proven over the past 14 years and has kept up with our evolving standards to satisfy the technical specifications required by our customers.

- Mutual and complementary relationship. In each of 2012 and 2013, we were the second largest customer to China Jushi. In 2014, we were the largest customer to China Jushi, contributing to 6.6% of its revenue. Taking into consideration our leading market position in our own industry and our position as China Jushi's key customer, we believe that our procurement of fiberglass from China Jushi is mutual and complementary, and China Jushi was not, and is expected not to be, in a position to dictate the pricing terms in respect of its supplies of fiberglass to us.

- Cost advantages. The production facilities of China Jushi is located within 1,000 metres of our production facilities in China, which we believe has afforded us cost advantages in respect of transportation, as well as flexible delivery schedules. In addition, due to such close proximity, the fiberglass delivered to us by China Jushi does not require substantial packaging to ensure safe shipment, which in turn significantly reduces the packaging costs.

- Certification process. In line with industry practice, our customers implement certification systems to select suppliers of fiberglass fabrics. As fiberglass is the base material to manufacture fiberglass fabrics, substantially all of our customers in the wind turbine blade sector extend their certification process to fiberglass suppliers as well. The certification process of a fiberglass supplier by these customers typically takes three months to six months. We believe that our continuous procurement from China Jushi will enable us to leverage the existing certification in respect of fiberglass supplied by it.

- Established cooperation on research and development. As the technical specifications of our fiberglass fabrics and weaving techniques relate closely to the quality and specifications of fiberglass, we have established a cooperative relationship with China Jushi on research and development. In order to manufacture fiberglass fabrics of a given technical specification, we typically test various types of fiberglass provided by China Jushi and discuss with China Jushi to choose the type of fiberglass with technical specifications that are more suitable to the needs of our customers. We also cooperate with China Jushi to improve or change the functional parameters of fiberglass provided to us in order to develop customised products for our customers to the extent necessary. In addition, cooperation with China Jushi in the selection and development of the most suitable fiberglass is also critical for us to determine the weaving techniques so as to ensure the strength, modulus and anti-fatigue characteristics of our product, and reduce the potential waste of fiberglass during our manufacturing process. We believe that we have benefited, and will continue to benefit, from such cooperative relationship with China Jushi.

Recommendations from independent non-executive Directors on relevant transactions with China Jushi and its subsidiaries

Independent non-executive Directors have reviewed the relevant transactions with China Jushi and its subsidiaries, and confirmed that:

(a) the transactions have been approved by the Board;

(b) the terms of transactions are fair and reasonable;

(c) the transactions were entered into in accordance with normal or better commercial terms and ordinary and usual course of business of the Company. The terms of the transactions are not less favourable than those terms obtained or provided by (as the case maybe) independent third parties;

(d) the transactions are in the interests of the Company and its Shareholders as a whole; and

(e) the transactions were entered into in accordance with relevant agreements regulating those transactions in all material aspects.

Auditors have carried out relevant work to report and confirm to the Board the transactions entered into by the Group with China Jushi and its subsidiaries with individual company aggregated annual transaction amount exceeding HK$1 million for the year ended 31 December 2015:

(i) the transactions have been approved by the Board;

(ii) the transactions were in compliance with the pricing policies of the Group in all material aspects; and

(iii) the transactions were entered into in accordance with relevant agreements regulating those transactions in all material aspects.

Equity-linked Agreement

No equity-linked agreements were entered into by the Company as of the year ended 31 December 2015.

Management Contract

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the reporting period.

Permitted Indemnity Provision

- If any person (the "**insured person**") or the person who acted as another person of his/her legal representative is or was a Director, an alternate Director or management personnel, or (if being a Director or management personnel of the Company) currently holds or ever held as a director, a management personnel, an employee or an agent in another company or partnership, joint ventures, trust companies, enterprises or non-profit making entities ("**other entities**") as requested by the Company, including service of relevant employee benefit plans, and ever became or currently becomes or is exposed to become a party of any legal actions, litigations or proceedings (no matter civil, criminal, administrative or investigation) ("**proceedings**") or is involved in those proceedings by other means and is ruled in his/her favor or pledges no guilty, then the Company shall indemnify the insured person for all of his/her liabilities reasonably incurred and undertake the losses and expenses (including counsel's fees) from the Company's assets within the maximum scope permitted by existing or possibly amended applicable laws and protect him/her from being damaged. Notwithstanding the statement mentioned beforehand, saved as further requirements on paragraph 3 of the provision, with regard to a proceeding (or part of it), the Company shall indemnify the insured person only when the insured person is authorized by Directors to commence the proceeding (or part of it).

- The Company shall pay the insured person the fees (including counsel's fees) before the judgment of any proceedings for countering accusation in advance. However, within the scope of requirements of laws, the prepaid fees shall be undertaken by the insured person, that is if the final judgment confirms that the insured person is not entitled to compensation in accordance with bylaws or others, then the insured person shall repay the proceeds.

- According to the Articles of Association if the claims and prepaid fees are not fully paid within 30 days after the Company receives a written compensation issued by the insured person, the insured person may file a lawsuit to recover the unpaid claims. If the litigation is successful (entirely or partially), the insured person shall be entitled to receive the payment of those claims.

- The Articles of Association entitle rights to any insured person, but shall not offer any other rights which is obtained or will be obtained by the insured person in accordance with any ordinances or the Articles of Association or under other situations.

Donation

The Company did not contribute any charitable and other donations during this financial year.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the 25% of public float as prescribed in the Listing Rules as at the date of this report.

Material Legal Proceedings

As of 31 December 2015, the Company has not been involved in any material litigation and arbitration; as far as the Directors are aware, no litigations or claims of material importance is pending or threatened against the Company.

Review of Audit Committee

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Company and discussed auditing, internal controls and financial reporting matters (including reviewing the financial statements for the year).

The Audit Committee has reviewed the financial statements, annual results announcement and the annual report for the year ended 31 December 2015.

MODEL CODE REGARDING SECURITIES TRANSACTIONS CONDUCTED BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as the code of conduct regarding transactions conducted by Directors. After making specific enquires to all Directors, all of them have confirmed that they have complied with the requirements set out in the Model Code from the date of listing to 31 December 2015.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. From the date of listing to 31 December 2015, the Company has complied with the code provisions under the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. Details of the Code on Corporate Governance Practices adopted by the Company are set out in the corporate governance report on pages 43 to 55 of this annual report.

AUDITOR

The financial report has been audited by Deloitte Touche Tohmatsu who will retire at the forthcoming AGM and is eligible for reappointment. Resolution in relation to the reappointment of Deloitte Touche Tohmatsu as the auditor of the Company will be presented at the AGM for consideration and approval.

EVENTS AFTER THE REPORTING PERIOD

Saved as the disclosed in this report, since 31 December 2015 (being the end date of the financial year under review), no significant events have occurred which would have an impact on the Company.

By the order of the Board,
Zhang Yuqiang
Chairman

Hong Kong: 23 March 2016

The Board is pleased to present the corporate governance report of the Company as of the year ended 31 December 2015.

CORPORATE GOVERNANCE PRACTICES

The Company strived to maintain high standards of corporate governance in order to safeguard the interests of Shareholders and enhance the corporate value and accountability. The Company has adopted the principles of the Code on Corporate Governance Practices (the "**CG Code**") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. From the date of listing to 31 December 2015, the Company complied with the provisions set out in the CG Code. The Company will continue to review and monitor its corporate governance practice to ensure the compliance of the CG Code.

Corporate Governance Functions

The Board is responsible for developing the corporation governance policies and performing the following corporate governance duties:

(I) To develop and review of the policies and practices of the corporate governance;

(II) To review and monitor the training and continuous professional development of Directors and senior management;

(III) To review and monitor the Company's policies and practices on compliance and legal and regulatory requirements;

(IV) To develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and

(V) to review the Company's compliance with the CG Code and disclosure in the corporate governance report.

The Company will continue to review and improve its corporate governance practices to ensure the compliance of the CG Code.

Board

Responsibility

The Board is responsible for the overall leadership of the Group, oversees the strategic decisions and monitors business and performance of the Group. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**") (together, the "**Board Committees**"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

Composition of the Board

The Board currently comprises four non-executive Directors (i.e. Mr. Zhang Yuqiang, Mr. Zhang Jiankan, Mr. Tang Hsin-hua and Mr. Wang Yuan), two executive Directors (i.e. Mr. Zhou Tingcai and Ms. Huang Junjun) and three independent non-executive Directors (i.e. Mr. Fang Xianbai, Mr. PAN Fei and Mr. CHEN Zhijie). The biographical details of the Directors and senior management are set out in the section headed "Directors and Senior Management Profile" of this annual report.

From the date of listing to the date of this annual report, the Directors have complied with the Rules 3.10(1) and 3.10(2) of the Listing Rules which require the appointment of at least three independent non-executive Directors, among which, at least one independent non-executive Directors must possess appropriate professional qualifications or accounting or related financial management expertise.

According to Rule 3.10A of the Listing Rules, independent non-executive Directors must at least account for one-third of the Board. Currently, the three independent non-executive Directors of the Company account for more than one-third of the number of the Board which is therefore in compliance with the provisions under the Rule 3.10A of the Listing Rules.

The Company has received an annual confirmation from each of its independent non-executive Directors for their independence pursuant to the Listing Rules and the Company considers that all independent non-executive Directors are independent persons according to the independence guidelines set out in Rule 3.13 of the Listing Rules.

Except that Mr. Zhang Yuqiang, the non-executive Director, and Mr. Zhang Jiankan, the non-executive Director, are the relationship of father and son, each of the Directors does not have any personal relationships with other Directors (including financial, commercial, family or other significant/relevant relationships).

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for performing the duties of the Board.

Board Diversity Policy

The Company understands and believes that diversity in the Board is beneficial for improving the performance of the Company. The Company strived to achieve Board diversity through consideration of certain factors, including but not limited to gender, age, cultural and educational background, race, professional experience, skill, knowledge and term of service. The Company will also consider its business model and design the best composition of the Board from time to time based on its specific needs. The Nomination Committee will continue to monitor implementation of this policy and annually report the composition of the Board in the view of diversity.

Training of Directors

Directors' Induction and Continuous Professional Development

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statues, laws, rules and regulations. The Company also regularly arranges seminars for Directors to provide updated information of the latest development and changes in the Listing Rules and other relevant laws and regulatory provision from time to time. The Board regularly obtains updated information regarding the performance, status and prospect of the Company which allow the entire Board and all Directors to perform their duties.

The training received by the all Directors in 2015 is as follows:

Name of Director	Training received*(Note)*
Mr. Zhang Yuqiang	✓
Mr. Zhang Jiankan	✓
Mr. Tang Hsin-hua	✓
Mr. Wang Yuan	✓
Mr. Zhou Tingcai	✓
Ms. Huang Junjun	✓
Mr. Fang Xianbai	✓
Mr. Pan Fei	✓
Mr. Chen Zhijie	✓

Note: The training received includes reading provisions regarding corporate governance, directors' duty and internal control management and participation in talk, forum and conference.

Chairman and general manager

Positions of the chairman and general manager of the Company were held by Mr. Zhang Yuqiang and Mr. Zhou Tingcai, respectively. The chairman provides leadership and is responsible to formulate overall development strategy and business plan. The general manager focuses on the business development and is responsible for the daily operation and management of the Company.

Appointment and Re-appointment of Directors

All executive Directors and non-executive Directors have entered into service contracts with the Company which may be terminated in accordance with the respective terms.

All independent non-executive Directors has entered into appointment letters with the Company with a term commencing from 21 December 2015 (i.e. the date on which the shares of the Company were listed on the Stock Exchange) and ending on the day prior to the second session of the annual general meeting, subject to the election by approval at the first session of the annual general meeting.

The Board shall have the right to appoint any person from time to time to fill in the contemporary vacancy on the Board or act as an additional member of the Board. The Director so appointed to fill in the contemporary vacancy or act as an additional member shall hold office only till the next annual general meeting and shall then be eligible for reappointment.

According to the Article 105 of the Articles of Association, all Directors are subject to retirement at an annual general meeting at least once every three years. Retired Directors are eligible for reappointment and shall continue to act as a Director throughout the meeting at which he/she retires.

The procedures and process of appointment, re-election and removal of directors are set out in the Articles of Association. The Nomination Committee of the Company is responsible for reviewing the Board composition, monitoring the appointment, re-election and succession planning of Directors.

Responsibilities of the Board

The functions and duties of the Board include convening shareholders' meetings, reporting on the Board's work at these meetings, implementing resolutions passed at these meetings, determining business and investment plans, formulating our annual budget and final accounts, and formulating our proposals for profit distributions and for any increase or reduction of registered capital. In addition, the Board is responsible for exercising other powers, functions and duties in accordance with the Articles of Association.

Board Meeting

The Company adopted a practice to convene Board meetings regularly which is at least four meetings per year and roughly on a quarterly basis. A notice of a regular Board meeting shall be delivered to all the Directors at least 14 days in advance with the matters to be discussed specified in agenda of the meeting. For other Board and committee meetings, reasonable notice is generally given. Agendas or relevant documents of the Board or committee shall be dispatched to the Directors or members of the committee at least 3 days prior to the convening of the meetings to ensure that they have sufficient time to review the relevant documents and be adequately prepared for the meetings. When directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. The minutes are kept by the joint company secretary and the copies are circulated to all Directors for reference and record purpose.

The minutes of the Board meeting and committee thoroughly record all matters under consideration and decisions made including any problems raised by the Directors. Draft minutes of each board meeting and committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. Directors have a right to review the minutes of the Board meeting.

No meetings were held by the Board from the date of listing to the year ended 31 December 2015.

Compliance with the Model Code

The Company has adopted the code of conduct for securities transactions by directors on terms no less exacting than the required standard of dealings set out in the Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that the have complied with such code of conduct from the date of listing to 31 December 2015.

Liability Insurance for the Directors

Since the date of listing, the Company has purchased liability insurance for the Directors and senior management to provide indemnity guarantee in respect of any responsibilities arising from the performance of duties while Directors and senior management performing their duties. However, acts of fraud, breach of duty or breach of trust performed by an official Director will not be indemnified.

REMUERNATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has formulated the official and transparent procedures for the remuneration policy of the senior management of the Group. Details of the remuneration of the Directors for the year ended 31 December 2015 are set out in Note 13 to the consolidated financial statements.

The remuneration paid to the senior management (exclusive of Directors) for the year ended 31 December 2015 was within the range below:

Range of remuneration	No. of persons
Nil to RMB1,000,000	2
RMB1,000,001 to RMB2,000,000	0
	2

Board Committee

Audit Committee

The Company established the Audit Committee on 7 May 2015 which comprised three members, namely Mr. FANG Xianbai (Chairman), the independent non-executive Director, Mr. Wang Yuan, the non-executive Director and Mr. Pan Fei, the independent non-executive Director. The major responsibilities of the Audit Committee include the followings:

1. to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors;

2. to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process;

3. to monitor integrity of the Company's financial statements and annual report and accounts, interim report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them;

4. to review the Company's financial controls, risk management and internal control systems and their implementation;

5. to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

6. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

7. to review the Company's compliance with the Corporate Governance Code as set out in the Listing Rules and disclosure in the Corporate Governance Report;

8. to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

9. to ensure coordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

10. to review the Group's financial and accounting policies and practices; and

11. to deal with other matters authorised by the Board.

The terms of reference of the Audit Committee are available on the websites of Stock Exchange and the Company.

Summary of the work during the year

From the date of establishment of the Audit Committee to 31 December 2015, the Audit Committee reviewed the significant problems of the procedures of the financial report, risk management and internal control procedures of the Company and made arrangements to enable employees to pay attention for possible unusual behaviour.

The Audit Committee held one Audit Committee meeting on 23 March 2016 which mainly reviewed the audited financial statements, annual results announcement and annual report of the Company as of the year ended 31 December 2015 including the accounting principles and practices adopted by the Company, the compliance of the Company with CG Code and the effectiveness of the risk management and internal control of the Company disclosed in this annual report.

From the date of the establishment to 31 December 2015, the Audit Committee held one meeting. The attendance of the each of the members at the Audit Committee meeting held in 2015 is set out in the table below:

Name	**Attendance/ Number of Meetings**
Mr. Fang Xianbai *(Chairman)*	1/1
Mr. Wang Yuan	1/1
Mr. Pan Fei	1/1

Remuneration Committee

The Company established the Remuneration Committee on 7 May 2015 which comprised three members, namely Mr. Fang Xianbai (chairman), the independent non-executive Director, Mr. Zhang Jiankan, the non-executive Director and Mr. Pan Fei, the independent non-executive Director and the majority of the members were independent non-executive Directors. The major duties of the Remuneration Committee include:

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

2. to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

3. to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management;

4. to make recommendations to the Board on the remuneration of the non-executive Directors;

5. to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

6. to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment; and

7. to deal with other matters authorised by the Board.

The terms of reference of the Remuneration Committee are available on the websites of Stock Exchange and the Company.

Summary of the work during the year

From the date of the establishment of the Remuneration Committee to 31 December 2015, the Remuneration Committee discussed on the remuneration policy of the Company and the structure of the Company, remuneration structure and policy of Directors and senior management personnel, and make recommendations to the Board on such matters.

On 23 March 2016, the Remuneration Committee convened Remuneration Committee meeting which reviewed the remuneration policy and structure of the Company, the remuneration policy and remuneration package of Directors and senior management.

From the date of the establishment to 31 December 2015, the Remuneration Committee held one meeting. The attendance of the each of the members at the Remuneration Committee meeting held in 2015 is set out in the table below:

Name	Attendance/ Number of Meetings
Mr. Fang Xianbai *(Chairman)*	1/1
Mr. Zhang Jiankan	1/1
Mr. Pan Fei	1/1

Nomination Committee

The Company established the Nomination Committee on 7 May 2015 which comprised three members, namely Mr. Zhang Yuqiang (chairman), the non-executive Director, Mr. Fang Xianbai, the independent non-executive Director and Mr. Chen Zhijie, the independent non-executive Director, and the majority of the members were independent non-executive Directors. The major duties of the Nomination Committee include the followings:

1. to review the structure, size and composition (including the skills, knowledge, experience and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

2. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

3. to assess the independence of independent non-executive Directors;

4. to make recommendations to the Board on the appointment or reappointment of Directors and succession planning for Directors, in particular the chairman and the general manager;

5. to review and monitor the training and continuous professional development of Directors and senior management; and

6. to deal with other matters authorised by the Board.

The terms of reference of the Nomination Committee are available on the websites of Stock Exchange and the Company.

From the date of listing to 31 December 2015, Nomination Committee did not convene Nomination Committee meeting.

Directors' Responsibilities for Financial Reporting in Respect of Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2015 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The senior management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with monthly updates on the Company's performance, positions and prospects.

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

The statement by the auditors of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 56 to 57 of this annual report.

Risk Management and Internal Control

As of the year ended 31 December 2015, the Board, through the Audit Committee, conducted a review of the effectiveness of the risk management and internal control systems of the Company including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programs and budget.

The Board shall bear full responsibility for maintaining a sound and effective risk management and internal control measure to safeguard the assets of the Company and interests of Shareholders. Directors confirmed that the Company carried out regular inspections on the operation procedure, practice and system through risk management and internal control department to safeguard assets from inappropriate use, maintain proper accounts and ensure the compliance with regulations. The regular inspection covers all material monitoring, including monitoring in respect of finance, operation and compliance with laws, and risk management functions of the Company.

All Directors considered the operation of current risk management and internal control systems effective.

Remuneration of Auditor

During the year, remuneration paid/payable to the auditor of the Company for auditing consolidated financial statements amounted RMB1.5 million in aggregate.

JOINT COMPANY SECRETARIES

Mr. Yin Hang, the joint company secretary of the Company, is responsible for making recommendation to the Board in respect of corporate governance and ensures the compliance of the Board with policies, procedures, applicable laws, rules and regulations.

In order to maintain the sound corporate governance and ensure the compliance with the Listing Rules and applicable Hong Kong Laws, the Company also appointed Ms. Wong Sau Ping, a senior manager of the listing service department of TMF Hong Kong Limited, as the joint company secretary assisting Mr. Yin to perform the duties of the company secretary of the Company. Mr. Yin is the major contact person between her and the Company.

As of the year ended 31 December 2015, Mr. Yin and Ms. Wong received not less than 15 hours of relevant professional trainings pursuant to Rule 3.29 of the Listing Rules.

Communication with Shareholders and Investor Relations

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The annual general meeting of the Company provides opportunities for direction communications between Shareholders and Directors. The chairman and all Board committee of the Company will strive to attend the annual general and answer inquiries raised by the Shareholders. The external auditor will also attend such general meeting and solve concerning the audit, preparation and the contents of the auditor's report and accounting policies and the independence of the auditor.

The 2016 AGM will be held on Tuesday, 17 May 2016, and the notice of which will be dispatched to the shareholders not less than 20 clear business days before the date of the AGM.

To promote effective communication, the Company adopts a shareholders' communication policy which aims at establishing a sound communication between the Company and Shareholders and maintains a website (www.chinahengshi.com.cn), hotline (tel: +86-573-88051188; e-mail: jack.yin@chinahengshi.com.cn) for investors' inquiries. The Company shall publish the latest information on the business operation and development, corporate governance practices and other data on its website for public access.

Shareholders' Rights

In order to protect the rights and interests of the Shareholders, the Company shall present resolutions in the form of stand-alone motion to the general meeting for consideration. The resolutions presented to the general meeting for consideration shall be voted in accordance with the Listing Rules, and the voting result shall be published on the websites of the Company and the Stock Exchange in a timely manner after the meeting.

Procedures for shareholders to convene an extraordinary general meeting

- According to Article 67 and 68 of the Articles of Association, each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting. General meetings may be held in any part of the world as may be determined by the Board.

- The Board may whenever it thinks fit call extraordinary general meetings.

- Any two members or a recognised clearing house (or its nominee) ("**qualified shareholder**") holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the joint secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any matters specified in such requisition, including making proposals or moving a resolution at a special general meeting.

- Eligible Shareholders who wish to convene a special general meeting for the purpose of making proposals or moving a resolution at a special general meeting must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong which is 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

- The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene a special general meeting, proposed agenda to be set out, the agenda proposed to be included the details of the business(es) proposed to be transacted in the special general meeting, signed by the Eligible Shareholder(s) concerned.

- The Company will check the Requisition and the identity and the shareholding of the Eligible Shareholder will be verified with the Company's branch share registrar. If the Requisition is found to be proper and in order, the joint company secretary will ask the Board to convene a special general meeting within 3 months and/or include the proposal or the resolution proposed by the Eligible Shareholder at the special general meeting after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for a special general meeting and/or include the proposal or the resolution proposed by the Eligible Shareholder at the special general meeting.

- If within 21 days of the deposit of the Requisition, the Board has not advised the Eligible Shareholders of any outcome to the contrary and fails to proceed to convene a special general meeting, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the bye-laws, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Making enquiry to the Board

Shareholders may send their enquiries to the Board in respect of the Company by addressing to the principal place of business of the Company in Hong Kong, the enquiry address is 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

Articles of Association of the Company

The amended and restated Articles of Association was adopted by the Company on 21 December 2015 and took effect on the date of listing.

Deloitte.
德勤

TO THE SHAREHOLDERS OF CHINA HENGSHI FOUNDATION COMPANY LIMITED 中國恒石基業有限公司
(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Hengshi Foundation Company Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 58 to 152, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
23 March 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	NOTES	**Year ended 31/12/2015 *RMB'000***	Year ended 31/12/2014 *RMB'000*
Revenue	7	**1,002,901**	678,600
Cost of sales		**(704,380)**	(487,941)
Gross profit		**298,521**	190,659
Other income	8	**15,386**	26,865
Other gains and losses	9	**69,634**	37,028
Selling and distribution expenses		**(61,596)**	(43,974)
Administrative expenses		**(29,964)**	(13,495)
Research expenditure		**(32,688)**	(21,004)
Other expenses	10	**(28,042)**	(3,093)
Finance costs	11	**(21,590)**	(25,507)
Profit before tax	12	**209,661**	147,479
Income tax expense	15	**(28,169)**	(15,745)
Profit for the year		**181,492**	131,734
Other comprehensive expense			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translating foreign operation		**(541)**	(68)
Total comprehensive income for the year		**180,951**	131,666
Profit for the year attributable to:			
Owners of the Company		**181,977**	131,789
Non-controlling interests		**(485)**	(55)
		181,492	131,734
Total comprehensive income for the year attributable to:			
Owners of the Company		**181,490**	131,728
Non-controlling interests		**(539)**	(62)
		180,951	131,666
Earnings per share – basic *(RMB)*	17	**0.25**	0.21

Consolidated Statement of Financial Position

At 31 December 2015

	NOTES	31/12/2015 RMB'000	31/12/2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	18	**547,123**	442,899
Prepaid lease payments	19	**30,809**	31,585
Deferred tax assets	20	**10,406**	8,722
Deposits paid for acquisition of property, plant and equipment	21	**688**	7,447
		589,026	490,653
CURRENT ASSETS			
Inventories	22	**96,697**	82,711
Prepaid lease payments	19	**776**	776
Trade and other receivables	23	**354,859**	182,487
Bills receivables	24	**15,530**	2,335
Amounts due from other related parties	25	**21,623**	70,128
Amounts due from shareholders	25	**–**	201,930
Pledged bank deposits	26	**108,834**	32,218
Bank balances and cash	26	**502,428**	61,741
		1,100,747	634,326
CURRENT LIABILITIES			
Trade and other payables	27	**47,030**	40,919
Bills payables	28	**168,509**	10,465
Amounts due to other related parties	25	**15,955**	6,914
Amounts due to shareholders	25	**–**	4,683
Financial liabilities at fair value through profit or loss ("**FVTPL**")	29	**1,000**	15,200
Provisions	30	**–**	65,300
Tax payable		**455**	8,290
Bank borrowings	31	**400,000**	320,400
Deferred revenue	32	**300**	–
		633,249	472,171
NET CURRENT ASSETS		**467,498**	162,155
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,056,524**	652,808

Consolidated Statement of Financial Position *(Continued)*

At 31 December 2015

	NOTES	**31/12/2015** **RMB'000**	31/12/2014 RMB'000
NON-CURRENT LIABILITIES			
Bank borrowings	31	**–**	99,899
Deferred tax liabilities	20	**2,336**	–
Deferred revenue	32	**2,550**	3,000
		4,886	102,899
NET ASSETS		**1,051,638**	549,909
CAPITAL AND RESERVES			
Share capital	33	**6,207**	455,434
Reserves		**1,043,885**	92,390
Equity attributable to owners of the Company		**1,050,092**	547,824
Non-controlling interests		**1,546**	2,085
TOTAL EQUITY		**1,051,638**	549,909

The consolidated financial statements on pages 58 to 152 were approved and authorised for issue by the board of directors of the Company on 23 March 2016 and are signed on its behalf by:

Mr. ZHANG Yuqiang
Director

Mr. ZHANG Jiankan
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Share Capital *RMB'000*	Share Premium *RMB'000*	Statutory Reserve Surplus *RMB'000* *(note a)*	Other Reserve *RMB'000*	Retained Profits *RMB'000* *(note b)*	Proposed Final Dividend *RMB'000*	Translation Reserve *RMB'000*	Sub-Total *RMB'000*	Non-controlling Interests *RMB'000*	Total *RMB'000*
At 1 January 2013	361,014	–	23,352	–	32,355	–	–	416,721	–	416,721
Profit for the year	–	–	–	–	131,789	–	–	131,789	(55)	131,734
Other comprehensive expense for the year	–	–	–	–	–	–	(61)	(61)	(7)	(68)
Total comprehensive income (loss) for the year	–	–	–	–	131,789	–	(61)	131,728	(62)	131,666
Appropriation to statutory reserve	–	–	3,176	–	(3,176)	–	–	–	–	–
Deemed distribution arising from provision of financial guarantee *(note b)*	–	–	–	–	(65,200)	–	–	(65,200)	–	(65,200)
Dividends declared *(note 16)*	–	–	–	–	(29,845)	–	–	(29,845)	–	(29,845)
Capital injection	94,420	–	–	–	–	–	–	94,420	–	94,420
Capital injection from non-controlling shareholders upon incorporation of a subsidiary *(note c)*	–	–	–	–	–	–	–	–	2,147	2,147
At 31 December 2014	455,434	–	26,528	–	65,923	–	(61)	547,824	2,085	549,909
Profit (loss) for the year	–	–	–	–	181,977	–	–	181,977	(485)	181,492
Other comprehensive expense for the year	–	–	–	–	–	–	(487)	(487)	(54)	(541)
Total comprehensive income (loss) for the year	–	–	–	–	181,977	–	(487)	181,490	(539)	180,951
Appropriation to statutory reserve	–	–	25,029	–	(25,029)	–	–	–	–	–
Dividends declared *(note 16)*	–	–	–	–	(147,381)	–	–	(147,381)	–	(147,381)
Proposed 2015 dividends *(note 16)*	–	–	–	–	(54,593)	54,593	–	–	–	–
Capital injection	47,144	–	–	–	–	–	–	47,144	–	47,144
Capital contribution *(note d)*	–	–	–	607,109	–	–	–	607,109	–	607,109
Group reorganization *(note d)*	(502,577)	–	–	(104,532)	–	–	–	(607,109)	–	(607,109)
Issue of new shares to shareholders prior to Global Offering *(note 33(b))*	4,591	602,518	–	(607,109)	–	–	–	–	–	–
Issue of new shares in connection of Global Offering *(defined in Note 1, note 33(c))*	1,615	446,579	–	–	–	–	–	448,194	–	448,194
Shares issue cost	–	(27,179)	–	–	–	–	–	(27,179)	–	(27,179)
At 31 December 2015	6,207	1,021,918	51,557	(104,532)	20,897	54,593	(548)	1,050,092	1,546	1,051,638

Notes:

(a) As stipulated by the relevant laws and regulations for foreign investment enterprises in the People's Republic of China (the "**PRC**"), the PRC subsidiary is required to maintain a statutory surplus reserve fund which is non-distributable. Appropriations to such reserve is made out of net profit after taxation of the statutory financial statements of the PRC subsidiary while the amounts and allocation basis are decided by the board of directors annually, until the reserve balance reaches 50% of the registered capital. The statutory surplus reserve can be utilised, upon approval of the relevant authorities, to offset accumulated losses or to increase registered capital of the company, provided that such fund is maintained at a minimum of 25% of the registered capital.

(b) As set out in note 34, 浙江恒石纖維基業有限公司 (Zhejiang Hengshi Fiberglass Fabrics Co., Ltd.) ("**Hengshi Fiberglass**"), a subsidiary of China Hengshi Foundation Company Limited (the "**Company**"), had provided financial guarantees to 振石控股集團有限公司 (Zhenshi Holding Group Co., Ltd.) ("**Zhenshi Group**"), which was one of the shareholders of Hengshi Fiberglass before the group reorgnisation, and a related party, which exposes the Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") to credit risk amounted to, RMB1,140,000,000 as at 31 December 2014, which are the maximum amount that the Group could be required to settle under those financial guarantee arrangements for the utilised amounts if that amount is claimed by the counterparties to the guarantees. Fair value of the financial guarantee contracts granted are considered as deemed distribution to its then shareholder and recorded in retained profits. Upon the completion of the group reorganisation in April 2015, Zhenshi Group was no longer a shareholder of Hengshi Fiberglass. As Mr. Zhang Yuqiang, one of the controlling shareholders of the Company, has controlling interest in Zhenshi Group, it remains a related party of the Group.

(c) On 10 December 2014, Hengshi Egypt Fiberglass Fabrics S.A.E. ("**Hengshi Egypt**") was established by Hengshi Fiberglass, 振石集團華美新材料有限公司 (Zhenshi Group Huamei New Materials Co., Ltd.) ("**Huamei New Materials (華美新材料)**"), (formerly known as 振石集團華美複合新材料有限公司 (Zhenshi Group Huamei New Composite Materials Co., Ltd.)), and 浙江華駿投資有限公司 (Zhejiang Huajun Investment Co., Ltd.) ("**Zhejiang Huajun (浙江華駿)**"). Mr. Zhang Yuqiang has controlling interest in Huamei New Materials and Zhejiang Huajun and therefore they are related parties of the Group. Huamei New Materials and Zhejiang Huajun, both are the non-controlling shareholders of Hengshi Egypt, collectively holding 10% equity interest in Hengshi Egypt.

(d) The other reserve as at 31 December 2015 represented the net effect of the following:

   i. Capital contribution arising from the amounts of RMB607,109,000 was contributed by the shareholders of the Company in April 2015 as to facilitate the acquisition of Hengshi Fiberglass from its then shareholders as part of the group reorgnisation; and

   ii. The paid-in capital of Hengshi Fiberglass of RMB502,577,000 less the consideration of RMB607,109,000 paid for the acquisition of Hengshi Fiberglass as a result of the business combination under common control in April 2015 as a part of group reorganisation.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	NOTE	**Year ended 31/12/2015 RMB'000**	Year ended 31/12/2014 RMB'000
Profit before tax		**209,661**	147,479
Adjustments for:			
Allowance for doubtful debts		**13,954**	508
Gain on release of financial guarantee contracts		**(65,300)**	(38,200)
Allowance for inventories		**948**	944
Reversal of allowance for inventories		**–**	(317)
(Gain) loss on financial instruments at FVTPL		**(4,800)**	17,200
Depreciation of property, plant and equipment		**54,182**	43,837
Release of prepaid lease payments		**776**	644
Loss (gain) on disposal of property, plant and equipment		**161**	(5,843)
Gain on disposal of prepaid lease payments		**–**	(11,271)
Finance costs		**21,590**	25,507
Bank interest income		**(2,132)**	(1,732)
Interest income on loans to			
– a shareholder		**(2,901)**	(3,285)
– other related parties	8	**–**	(13,268)
Deferred revenue released as government subsidy		**(150)**	–
Operating cash flows before movement in working capital		**225,989**	162,203
Increase in inventories		**(14,934)**	(11,272)
Increase in trade and other receivables		**(186,944)**	(44,612)
(Increase) decrease in bills receivables		**(13,195)**	9,685
Decrease (increase) in amounts due from other related parties		**48,505**	(41,692)
Decrease (increase) in amount due from a shareholder		**1,930**	(1,522)
Decrease in financial assets at FVTPL		**–**	3,400
Increase in trade and other payables		**21,406**	3,242
Increase in bills payables		**168,044**	465
Increase (decrease) in amounts due to other related parties		**9,598**	(2,395)
Decrease in amounts due to shareholders		**(4,664)**	(62,771)
Decrease in financial liabilities at FVTPL		**(9,400)**	–
Cash generated from operations		**246,335**	14,731
Income tax paid		**(35,352)**	(13,106)
NET CASH GENERATED IN OPERATING ACTIVITIES		**210,983**	1,625

Consolidated Statement of Cash Flows *(Continued)*

For the year ended 31 December 2015

	NOTE	**Year ended 31/12/2015 *RMB'000***	Year ended 31/12/2014 *RMB'000*
Cash flows from investing activities			
Purchase of property, plant and equipment		**(185,722)**	(123,262)
Deposits paid for acquisition of property, plant and equipment		**(688)**	(7,447)
Proceeds on disposal of property, plant and equipment		**210**	13,135
Purchase of prepaid lease payments		**–**	(15,613)
Proceeds on disposal of prepaid lease payments		**–**	12,565
Interest received from bank deposits		**2,132**	1,732
Interest received from other related parties		**–**	13,268
Interest received from a shareholder		**2,901**	3,285
Receipt of government grant recognised as deferred revenue		**–**	3,000
Advance to other related parties	6	**(509)**	(97,579)
Repayment from other related parties		**509**	360,339
Advance to a shareholder		**(170,700)**	(1,107,184)
Repayment from a shareholder		**370,700**	1,086,134
Placement of pledged bank deposits		**(324,507)**	(221,589)
Withdrawal of pledged bank deposits		**247,891**	189,371
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(57,783)**	110,155
Cash flow from financing activities			
New bank borrowings raised		**931,150**	830,383
Repayment of bank borrowings		**(951,484)**	(921,834)
Interest paid		**(22,815)**	(25,694)
Dividend paid		**(100,238)**	(4,492)
Advance from shareholders		**1,809**	–
Repayment to shareholders		**(1,809)**	–
Repayment to other related parties		**(576)**	–
Capital injection	40	**–**	36,088
Consideration paid for acquisition of Hengshi Fiberglass under common control accounted for as deemed distribution		**(607,109)**	–
Capital contribution		**607,109**	–
Capital injection from non-controlling shareholders upon incorporation of a subsidiary		**–**	2,147
Issue of new shares in connection with Global Offering		**448,194**	–
Share issue expenses paid		**(16,856)**	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**287,375**	(83,402)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**440,575**	28,378
Cash and cash equivalents at the beginning of the year		**61,741**	33,412
Effect of foreign exchange rate changes		**112**	(49)
Cash and cash equivalents at the end of the year, represented by bank balances and cash		**502,428**	61,741

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 23 February 2015. The Company's immediate and ultimate holding company is Huachen Investment Limited ("**Huachen Investment**"), a company incorporated in British Virgin Islands ("**BVI**"), which is controlled by Mr. Zhang Yuqiang and Mr. Zhang Jiankan, the son of Mr. Zhang Yuqiang, acting in concert (collectively known as the "**Controlling Shareholders**"). The Company changed its name from Hengshi Holdings to China Hengshi Foundation Company Limited on 7 May 2015. The registered office of the Company is at 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands. The principle place of business is No. 1 Guang Yun South Road, Tongxiang Economic Development Zone, Tongxiang, Zhejiang Province, the PRC. The Company issued a prospectus dated 8 December 2015 in relation to its Global Offering of the Company's shares ("**Global Offering**"). Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 21 December 2015.

The Company acts as an investment holding company. The principle activities of its subsidiaries are described in note 42.

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

2. BASIS OF PREPARATION

On 23 February 2015, one subscriber share was issued and then transferred to Huachen Investment, which was wholly owned by Mr. Zhang Yuqiang, the founder and one of the Controlling Shareholders of the Group, for a consideration of USD1.0. On the same date, the Company issued 93.579 shares to Huachen Investment and 5.421 shares to Huakai Investment Ltd. ("**Huakai Investment**"), which was wholly owned by Mr. Zhang Jiankan, the son of Mr. Zhang Yuqiang. Huachen Investment and Huakai Investment owns 94.579% and 5.421% equity interest in the Company.

Huaxu Investment Limited ("**Huaxu Investment**") was incorporated in the BVI on 4 March 2015 with limited liability. On 6 March 2015, Huaxu Investment allotted one subscriber share to the Company, pursuant to which Huaxu Investment became a wholly owned subsidiary of the Company.

Huajin Capital Limited ("**Huajin Capital**") was incorporated under the laws of Hong Kong on 20 March 2015 with limited liability. On the same day, Huajin Capital allotted one subscriber share to Huaxu Investment, pursuant to which Huajin Capital became a wholly-owned subsidiary of Huaxu Investment.

2. BASIS OF PREPARATION *(Continued)*

On 1 April 2015, Huachen Investment transferred 40% and 10.632% equity interest of the Company to certain companies beneficially owned by certain individual shareholders and Huakai Investment, respectively. Huachen Investment and Huakai Investment owns 43.947% and 16.053% equity interest of the Company since then.

On 1 April 2015, Mr. Zhang Yuqiang transferred his 4.05% equity interest in Huachen Investment to certain individuals and Mr. Zhang Yuqiang owns 95.95% equity interest of Huachen Investment since then.

As part of the group reorganisation, on 15 April 2015, Huajin Capital entered into an equity transfer agreement to acquire all the shares of Hengshi Fiberglass from its then shareholders for a total cash consideration of US$99,173,000 (equivalent to RMB607,109,000) ("**Hengshi Fiberglass Acquisition**"). Based on subsequent approvals by the relevant government authorities, the Hengshi Fiberglass Acquisition was completed in April 2015, upon which Hengshi Fiberglass became a wholly-owned subsidiary of Huajin Capital.

To facilitate the Hengshi Fiberglass Acquisition, the shareholders of the Company in April 2015 made capital contribution of US$99,173,000 (equivalent to RMB607,109,000) to the Company and was credited in other reserve.

Upon completion of the above steps, the Company was owned and controlled by Mr. Zhang Yuqiang and Mr. Zhang Jiankan as to 42.16% and 16.03%, totalling 58.22%, and was owned by certain individual 9 shareholders as to 41.78%. The Company became the holding company of the companies comprising the Group. The Group comprising the Company and its subsidiaries resulting from the group reorganisation was under common control of the Controlling Shareholders, which was completed by incorporating the Company, Huaxu Investment and Huajin Capital as parent of Hengshi Fiberglass, is regarded as a continuing entity.

Accordingly, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the years ended 31 December 2014 and 2015 includes the results of operations and cash flows of the companies now comprising the Group as if the current group structure had been in existence and remained unchanged throughout the years or since their respective dates of incorporation or establishment where there is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2014 and 2015 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at the respective dates, taking into account the respective dates of incorporation.

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

The Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board for the first time in the current year:

Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*
Amendments to IFRSs	*Annual Improvements to IFRSs 2010 – 2012 Cycle*
Amendments to IFRSs	*Annual Improvements to IFRSs 2011 – 2013 Cycle*

The application of the above amendments to IFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to IFRSs in issue but not yet effective

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

IFRS 9	Financial Instruments [1]
IFRS 15	Revenue from Contracts with Customers [1]
IFRS 16	Leases [2]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations [3]
Amendments to IAS 1	Disclosure Initiative [3]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation [3]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle [3]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants [3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [4]
Amendments to IFRS 10 and IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception [3]
Amendments to IAS 7	Disclosure Initiative [5]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses [5]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2016
4 Effective for annual periods beginning on or after a date to be determined
5 Effective for annual periods beginning on or after 1 January 2017

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

IFRS 9 Financial Instruments

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

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

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

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

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

IFRS 9 Financial Instruments *(Continued)*

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, great flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company consider that the adoption of IFRS 9 in the future will affect the Group's financial assets including the impairment assessment and the Group's financial liabilities. However, it is not practicable to provide a reasonable estimate of the financial effect on the Group's financial statements until a detailed review has been completed.

IFRS 15 Revenue from Contracts with Customers

In 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract (s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company anticipates that the application of IFRS 15 in the future may have an impact on the amounts reported and disclosures made in the consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

Amendments to IAS 27 Equity Method in Separate Financial Statements

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

- At cost.
- In accordance with IFRS 9 Financial Instruments (or IAS 39 Financial Instruments: Recognition and Measurement for entities that have not yet adopted IFRS 9).
- Using the equity method as described in IAS 28 Investments in Associates and Joint Ventures.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to IAS 27, there are consequential amendments to IAS 28 to avoid a potential conflict with IFRS 10 Consolidated Financial Statements and to IFRS 1 First time Adoption of Hong Kong Financial Reporting Standards.

The directors of the Company do not anticipate that the application of these amendments to IAS 27 will have a material impact on the Group's consolidated financial statements.

The accounting option must be applied by category of investments.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

IFRS 16 Leases

IFRS 16, which upon the effective date will supersede IAS 17 Leases, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The directors of the Company will assess the impact of the application of IFRS 16. For the moment, it is not practicable to provide a reasonable estimate of the effect of the application of IFRS 16 until the Group performs a detailed review.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements give some guidance on how to apply the concept of materiality in practice.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments to IAS 1 will have a material impact on the amounts recognised in the Group's consolidated financial statements.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

Annual Improvements to IFRSs 2012-2014 Cycle

The Annual Improvements to IFRS 2012-2014 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high qualify corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

The provision of the new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with IFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value at the end of the reporting period as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

The principal accounting policies are set out below:

Merger accounting for business combination involving entities under common control

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

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

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

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

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

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

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

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

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and managing an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an income in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leasehold land for own use

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

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

Foreign currencies

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operation is translated into RMB using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the date of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (and attributed to non-controlling interests as appropriate).

Borrowing costs

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

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

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

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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

Current tax

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

Deferred tax for the year

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than 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 associated with investments in subsidiary, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax for the year *(Continued)*

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

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

Retirement benefit costs

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

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the amount of benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Research expenditure

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

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

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

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Inventories

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

Provisions

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

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

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

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sale of financial assets that require deliver of assets within the time frame established by regulation or convention in the market place.

Effective interest method

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, bills receivables, amounts due from related parties, amount due from a shareholder, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

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

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Financial liability as FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL. A financial liability is classified as held for trading if:

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

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising from remeasurement recognised in profit or loss in the period in which they arise. Fair value is determined in the manner described in note 6.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade and other payables, bills payables, amounts due to related parties, amounts due to shareholders and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specific payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37.
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Equity instruments

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

Derecognition of financial assets and financial liabilities

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty

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

Share of net gain of Hengshi Fiberglass arising from Compensation Agreement (as defined in note 18)

As detailed in note 18, in respect of the expropriation of prepaid lease payment and the buildings, in addition to the total compensation of RMB24,638,000 received during the year ended 31 December 2014, Hengshi Fiberglass was also subject to certain sharing ratio of net gain in the event of Auction (as defined in note 18). Up to the report date, the Auction has been completed but the compensation and necessary costs paid by the government authority are not determined. The directors of the Company consider the possible net gain was a contingent asset to Hengshi Fiberglass since the amount of the sharing of net gain to the Group was still under calculation and approval by the relevant government authority as at 31 December 2015. In the opinion of the directors of the Company, as at 31 December 2015, the contingent assets arising from the sharing of potential net gain was estimated at approximately RMB1,045,000.

Estimated useful lives of property, plant and equipment

In applying the accounting policy on property, plant and equipment with respect to depreciation, the management estimates the useful lives of various categories of property, plant and equipment according to the experiences over the usage of them and also by reference to the relevant industrial norm. If the actual useful lives of them are less than the original estimated useful lives due to changes in commercial and technological environment, such difference will impact the depreciation charge for the remaining useful life.

As at 31 December 2015, the carrying amount of property, plant and equipment was RMB547,123,000 (2014: RMB442,899,000).

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Estimated allowance for doubtful debt

Trade receivables, amounts due from other related parties and amount due from a shareholder are carried at amortised cost using the effective interest method, less any identified impairment losses. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

The Group makes allowances for bad and doubtful debts based on an assessment of the recoverability of trade receivables and amounts due from other related parties and a shareholder. Allowances are applied to trade receivables and amounts due from other related parties and amount due from a shareholder where events or changes in circumstances indicate that the balances may not be collectible. The amount of the allowance is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, an allowance for doubtful debt may arise.

As at 31 December 2015, the carrying amount of trade receivables was RMB343,927,000 (net of allowance for doubtful debt of RMB21,280,000) (2014: RMB178,367,000 (net of allowance for doubtful debt of RMB10,100,000)).

As at 31 December 2015, the carrying amount of amounts due from other related parties was RMB21,654,000 (without allowance for doubtful debt) (2014: RMB70,128,000 (without allowance for doubtful debt)).

As at 31 December 2014, the carrying amount of amount due from shareholder was, RMB201,930,000 (without allowance for doubtful debt.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Estimated allowance for inventories

The Group regularly reviews whether there are any indications of write-down of inventories if the carrying amount of an inventory is lower than its net realisable value. The Group tests annually for the write-down of inventories. The net realisable value have been determined based on the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. The Group also assessed the net realisable value by taking into account whether the cost of inventories may be recoverable by assessing if those inventories are damaged, wholly or partially obsolete, or if their selling prices have declined.

As at 31 December 2015, the carrying amount of inventories was RMB96,697,000 (net of allowance for write-down of RMB8,489,000) (2014: RMB82,711,000 (net of allowance for write-down of RMB8,889,000)).

Fair value of the financial guarantee contracts

For the fair value of the financial guarantee contracts provided to the guaranteed counterparties, assumptions are made by the management at date of initial recognition, based on the guaranteed amount and the credit spread of the guaranteed counterparties, of which was determined according to their estimated default probability with reference to their credit ratings. The credit spread and risk of default were, therefore, of significant estimation uncertainty. If the risk of default was significantly different from the estimated default probability, the fair value of the financial guarantee contracts at date of initial recognition would be significantly changed.

The financial guarantee contracts are subsequently measured at the higher of the amount of obligation under the contract as determined in accordance with IAS 37 and the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

As at 31 December 2014, the carrying amount of financial guarantee obligations was amounted to RMB65,300,000. All financial guarantee contracts were released prior to the Global Offering during the year ended 31 December 2015.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Fair value measurements and valuation processes

The Group's forward foreign currency contracts and the financial guarantee contracts provided to a shareholder and a related party are measured at fair value at the end of the years and at the date of initial recognition, respectively. The management has set up a valuation team, which is headed up by the Chief Financial Officer ("**CFO**"), to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages Avista Valuation Advisory Limited, ("**Avista**"), an independent professional valuer to perform the valuation. The office of Avista is Suite 807, 8th Floor, AXA Centre, 151 Gloucester Road, Wan Chai, Hong Kong.

The CFO works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The CFO reports the valuation findings to the management at the end of the reporting period to explain the cause of fluctuations in the fair value of the assets and liabilities.

As at 31 December 2015, the fair values of the forward foreign currency contracts was estimated at a liability of RMB1,000,000 (2014: RMB15,200,000).

6. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Capital risk management

The Group manages its capital to ensure that the entities in the group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balances. The Group's overall strategy remains unchanged during the financial year.

The capital structure of the Group consists of borrowings, net of cash and cash equivalents, and equity attributable to owners (comprising share capital, reserves and retained profits).

The directors of the Company review the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividend, new share issues as well as the issue of new debts or the redemption of existing debts.

Categories of financial instruments

	31/12/2015	31/12/2014
	RMB'000	*RMB'000*
Loans and receivables (including cash and cash equivalents)	**992,882**	547,324
Financial liabilities at FVTPL	**1,000**	15,200
Financial guarantee contracts	**–**	65,300
Other financial liabilities	**608,265**	480,413
	609,265	560,913

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bills receivables, amounts due from other related parties, amount due from shareholders, pledged bank deposits, bank balances and cash, trade and other payables, bills payables, amounts due to other related parties, amounts due to shareholders, financial liabilities at FVTPL, financial guarantee contracts and bank borrowings. Details of these financial instruments are disclosed in respective notes.

The risk associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Foreign currency risk management

The Group has foreign currency sales and purchases, which exposes it to foreign currency risk. The Group currently does not have a formal foreign currency hedging policy but use foreign currency forward contracts to hedge against the risk when it is foreseen to be significant. Details of the foreign currency forward contracts entered into by the Group during the year are set out in note 29. The management manages the foreign currency risk by closely monitoring the movement of the foreign exchange rate.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the years are as follows:

	Assets		**Liabilities**	
	31/12/2015	31/12/2014	**31/12/2015**	31/12/2014
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Hong Kong dollars ("**HKD**")	**256,579**	–	**795**	–
USD	**154,717**	130,509	**20,673**	30,352
European dollars ("**EUR**")	**5,525**	702	**648**	14,894
Japanese Yen ("**JPY**")	**3**	3	**–**	–
	416,824	131,214	**22,116**	45,246

Foreign currency sensitivity analysis

The Group carries out most of the transactions denominated in HKD, USD and EUR and the Group is mainly exposed to the foreign exchange risk arising from these currencies.

The sensitivity analysis below details the Group's sensitivity to a 5% (2014: 5%) increase and decrease in HKD, USD and EUR against the functional currencies. 5% (2014: 5%) is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the year for a 5% (2014: 5%) change in foreign currency rates, except for the impact of the forward foreign currency contracts. A positive (negative) number below indicates an increase (decrease) in profit or equity where the relevant foreign currencies strengthen 5% (2014: 5%) against functional currencies. For a 5% (2014: 5%) weakening of the relevant foreign currency against functional currencies, there would be a comparable impact on the profit or equity, and the balances below would be negative.

6. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Foreign currency risk management *(Continued)*

Foreign currency sensitivity analysis *(Continued)*

	Year ended 31/12/2015 *RMB'000*	Year ended 31/12/2014 *RMB'000*
HKD	**10,871**	–
USD	**5,697**	4,257
EUR	**207**	(604)
	16,775	3,653

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign currency risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk management

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see notes 26 and 31 for details of these balances) due to the fluctuation of the prevailing market interest rate. The Group currently does not have a policy on hedging interest rate risk. However, management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group is also exposed to fair value interest rate risk in relation to the fixed-rate bank balances, pledged bank deposits and bank borrowings (see notes 26 and 31 for details of these balances).

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank borrowings at the end of the year. The management does not expect significant change to the deposit interest rate on variable-rate bank balances.

The analysis is prepared assuming the variable-rate bank borrowings outstanding at the end of the year were outstanding for the whole year. A 50 basis point (2014: 50 basis point) increase or decrease is used for variable-rate bank borrowings and represents management's assessment of the reasonably possible change in interest rates.

6. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Interest rate risk management *(Continued)*

Interest rate sensitivity analysis *(Continued)*

If interest rates had been 50 basis points higher and all other variables were held constant for both years, the impact to profit or loss is as follows:

	Year ended 31/12/2015 ***RMB'000***	Year ended 31/12/2014 *RMB'000*
Decrease in profit for the year	**935**	541

If interest rates had been 50 basis points lower and all other variables were held constant for the both years, there would have been equal but opposite impact to profit or loss.

Credit risk management

At the end of the year, the Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligation is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position; and
- the amount of contingent liabilities in relation to financial guarantees issued by the Group as disclosed in note 34.

The Group's credit risk primarily relates to the its trade and other receivables, bills receivables, amounts due from other related parties, amount due from shareholders, pledged bank deposits, bank balances and cash and the financial guarantees. The credit risk on pledged bank deposits and bank balances and cash is limited because the majority of the counterparties are banks with high credit ratings or are state owned.

6. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk management *(Continued)*

The Group has concentration of credit risk in relation to its trade receivables as follows:

	31/12/2015	31/12/2014
Amount due from the largest debtor as a percentage to trade receivables	**21%**	20%
Total amounts due from the five largest debtors as a percentage to trade receivables	**55%**	68%

The Group keeps exploring new customers to diversify and strengthen its customer base to reduce the concentration of credit risk. In order to minimise the credit risk, the management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures over the customers to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each significant debt at the end of the year to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management considers that its credit risk is significantly reduced.

The Group has concentration of credit risk in relation to its amounts due from other related parties, of which a significant portion is due from a few counterparties. The management considers that the credit risk on amounts due from other related parties is limited because they continuously monitor the credit quality and financial conditions of these related parties.

As set out in note 34, as at 31 December 2014, the Group had provided financial guarantees to other related parties and a shareholder which exposes the Group to credit amounting to RMB1,140,000,000, which were the maximum amount that the Group could be required to settle under those financial guarantee arrangements for the utilised amounts if that amount is claimed by the counterparties to the guarantees. The Group's exposure of these balances were only limited and concentrated to 2 counterparties as at 31 December 2014 and the credit rating of the counterparties was continuously monitored. As such, the management is of the view that the credit risk on financial guarantees issued by the Group in this respect is limited. The respective financial guarantees provided were fully released prior to the Global Offering during the year ended 31 December 2015.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the management, which has established an appropriate liquidity management framework for the management of the Group's short-term, medium-term and long-term funding and liquidity management requirements.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

6. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk management *(Continued)*

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

The tables include both interest and principal cash flows. To the extent that interest rates are floating, the undiscounted amount is derived from interest rate at the end of the year.

Liquidity tables

Non-derivative financing liabilities

	Weighted average effective interest rate	On demand or less than 1 month	1-3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amounts
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2015							
Trade and other payables	**–**	**677**	**23,124**	**–**	**–**	**23,801**	**23,801**
Bills payables	**–**	**71,302**	**46,914**	**50,293**	**–**	**168,509**	**168,509**
Amounts due to other related parties	**–**	**15,955**	**–**	**–**	**–**	**15,955**	**15,955**
Bank borrowings – variable rate*	**4.60**	**843**	**1,687**	**224,619**	**–**	**227,149**	**220,000**
Bank borrowings – fixed rate*	**4.60**	**690**	**1,380**	**183,546**	**–**	**185,616**	**180,000**
		89,467	**73,105**	**458,458**	**–**	**621,030**	**608,265**
As at 31 December 2014							
Trade and other payables	–	13	38,039	–	–	38,052	38,052
Bills payables	–	–	1,220	9,245	–	10,465	10,465
Amounts due to other related parties	–	6,914	–	–	–	6,914	6,914
Amounts due to shareholders	–	4,683	–	–	–	4,683	4,683
Bank borrowings – variable rate*	5.96	178	1,263	105,271	30,004	136,716	127,209
Bank borrowings – fixed rate*	6.37	20,994	118,160	89,927	91,018	320,099	293,090
Financial guarantee contracts	–	1,140,000	–	–	–	1,140,000	65,300
		1,172,782	158,682	204,443	121,022	1,656,929	545,713

6. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk management *(Continued)*

* For the Group's interest bearing borrowings, the weighted average interest rate at the end of the reporting period is used for undiscounted cash flows analysis.

The amounts included above for non-derivative financial liabilities bearing variable interest rate is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the year.

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. The above mentioned guarantees has been released in full during the year ended 31 December 2015.

The Group has access to financing facilities amounts to RMB108,671,000 (2014: RMB129,201,000) were unused as at 31 December 2015. The Group expects to meet its other obligations from operating cash flows and of maturing financial assets.

6. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk management *(Continued)*

The following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the year.

Derivative financing liabilities

	Less than 1 month	1-3 months	3 months to 1 year	Total undiscounted cash flows	Total carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2015					
Gross settled:					
Foreign currency forward contracts					
– inflow	**19,400**	**41,500**	**200,400**	**261,300**	**258,100**
– outflow	**(19,500)**	**(41,700)**	**(201,200)**	**(262,400)**	**(259,100)**
	(100)	**(200)**	**(800)**	**(1,100)**	**(1,000)**
As at 31 December 2014					
Gross settled:					
Foreign currency forward contracts					
– inflow	29,200	47,500	293,800	370,500	363,900
– outflow	(30,100)	(49,200)	(306,700)	(386,000)	(379,100)
	(900)	(1,700)	(12,900)	(15,500)	(15,200)

6. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Fair value measurements

Fair value measurements recognised in the consolidated statements of financial position that are measured at fair value on a recurring basis.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the year. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

The management considers that the carrying amounts of other financial assets and liabilities recorded at amortised cost in the consolidated financial statements approximated their fair values.

Financial assets/ liabilities	Classified as	Fair value *RMB'000*	Fair value hierarchy	Basis of fair value measurement/ valuation technique(s) and key input(s)
As at 31 December 2015				
Foreign currency contracts	Financial liabilities at FVTPL	Liabilities – 1,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the year) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
As at 31 December 2014				
Foreign currency contracts	Financial liabilities at FVTPL	Liabilities – 15,200	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the year) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

7. REVENUE AND SEGMENT INFORMATION

The Group has been operating in one operating and reportable segment, being manufacture and sale of fiberglass fabrics. The management of the Group, being the General Manager who is the chief operating decision maker, to make decisions based on the consolidated financial statements of the Group prepared in accordance with IFRS about resources allocation and performance assessment.

The accounting policies of the operating segment are the same as the Group's accounting policies described in note 4.

Segment assets and liabilities

No analysis of the Group's assets and liabilities by operating and reportable segments is disclosed as it is not regularly provided to the chief operating decision maker for review.

The Group's information about its non-current assets, excluding deferred tax assets, by location of assets are detailed below.

	Year ended 31/12/2015	Year ended 31/12/2014
	RMB'000	*RMB'000*
The PRC	**547,865**	478,013
Other	**30,755**	3,918
Total	**578,620**	481,931

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Entity-wide disclosures

Revenue from major products

The following is an analysis of revenue from its major products during the year:

	Year ended 31/12/2015 *RMB'000*	Year ended 31/12/2014 *RMB'000*
Multi-axial fabrics	**721,784**	488,122
Uni-direction fabrics	**226,026**	132,478
Woven roving combo mat	**19,724**	20,708
Stitched mat	**4,633**	8,924
E/PP compofil fabrics	**30,734**	28,368
Total	**1,002,901**	678,600

The following is an analysis of revenue by products based on contract terms during the year:

	Year ended 31/12/2015 *RMB'000*	Year ended 31/12/2014 *RMB'000*
Products specified in contracts for wind turbine blade sector	**890,539**	563,940
Other	**112,362**	114,660
Total	**1,002,901**	678,600

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information

The following table sets out information about the geographical location of the Group's revenue from external customers determined based on the location of its immediate customers during the year.

	Year ended 31/12/2015 *RMB'000*	Year ended 31/12/2014 *RMB'000*
Overseas markets		
Europe	**281,032**	195,962
North America	**152,925**	136,468
Asia *(note a)*	**53,007**	74,006
Latin America	**21,377**	5,853
Australia	**153**	334
Africa	**329**	–
	508,823	412,623
PRC market *(note b)*	**494,078**	265,977
Total	**1,002,901**	678,600

Notes:

(a) Asia includes Hong Kong, Macau and Taiwan, but exclude the PRC.

(b) PRC market excludes Hong Kong, Macau and Taiwan.

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Information about major customers

The following table sets out the revenue from customers contributing over 10% of the total sales of the Group during the year.

	Year ended 31/12/2015	Year ended 31/12/2014
	RMB'000	*RMB'000*
Customer A	**190,712**	127,393
Customer B	**111,511**	137,520
Customer C	***note***	81,117
Customer D	**107,907**	*note*
Customer E	**150,101**	*note*
	560,231	346,030

Note: The Group carried out transactions with this customer but the amount of transactions was less than 10% of revenue for the respective year.

8. OTHER INCOME

	Year ended 31/12/2015	Year ended 31/12/2014
	RMB'000	*RMB'000*
Bank interest income	**2,132**	1,732
Interest income from other related parties *(note a)*	**–**	13,268
Interest income from a shareholder *(note a)*	**2,901**	3,285
Government grants *(note b)*	**4,332**	3,994
Scrap sales	**5,746**	2,597
Rental income *(note c)*	**215**	1,385
Sundry income	**60**	604
	15,386	26,865

Notes:

(a) Details of interest income from other related parties and a shareholder were set out in note 41.

(b) The government grants represented the amount received from the local government by Hengshi Fiberglass. During the year, government grants include (i) RMB4,182,000 (2014: RMB3,994,000) were unconditional and represented incentive for business development and (ii) RMB150,000 (2014: nil) was assets-related subsidy released to profit or loss during the year (Details as set out in Note 32)

(c) The rental income for the year end 31 December 2014 was related to leasing of certain buildings held by the Group to 巨石集團有限公司 (Jushi Group Co., Ltd.) ("**Jushi Group**") and 中國巨石股份有限公司 (China Jushi Co., Ltd.) ("**China Jushi**") formerly known as China Fiberglass Co., Ltd., in which Mr. Zhang Yuqiang has significant influence and are therefore related parties of the Group, and 振石集團浙江宇石國際物流有限公司 (Zhenshi Group Zhejiang Yushi International Logistics Co., Ltd.) ("**Yushi International**"), in which Mr. Zhang Yuqiang has controlling interest and is therefore a related party of the Group, and was determined based on the terms agreed between the relevant parties. The lease agreements with Jushi Group and China Jushi were terminated during the year ended 31 December 2014 as the Group transferred the related buildings to the local government authority. Details are set out in note 18.

Rental income for the year ended 31 December 2015 refers to the lease agreement of certain buildings entered into with Yushi International in 2015 which was early terminated in October 2015.

9. OTHER GAINS AND LOSSES

	Year ended 31/12/2015 *RMB'000*	Year ended 31/12/2014 *RMB'000*
Gain (loss) on financial instruments at FVTPL	**4,800**	(17,200)
Allowance for doubtful debts	**(13,954)**	(508)
Gain on release of financial guarantee contracts	**65,300**	38,200
(Loss) gain on disposal of property, plant and equipment	**(161)**	5,843
Gain on disposal of prepaid lease payments	**–**	11,271
Foreign exchange gain (loss), net	**13,649**	(578)
	69,634	37,028

10. OTHER EXPENSES

	Year ended 31/12/2015 *RMB'000*	Year ended 31/12/2014 *RMB'000*
Rental expense	**152**	421
Donation	**–**	400
Listing expenses	**27,856**	2,199
Others	**34**	73
	28,042	3,093

11. FINANCE COSTS

	Year ended 31/12/2015 *RMB'000*	Year ended 31/12/2014 *RMB'000*
Interest on bank borrowings wholly repayable within five years	**23,028**	26,041
Less: amounts capitalised in construction in progress	**(1,438)**	(534)
	21,590	25,507

The weighted average capitalisation rate is 6.23% (2014: 6.78%) for the year ended 31 December 2015.

12. PROFIT BEFORE TAX

	Year ended 31/12/2015 *RMB'000*	Year ended 31/12/2014 *RMB'000*
Profit before tax has been arrived at after charging (crediting)		
Auditors' remuneration	**1,550**	38
Directors' emoluments *(note 13)*	**2,599**	–
Other staff costs	**78,850**	44,388
Retirement benefit schemes contribution for other staff	**4,238**	1,946
Total staff costs	**85,687**	46,334
Release of prepaid lease payments	**776**	644
Depreciation of property, plant and equipment	**54,182**	43,837
Total depreciation and amortisation	**54,958**	44,481
Allowance for doubtful debts	**13,954**	508
Allowance for write-downs of inventories (recognised in cost of sales)	**548**	344
Reversal of allowance for write-downs of inventories (recognised in cost of sales)	**–**	(317)
Gain on release of financial guarantee contracts	**65,300**	38,200
(Loss) gain on disposal of property, plant and equipment	**(161)**	5,843
Gain on disposal of prepaid lease payments	**–**	11,271
Cost of inventories recognised as expenses	**704,380**	487,941
Minimum lease payment in respect of rented premises	**1,577**	342

13. DIRECTORS' EMOLUMENTS

The following represents the directors of the Hengshi Fiberglass who had become the directors of the Company after the incorporation of the Company in February 2015. The emoluments paid or payable to each of the directors by the Group during the both years are as follows.

	Fee	Salaries and other benefits	Performance Related bonus *(note d)*	Retirement benefits schemes contribution	Total emoluments
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2015					
Executive directors					
Mr. Zhang Yuqiang *(note c)*	–	–	–	–	–
Mr. Zhou Tingcai *(note b)*	–	402	23	14	439
Ms. Huang Junjun *(note b)*	–	338	55	17	410
Mr. Zhang Jiankan *(note a)*	–	–	–	–	–
	–	740	78	31	849

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

	Fee	Salaries and other benefits	Performance Related bonus *(note d)*	Retirement benefits schemes contribution	Total emoluments
Non-executive directors					
Mr. Zhang Yuqiang *(note c, note f)*	1,750	–	–	–	1,750
Mr. Tang Hsin-hua *(note c)*	–	–	–	–	–
Mr. Zhang Jiankan *(note a)*	–	–	–	–	–
Mr. Wang Yuan *(note c)*	–	–	–	–	–
	1,750	–	–	–	1,750

The non-executive director's emoluments shown above were mainly for Mr. Zhang Yuqiang's service as a director of the Company.

	Fee	Salaries and other benefits	Performance Related bonus *(note d)*	Retirement benefits schemes contribution	Total emoluments
Independent Non-executive directors					
Mr. Fang Xianbai *(note e)*	–	–	–	–	–
Mr. Chen Zhijie *(note e)*	–	–	–	–	–
Mr. Pan Fei *(note e)*	–	–	–	–	–
	–	–	–	–	–

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

	Fee	Salaries and other benefits	Performance Related bonus *(note d)*	Retirement benefits schemes contribution	Total emoluments
Year ended 31 December 2014					
Executive directors					
Mr. Zhang Yuqiang *(note c)*	–	–	–	–	–
Mr. Tang Hsin-hua *(note c)*	–	–	–	–	–
Mr. Zhang Jiankan *(note a)*	–	–	–	–	–
	–	–	–	–	–

13. DIRECTORS' EMOLUMENTS *(Continued)*

Notes:

(a) Mr. Zhang Jiankan was appointed as an executive director of Hengshi Fiberglass on 11 September 2013. He was re-designated as a non-executive director of the Company in February 2015.

(b) Mr. Zhou Tingcai was appointed as General Manager of the Hengshi Fiberglass in November 2014 and further appointed as an executive director of the Company in May 2015. Ms. Huang Junjun was appointed as an executive director of the Company and Deputy General Manager of Hengshi Fiberglass in May 2015.

(c) Mr. Zhang Yuqiang was an executive director of Hengshi Fiberglass in 2014 and he was re-designated as Chairman and non-executive director of the Company in February 2015, while Mr. Tang Hsin-hua was an executive director of Hengshi Fiberglass in 2014, and was appointed as non-executive director of the Company in May 2015. Mr. Wang Yuan was appointed as non-executive director of the Company in May 2015.

(d) Performance related bonus is determined with reference to the Group's operating results, individual performance and comparable market statistics.

(e) Mr. Fang Xianbai, Mr. Chen Zhijie and Mr. Pan Fei were appointed as independent non-executive directors in May 2015.

The directors' emoluments during the year ended 31 December 2014 and some of the directors' emoluments during the year ended 31 December 2015 were borne by the Zhenshi Group for the services provided to Zhenshi Group and its subsidiaries and the Group as a whole and there is no reasonable basis to allocate the remuneration related to services provided to the Group during both years,

No remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office in both years. None of the directors of Company waived any emoluments in both years.

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2014: none) of them were directors during the year ended 31 December 2015. The emoluments of the remaining non-director individuals were as follows.

	Year ended 31/12/2015 *RMB'000*	Year ended 31/12/2014 *RMB'000*
Salaries and other benefits	**548**	950
Performance related bonus *(note)*	**71**	180
Retirement benefits schemes contribution	**23**	34
Total	**642**	1,164

Note:

Performance related bonus is determined with reference to the Group's operating results, individual performance and comparable market statistics.

Their emoluments were within the following bands.

	Year ended 31/12/2015	Year ended 31/12/2014
Nil to HK$1,000,000	**2**	5

No remuneration was paid to the five individuals with the highest emoluments of the Group as an inducement to join or upon joining the Group or as compensation for loss of office during both years. None of them waived any emoluments during both years.

15. INCOME TAX EXPENSE

	Year ended 31/12/2015	Year ended 31/12/2014
	RMB'000	*RMB'000*
Current tax		
Enterprise Income Tax (the "**EIT**") in the PRC	**26,582**	19,311
Under provision in prior years in the PRC	**961**	31
	27,543	19,342
Deferred tax charge (credit) *(note 20)*	**626**	(3,597)
	28,169	15,745

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

	Year ended 31/12/2015	Year ended 31/12/2014
	RMB'000	*RMB'000*
Profit before tax	**209,661**	147,479
Tax at PRC EIT rate of 25% (2014: 25%)	**52,415**	36,870
Tax effect of expenses not deductible for tax purposes	**16,925**	466
Tax effect attributable to the additional qualified tax deduction relating to research and development costs	**(500)**	(1,475)
Tax effect of income not taxable for tax purpose	**(26,620)**	(9,550)
Withholding tax on undistributed earnings of PRC subsidiary *(note)*	**2,336**	–
Income tax at concessionary rate	**(17,348)**	(10,597)
Under provision in prior years	**961**	31
Income tax expense	**28,169**	15,745

15. INCOME TAX EXPENSE *(Continued)*

Note:

Under the relevant tax law and implementation regulations in the PRC, withholding income tax is applicable to interest and dividends payable to investors that are "non-tax resident enterprises", which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such interest or dividends have their sources within the PRC. Under such circumstances, dividends distributed from the PRC subsidiaries to offshore group entities in respect of the undistributed profits attributable to the Group as earned by the Group's PRC subsidiaries from 1 January 2008 onwards shall be subject to the withholding tax at 10% or a lower treaty rate. Withholding tax has been provided for based on the anticipated dividends to be distributed by the PRC entities.

No provision for taxation in Hong Kong has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiary is 25%.

Provision for the PRC Enterprise Income Tax for the year was made based on the estimated assessable profits calculated in accordance with the relevant income tax laws, and regulations applicable to the subsidiary operated in the PRC.

Hengshi Fiberglass obtained "High and New Technology Enterprise" status that entitles it a preferential tax rate of 15% from the years 2015 to 2017 according to PRC Tax law.

The corporate tax rate of Hengshi Egypt is 22.5%, no provision for Egyptian Corporate Tax has been made as Hengshi Egypt had no assessable profits since its establishment in 2014. In addition, Hengshi USA Co., Ltd. ("**Hengshi USA**"), which was newly incorporated in 2015, did not have assessable profits and no provision for State Corporate Income Tax has been made, accordingly.

16. DIVIDENDS

Dividends represented the dividends declared by Hengshi Fiberglass totalling RMB29,845,000, RMB52,381,000 and RMB95,000,000 to its then shareholders prior to the completion of the group reorganisation on 28 May 2014, 25 February 2015 and 14 April 2015, respectively, out of which amounting to RMB28,651,000 and RMB47,144,000 were reinvested by its then shareholders and transferred to capital of Hengshi Fiberglass on 17 July 2014 and 24 March 2015, respectively. The rest of the declared dividend were paid to its then shareholders.

A final dividend in respect of the year ended 31 December 2015 of HK$0.0652 (equivalent to RMB0.0546) per share, totalling HK$65,187,000 (equivalent to RMB54,953,000) has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

17. EARNINGS PER SHARE

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

	Year ended 31/12/2015	Year ended 31/12/2014
	RMB'000	*RMB'000*
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to owners of the Company)	**181,977**	131,789
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**741,729,161**	624,471,074

The weighted average number of ordinary shares for the purpose of basic earnings per share for the years ended 31 December 2014 and 2015 is calculated based on the assumption that the current group structure has been in existence and remained unchanged throughout the years or since their respective dates of incorporation or establishment where this is a shorter period, after take into consideration the 749,900,000 ordinary new shares issued on 17 August 2015 due to capitalisation issue and the 250,000,000 ordinary new shares issued to the public arising from the global offering.

No diluted earnings per share is presented for both years as there was no potential ordinary share in issue.

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and equipment	Motor vehicles	Furniture and office equipment	Construction In progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST						
At 1 January 2014	131,513	402,318	328	2,368	1	536,528
Additions	3,206	13,449	96	305	149,561	166,617
Transfers	–	27,608	–	–	(27,608)	–
Disposals	(12,218)	(4,330)	(96)	(977)	–	(17,621)
At 31 December 2014	122,501	439,045	328	1,696	121,954	685,524
Additions	973	10,240	188	1,498	145,885	158,784
Transfers	48,097	112,024	–	1,376	(161,497)	–
Disposals	–	(243)	(328)	(7)	–	(578)
Exchange adjustment	–	–	–	–	(31)	(31)
At 31 December 2015	171,571	561,066	188	4,563	106,311	843,699
DEPRECIATION						
At 1 January 2014	29,969	176,902	116	2,130	–	209,117
Provided for the year	5,762	37,756	89	230	–	43,837
Eliminated on disposals	(5,677)	(3,783)	(41)	(828)	–	(10,329)
At 31 December 2014	30,054	210,875	164	1,532	–	242,625
Provided for the year	6,109	47,757	37	279	–	54,182
Eliminated on disposals	–	(45)	(180)	(6)	–	(231)
At 31 December 2015	36,163	258,587	21	1,805	–	296,576
CARRYING VALUE						
At 31 December 2014	92,447	228,170	164	164	121,954	442,899
At 31 December 2015	135,408	302,479	167	2,758	106,311	547,123

18. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group had pledged certain of its property, plant and equipment to secure general banking facilities granted to the Group as at 31 December 2015 and 2014. Details are set out in note 37.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, after taking into account their estimated residual values, using the straight-line method and at the following rates per annum.

Buildings	4.75%
Machinery and equipment	9.50-19.00%
Motor vehicles	9.50%
Furniture and office equipment	19.00%

On 17 November 2014, Hengshi Fiberglass entered into a compensation agreement ("**Compensation Agreement**") with the local government authority in Tongxiang City, Zhejiang Province, the PRC, pursuant to which Hengshi Fiberglass was required to transfer the prepaid lease payment in respect of a land use right and property, plant and equipment in respect of the buildings on which to the local government authority for the purpose of city planning, redevelopment and enhancement of economic transformation.

In accordance with the Compensation Agreement, the local government authority agreed to compensate RMB12,565,000 and RMB11,963,000 in form of cash to Hengshi Fiberglass for the expropriation of prepaid lease payment and the buildings, plus the cash compensation of RMB110,000 for the relocation of Hengshi Fiberglass' machinery. In addition, pursuant to the Compensation Agreement, the land use right to be returned to the local government authority would be subsequently put in auction ("**Auction**"), and the local government authority agreed to share 50% net gain, if any representing the auction price less all compensation and necessary costs paid by the government authority, corresponding to the land use right from the Auction to Hengshi Fiberglass. However, if the buyer in this Auction eventually was Zhenshi Group or its subsidiaries, only 30% of the local government authority's net gain arising would be shared by Hengshi Fiberglass.

As at 31 December 2014, Hengshi Fiberglass has already returned the land use right to the local government authority and has also fully obtained the compensation totalling RMB24,638,000 from the local government authority, resulting in the gain on disposal of property, plant and equipment of RMB5,499,000 and prepaid lease payments of RMB11,271,000, respectively.

The Auction has been completed in November 2015 and the land use right was sold to a subsidiary of Zhenshi Group, a related party of the Group. Since the compensation and necessary costs for the Auction were under calculation and approval by the government authority, the directors of the Company considered that the potential net gain to be shared to the Group was a contingent asset as at 31 December 2015 and therefore not fulfill the virtually certain criteria and as a result, no Auction net gain was recognised for the year ended 31 December 2015. In the opinion of the directors of the Company, as at 31 December 2015, the contingent assets arising from the sharing of potential net gain was estimated at approximately RMB1,045,000.

18. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

On 6 December 2014, Hengshi Fiberglass made a prepaid lease payment in respect of a land use right for a cash consideration of RMB15,146,000 and property, plant and equipment in respect of three completed buildings and one building currently under construction from Yushi International for a total cash consideration of RMB5,618,000.

During the years ended 31 December 2015, Hengshi Fiberglass also purchased machinery and equipment totaling RMB9,376,000 (2014: RMB17,289,000) from Zhenshi Group.

19. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise leasehold land interests in the PRC held under medium-term land use rights.

	31/12/2014	31/12/2014
	RMB'000	*RMB'000*
Analysed for the reporting purpose as:		
Non-current portion	**30,809**	31,585
Current portion	**776**	776
	31,585	32,361

Amortisation is calculated using the straight-line method over the remaining useful lives ranging from 41 to 49 years for all the prepaid lease payments.

The Group had pledged certain of its prepaid lease payments in respect of the leasehold land interests to secure general banking facilities granted to the Group. Details are set out in note 37.

During the year ended 31 December 2014, Hengshi Fiberglass transferred the prepaid lease payment to the local government authority for a compensation of RMB12,565,000.

Further details were set forth in note 18.

20. DEFERRED TAX ASSETS (LIABILITIES)

For the purpose of presentation in the consolidated statements of financial position, certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances in the consolidated statements of financial position for financial reporting purposes.

	31/12/2015 *RMB'000*	31/12/2014 *RMB'000*
Deferred tax assets	**10,406**	8,722
Deferred tax liabilities	**(2,336)**	–
	8,070	8,722

The following are the deferred tax assets (liabilities) recognised and movements thereon:

	Financial instruments at FVTPL *RMB'000*	Allowance for doubtful debts *RMB'000*	Allowance for inventories *RMB'000*	Depreciation of property plant and equipment *RMB'000*	Tax loss *RMB'000*	Withholding tax on undistributed profits *RMB'000*	Others *RMB'000*	Total *RMB'000*
At 1 January 2014	(810)	1,620	1,523	1,772	–	–	1,020	5,125
Credit (charged) to profit or loss	3,090	(105)	(190)	185	182	–	435	3,597
At 31 December 2014	2,280	1,515	1,333	1,957	182	–	1,455	8,722
(Charged) credit to profit or loss	(2,130)	1,677	(60)	495	1,400	(2,336)	328	(626)
Exchange adjustments	–	–	–	–	(26)	–	–	(26)
At 31 December 2015	150	3,192	1,273	2,452	1,556	(2,336)	1,783	8,070

There were no other significant unrecognised temporary differences for the years ended 31 December 2014 and 2015.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiary from 1 January 2008 onwards. Deferred taxation of RMB2,336,000 has been provided in respect of the temporary differences associated with the undistributed profits earned by the PRC subsidiary, Hengshi Fiberglass as at 31 December 2015 at the applicable withholding tax rate of 10%. Deferred taxation has not been provided in respect of temporary differences attributable to the undistributed profits earned by Hengshi Fiberglass as at 31 December 2015 was RMB54,517,000, as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

21. DEPOSITS PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

	31/12/2015	31/12/2014
	RMB'000	*RMB'000*
Deposits paid for acquisition of property, plant and equipment	**688**	7,447

The amount represents the partial payments made by the Group for the acquisition of machinery, of which would be transferred to property, plant and equipment when the machinery was installed and put into use. The related capital commitment is set out in note 36.

22. INVENTORIES

	31/12/2015	31/12/2014
	RMB'000	*RMB'000*
Raw materials	**17,997**	23,221
Work in progress	**12,365**	7,536
Finished goods	**66,335**	51,954
	96,697	82,711

During the year ended 31 December 2015, the Group recorded write-downs of inventories in the amount of RMB548,000 (2014: RMB344,000) and such amounts had been included in cost of sales for the years.

During the year ended 31 December 2014, there have been reversals of such write-downs in the amount of RMB317,000 and were included in cost of sales. No reversal of such write-downs during the year ended 31 December 2015.

23. TRADE AND OTHER RECEIVABLES

	31/12/2015	31/12/2014
	RMB'000	*RMB'000*
Trade receivables	**365,238**	188,467
Less: allowance for doubtful debts	**(21,280)**	(10,100)
	343,958	178,367
Prepayments	**668**	856
Other taxes recoverable	**9,413**	2,253
Deposits	**311**	406
Other receivables	**509**	605
	10,901	4,120
Trade and other receivables	**354,859**	182,487

The Group allows a credit period ranging from 30 to 90 days to its trade customers. The following is an aged analysis of trade receivables, net of allowance of doubtful debts, presented based on the invoice date, which approximate the revenue recognition date.

	31/12/2015	31/12/2014
	RMB'000	*RMB'000*
Within 90 days	**216,020**	125,014
91 to 180 days	**88,530**	33,747
181 days to 1 year	**32,368**	2,864
1 to 2 years	**7,005**	5,992
Over 2 years	**35**	10,750
	343,958	178,367

23. TRADE AND OTHER RECEIVABLES *(Continued)*

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits for customer. Limits attributed to customers are reviewed annually. In determining the recoverability of the trade receivables, the Group monitors any change in the credit quality of the trade receivables since the credit was granted and up to the reporting date.

Included in the Group's trade receivable balance are trade receivables with a carrying amount of RMB186,796,000 (2014: RMB107,202,000) as at 31 December 2015, respectively, which are neither past due nor impaired. The management considers that these trade receivables are of good quality given the continuous settlement from customers throughout the year.

The following is an aged analysis of trade receivables based on the invoice date, which are past due but not impaired as the management considered there has not been a significant change in credit quality and the amounts are still considered recoverable based on historical experience. The Group does not hold any collateral over these balances.

	31/12/2015	31/12/2014
	RMB'000	*RMB'000*
Within 90 days	**29,224**	17,812
91 to 180 days	**88,530**	33,747
181 days to 1 year	**32,368**	2,864
1 to 2 years	**7,005**	5,992
Over 2 years	**35**	10,750
	157,162	71,165

23. TRADE AND OTHER RECEIVABLES *(Continued)*

Movements in the allowance for doubtful debts

	Year ended 31/12/2015	Year ended 31/12/2014
	RMB'000	*RMB'000*
Balance at the beginning of the year	**10,100**	10,800
Allowance for doubtful debts	**13,954**	508
Bad debts written off	**(2,774)**	(1,208)
Balance at the end of year	**21,280**	10,100

Included in the balance of allowance for doubtful debts are individually impaired trade receivables in full with an aggregate balance of RMB15,843,000 (2014: RMB7,769,000) as at 31 December 2015. With reference to the historical experience of these receivables, the collection of these receivables may not be recoverable. The Group does not hold any collateral over these balances.

Included in trade receivables are the following amounts denominated in currencies other than the functional currencies of the group entities which they relate.

	31/12/2015	31/12/2014
	RMB'000	*RMB'000*
USD	**113,287**	49,870
EUR	**1,357**	647
	114,644	50,517

24. BILLS RECEIVABLES

The following is an aged analysis of bills receivables, which are not yet due at the end of the years.

	31/12/2015	31/12/2014
	RMB'000	*RMB'000*
Within 90 days	**12,000**	–
91 to 180 days	**3,500**	2,335
Over 180 days	**30**	–
	15,530	2,335

The amounts of bills receivables which had been endorsed and transferred to the suppliers to settle the payables were RMB213,369,000 (2014: RMB148,828,000) as at 31 December 2015.

Details of the arrangement were set out in note 39.

25. AMOUNTS DUE FROM (TO) OTHER RELATED PARTIES/SHAREHOLDERS

(A) Amounts due from other related parties:

	31/12/2015	31/12/2014
	RMB'000	*RMB'000*
Trade related	**21,623**	70,128

25. AMOUNTS DUE FROM (TO) OTHER RELATED PARTIES/SHAREHOLDERS *(Continued)*

(A) Amounts due from other related parties: *(Continued)*

Trade related balances:

Particulars of the amounts due from other related parties of which are trade related are as follows.

Name	*Relationship* *Notes*	**Year ended 31/12/2015** ***RMB'000***	Year ended 31/12/2014 *RMB'000*
Zhenshi Group (HK) Sinosia Technology Company Limited ("**Sinosia Technology**")	(i)	**12,493**	29,580
Zhenshi Spain S.A. ("**Zhenshi Spain**")	(i)	**4,787**	7,393
Inspirock Hotel Co., LTD.# (振石大酒店有限公司) ("**Inspirock Hotel**")	(i)	**2**	–
Yushi International	(i)	**–**	13,815
Jushi France, SAS ("**Jushi France**")	(ii)	**672**	473
Temax Italia S.R.L. ("**Temax Italia**")	(ii)	**194**	154
Jushi Singapore Pte. Ltd. ("**Jushi Singapore**")	(ii)	**180**	270
Jushi India FRP Accessories ("**Jushi India**")	(ii)	**216**	–
Jushi Canada Fiberglass Co., Ltd. ("**Jushi Canada**")	(ii)	**86**	7
Jushi Japan Co., Ltd. ("**Jushi Japan**")	(ii)	**–**	321
Jushi USA Fiberglass Co., Ltd. ("**Jushi USA**")	(ii)	**–**	54
Jushi Spain, S.A. ("**Jushi Spain**")	(ii)	**3**	–
Zhenshi (US) International Trading Limited ("**Zhenshi US**", formerly known as Hengshi Fiberglass (USA). INC)	(iv)	**–**	18,061
Zhenshi Group	(vii)	**2,990**	–
		21,623	70,128

25. AMOUNTS DUE FROM (TO) OTHER RELATED PARTIES/SHAREHOLDERS *(Continued)*

(A) Amounts due from other related parties: *(Continued)*

The Group allows a credit period ranging from 30 to 120 days to its other related parties. The following is an aged analysis of amounts due from other related parties, presented based on the invoice dates, at the end of years.

	31/12/2015	31/12/2014
	RMB'000	*RMB'000*
Within 90 days	**5,409**	44,871
91 to 180 days	**6,368**	24,672
181 days to 1 year	**2,968**	585
Over 1 years	**6,878**	–
	21,623	70,128

Included in the Group's amounts due from other related parties are trade related receivable with a carrying amount of RMB6,674,000 (2014: RMB41,160,000) as at 31 December 2015, which are neither past due nor impaired. The management considers that these trade receivables are of good quality given the continuous settlement from the other related parties.

The following is an aged analysis of trade related receivables with other related parties based on the invoice date, which are past due but not impaired as the management considered there has not been a significant change in credit quality and the amounts are still considered recoverable based on historical experience. The Group does not hold any collateral over these balances.

	31/12/2015	31/12/2014
	RMB'000	*RMB'000*
Within 90 days	**1,422**	11,028
91 to 180 days	**3,681**	17,355
181 days to 1 year	**2,968**	585
Over 1 years	**6,878**	–
	14,949	28,968

25. AMOUNTS DUE FROM (TO) OTHER RELATED PARTIES/SHAREHOLDERS *(Continued)*

(A) Amounts due from other related parties: *(Continued)*

Non-trade related balances:

	31/12/2015	31/12/2014
	RMB'000	*RMB'000*
Non-trade related	**–**	–

Particulars of the amount due from other related parties of which are non-trade related are as follows.

Name	*Relationship*	**31/12/2015**	31/12/2014	**Maximum balance outstanding during the year ended 31/12/2015**	**Maximum balance outstanding during the year ended** 31/12/2014
	Note	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Fame Success Investments Limited ("**Fame Success**")	(vi)	**–**	NA	**1**	NA
Zhenshi Group	(vii)	**–**	NA	**508**	NA
Tongxiang Kangshi Traditional Chinese and Western Medical Clinic # (桐鄉康石中西醫結合門診有限公司) ("**Tongxiang Kangshi**")	(i)	**–**	–	**–**	6,910
Zhejiang Meishi New Materials Co., Ltd. # (浙江美石新材料有限公司) ("**Zhejiang Meishi**")	(i)	**–**	–	**–**	51,399
Tongxiang Huarui Automatic Control Technology and Equipment Co.,Ltd.# (桐鄉華鋭自控技術裝備有限公司) ("**Tongxiang Huarui**")	(i)	**–**	–	**–**	700
		–	–		

25. AMOUNTS DUE FROM (TO) OTHER RELATED PARTIES/SHAREHOLDERS *(Continued)*

(B) Amounts due from shareholders:

	31/12/2015	31/12/2014
	RMB'000	*RMB'000*
Trade related	–	1,930
Non-trade related	–	200,000
	–	201,930

Trade related balances:

Particulars of the amount due from a shareholder of which are trade related are as follows.

Name	*Relationship*	**Year ended**	Year ended
		31/12/2015	31/12/2014
	Note	***RMB'000***	*RMB'000*
Zhenshi Group	(vii)	–	1,930

The Group allows a credit period of 30 days to Zhenshi Group. The following is an aged analysis of amount due from Zhenshi Group, presented based on the invoice dates, which approximate the revenue recognition date, at the end of the years.

	31/12/2015	31/12/2014
	RMB'000	*RMB'000*
Within 90 days	–	1,433
91 to 180 days	–	497
	–	1,930

25. AMOUNTS DUE FROM (TO) OTHER RELATED PARTIES/SHAREHOLDERS *(Continued)*

(B) Amounts due from shareholders: *(Continued)*

Non-trade related balances:

Particulars of the amount due from a shareholder of which are non-trade related are as follows.

				Maximum balance outstanding during the year ended	
Name	*Relationship*	**31/12/2015**	31/12/2014	**31/12/2015**	31/12/2014
	Note	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Zhenshi Group	(vii)	**NA**	200,000	**201,112**	255,950
Huachen Investment	(viii)	**–**	–	**1**	–
		–	200,000		

The non-trade related balances represented the advances made by the Group to Zhenshi Group, of which was unsecured, interest bearing and repayable on demand, the balances were settled in 2015.

The ranges of effective interest rates (which are also equal to contracted interest rates) at the end of the reporting period are as follows.

	31/12/2015	31/12/2014
	RMB'000	*RMB'000*
Fixed-rate advances	**5.57%-6.52%**	6.40%-7.28%

(C) Amounts due to other related parties:

	31/12/2015	31/12/2014
	RMB'000	*RMB'000*
Trade related	**15,955**	6,338
Non-trade related	**–**	576
	15,955	6,914

25. AMOUNTS DUE FROM (TO) OTHER RELATED PARTIES/SHAREHOLDERS *(Continued)*

(C) Amounts due to other related parties: *(Continued)*

Trade related balances:

Particulars of the amounts due to other related parties of which are trade related are as follows.

Name	*Relationship Notes*	**Year ended 31/12/2015 *RMB'000***	Year ended 31/12/2014 *RMB'000*
Yushi International	(i)	**11,524**	6,088
Inspirock Hotel	(i)	**–**	20
Tongxiang Chengshi Travel Co., Ltd.# (桐鄉誠石旅遊有限公司) ("**Tongxiang Chengshi**")	(i)	**–**	19
Jiujiang Yushi International Logistics Co., Ltd.# (九江宇石國際物流有限公司) ("**Jiujiang Yushi**")	(i)	**–**	150
Huamei New Materials	(i)	**–**	40
Tongxiang Huarui	(i)	**11**	–
China Jushi	(ii)	**–**	–
Jushi Singapore	(ii)	**–**	–
Jushi USA	(ii)	**49**	–
P-D Jushi Interglas Co., Ltd.# (巨石攀登電子基材有限公司) ("P-D Jushi")	(ii)	**84**	–
Jushi Group Jiujiang Co., Ltd.# (巨石集團九江有限公司) ("**Jushi Jiujiang**")	(ii)	**–**	–
Jushi Japan	(ii)	**226**	–
Jushi Group	(ii)	**2,479**	–
Jushi Egypt for Fiberglass industry S.A.E. ("**Jushi Egypt**")	(ii)	**192**	–
Shanghai Tianshi International Logistics Co., Ltd.# (上海天石國際貨運代理有限公司) ("**Shanghai Tianshi**")	(iii)	**657**	21
Marquis Logistics, INC. ("**Marquis Logistics**")	(iii)	**262**	–
Zhenshi US	(iv)	**119**	–
Zhenshi Group	(vii)	**352**	–
		15,955	6,338

25. AMOUNTS DUE FROM (TO) OTHER RELATED PARTIES/SHAREHOLDERS *(Continued)*

(C) Amounts due to other related parties: *(Continued)*

Trade related balances: *(Continued)*

The credit period of amounts due to other related parties is from 30 to 90 days. The following is an aged analysis of amounts due to other related parties presented based on the goods receipt date at the end of the years.

	31/12/2015	31/12/2014
	RMB'000	*RMB'000*
Within 90 days	**15,604**	6,186
91 to 180 days	**198**	–
181 days to 1 year	**153**	150
Over 2 years	**–**	2
	15,955	6,338

Non-trade related balances:

Particulars of the amounts due to other related parties of which are non-trade related are as follows.

Name	*Relationship*	**Year ended**	Year ended
		31/12/2015	31/12/2014
	Notes	***RMB'000***	*RMB'000*
PT. FAJAR BHAKTI LINTAS NUSANTARA ("**PT FAJAR**")	(i)	**–**	556
Mr. Tang Hsin-hua	(v)	**–**	20
		–	576

The non-trade related balances represented the advances made to the Group by Mr. Tang Hsin-hua, of which is unsecured, interest free and repayable on demand and prepaid rental expense and rental deposits totalling RMB556,000 paid on behalf of the Group by PT FAJAR in 2014. The amounts due had been settled in 2015.

25. AMOUNTS DUE FROM (TO) OTHER RELATED PARTIES/SHAREHOLDERS *(Continued)*

(D) Amounts due to shareholders:

	31/12/2015	31/12/2014
	RMB'000	*RMB'000*
Trade related	–	4,664
Non-trade related	–	19
	–	4,683

Trade related balances:

Particulars of the amount due to a shareholder of which are trade related are as follows.

Name	*Relationship*	**Year ended 31/12/2015**	Year ended 31/12/2014
	Notes	***RMB'000***	*RMB'000*
Zhenshi Group	(vii)	–	4,664

The trade related balances of amounts due to Zhenshi Group were granted with credit period of 30 to 90 days. The following is an aged analysis of amounts due to Zhenshi Group presented based on the goods receipt date at the end of the years.

	31/12/2015	31/12/2014
	RMB'000	*RMB'000*
Within 90 days	–	4,664

25. AMOUNTS DUE FROM (TO) OTHER RELATED PARTIES/SHAREHOLDERS *(Continued)*

(D) Amounts due to shareholders: *(Continued)*

Non-trade related balances:

Particulars of the amount due to a shareholder of which are non-trade related are as follows.

Name	*Relationship* *Notes*	**Year ended 31/12/2015** ***RMB'000***	Year ended 31/12/2014 *RMB'000*
Fame Success	(vi)	–	19

The non-trade related balances represented the advances made to the Group by Fame Success, of which was unsecured, interest free and repayable on demand. Fame Success was no longer a shareholder of Hengshi Fiberglass after the Group Reorganisation completed in April 2015. The amount due had been settled in 2015.

\# English translated name is for identification purpose only.

Notes:

(i) The management considers these entities related as Mr. Zhang Yuqiang, who is one of the Controlling Shareholders of the Group, has controlling interest in these entities.

(ii) The management considers these entities related as Mr. Zhang Yuqiang has significant influence on these entities.

(iii) The management considers this entity related as Mr. Zhang Jiankan, who is the son of Mr. Zhang Yuqiang and one of the Controlling Shareholders and key management personal of the Group, has controlling interest in this entity.

(iv) Zhenshi Group (HK) Heshi Composite Materials Trading Limited ("**Heshi Composite**"), in which Mr. Zhang Yuqiang has controlling interest, acquired 30% equity interest in this entity from Mr. Tang Hsin-hua on 12 August 2014. The management considers this entity related since then.

(v) Mr. Tang Hsin-hua is a shareholder and key management personal of the Group.

(vi) The management considers this entity related as Mr. Tang Hsin-hua has controlling interest in this entity.

(vii) Upon the completion of group reorganisation in April 2015, Zhenshi Group was no longer a shareholder of Hengshi Fiberglass. As Mr. Zhang Yuqiang, being one of the Controlling Shareholders, has controlling interest in Zhenshi Group, it is still a related company of the Group.

(viii) The entity became the then shareholders of the Company upon the completion of group reorganisation in April 2015 and any balances with them were transferred to amounts due from shareholders since then.

25. AMOUNTS DUE FROM (TO) OTHER RELATED PARTIES/SHAREHOLDERS *(Continued)*

Included in amounts due from (to) related parties and shareholders are the following amounts denominated in currencies other than the functional currencies of the Group.

	Amounts due from related parties		Amounts due to related parties	
	31/12/2015	31/12/2014	**31/12/2015**	31/12/2014
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
USD	**18,629**	56,314	**5,499**	2,019
EUR	**–**	–	**648**	42
	18,629	56,314	**6,147**	2,061

26. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Pledged bank deposits

Pledged bank deposits with original maturity of more than three months carried interest at fixed rates ranging from nil to 3.25% (2014: from nil to 2.75%) per annum. The bank deposits have been pledged to secure the Group's issuance of short-term bills payables and foreign currency forward contracts and are therefore classified as current assets. The pledged bank deposits will be released upon the settlement of relevant bills payables and foreign currency forward contracts.

26. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH *(Continued)*

Bank balances

Bank balances carried interest at prevailing market rates ranging from nil to 0.39% (2014: from nil to 1.44%) per annum.

At the end of the years, included in pledged bank deposits and bank balances and cash above are the following amounts denominated in currencies other than the functional currencies of the group entities.

	31/12/2015	31/12/2014
	RMB'000	*RMB'000*
HKD	**256,579**	–
USD	**22,801**	24,325
EUR	**4,168**	55
JPY	**3**	3
	283,551	24,383

27. TRADE AND OTHER PAYABLES

	31/12/2015	31/12/2014
	RMB'000	*RMB'000*
Trade payables	**6,821**	389
Deposits received from customers	**5,093**	2,673
Interest payables	**511**	931
Other taxes payable	**484**	194
Payables for purchase of property, plant and equipment	**8,320**	32,712
Retention payable	**1,731**	471
Accrued listing expense	**17,652**	–
Other payables	**6,418**	3,549
Trade and other payables	**47,030**	40,919

27. TRADE AND OTHER PAYABLES *(Continued)*

The average credit period of trade payables is from 30 to 90 days. The following is an aged analysis of trade payables presented based on the goods receipt date at the end of the years.

	31/12/2015	31/12/2014
	RMB'000	*RMB'000*
Within 90 days	**6,144**	293
91 to 180 days	**609**	13
181 days to 1 year	**52**	9
1 to 2 years	**3**	62
Over 2 years	**13**	12
	6,821	389

Included in trade and other payables are the following amounts denominated in currencies other than the functional currencies of the group entities.

	31/12/2015	31/12/2014
	RMB'000	*RMB'000*
USD	**15,174**	1,124
EUR	**–**	14,852
HKD	**795**	–
	15,969	15,976

28. BILLS PAYABLES

The aged analysis of bills payables at the end of the years was as follow.

	31/12/2015	31/12/2014
	RMB'000	*RMB'000*
Within 30 days	**71,302**	–
31 to 60 days	**26,524**	4,445
61 days 90 days	**20,390**	4,800
91 to 180 days	**50,293**	1,220
	168,509	10,465

As at 31 December 2015, bills payables amounted to RMB115,169,000, RMB12,754,000, RMB5,856,000, RMB2,487,000, RMB2,137,000, RMB150,000 and RMB67,000 are issued to China Jushi, Jushi Group, Yushi International, P-D Jushi, Jushi Jiujiang, Jiujiang Yushi and Tongxiang Huarui for the settlement of raw material and services from which the Group purchased.

29. FINANCIAL LIABILITIES AT FVTPL

	31/12/2015	31/12/2014
	RMB'000	*RMB'000*
Foreign currency forward contracts classified as financial liabilities at FVTPL	**1,000**	15,200

29. FINANCIAL LIABILITIES AT FVTPL *(Continued)*

Major terms of the foreign currency forward contracts, which were all settled on a gross basis, outstanding at the end of the years are as follows.

As at 31 December 2015

Notional amount	**Maturity**	**Reference exchange rate**
USD3,000,000	**From 4 to 29 January 2016**	**Sell USD/Buy RMB at 6.4671**
USD3,000,000	**From 4 to 29 February 2016**	**Sell USD/Buy RMB at 6.4815**
USD3,400,000	**From 1 to 31 March 2016**	**Sell USD/Buy RMB at 6.4934**
USD3,400,000	**From 1 to 29 April 2016**	**Sell USD/Buy RMB at 6.5040**
USD3,400,000	**From 4 to 31 May 2016**	**Sell USD/Buy RMB at 6.5150**
USD3,400,000	**From 1 to 30 June 2016**	**Sell USD/Buy RMB at 6.5275**
USD3,400,000	**From 1 to 29 July 2016**	**Sell USD/Buy RMB at 6.5379**
USD3,400,000	**From 1 to 31 August 2016**	**Sell USD/Buy RMB at 6.5492**
USD3,400,000	**From 1 to 30 September 2016**	**Sell USD/Buy RMB at 6.5606**
USD3,400,000	**From 10 to 31 October 2016**	**Sell USD/Buy RMB at 6.5751**
USD3,400,000	**From 1 to 30 November 2016**	**Sell USD/Buy RMB at 6.5833**
USD3,400,000	**From 1 to 30 December 2016**	**Sell USD/Buy RMB at 6.5957**

As at 31 December 2014

Notional amount	Maturity	Reference exchange rate
USD4,818,800	From 2 to 30 January 2015	Sell USD/Buy RMB at 6.0590
USD3,273,800	From 2 to 27 February 2015	Sell USD/Buy RMB at 6.0640
USD4,559,300	From 2 to 31 March 2015	Sell USD/Buy RMB at 6.0618
USD5,238,000	From 1 to 30 April 2015	Sell USD/Buy RMB at 6.0633
USD5,238,000	From 4 to 29 May 2015	Sell USD/Buy RMB at 6.0649
USD5,436,800	From 1 to 30 June 2015	Sell USD/Buy RMB at 6.0663
USD5,504,300	From 1 to 31 July 2015	Sell USD/Buy RMB at 6.0678
USD5,436,800	From 3 to 31 August 2015	Sell USD/Buy RMB at 6.0695
USD5,436,800	From 1 to 30 September 2015	Sell USD/Buy RMB at 6.0711
USD5,436,800	From 8 to 30 October 2015	Sell USD/Buy RMB at 6.0731
USD5,436,800	From 2 to 30 November 2015	Sell USD/Buy RMB at 6.0745
USD5,245,500	From 1 to 31 December 2015	Sell USD/Buy RMB at 6.0760

30. PROVISIONS

	Financial Guarantee Contracts *RMB'000* *(note)*
At 1 January 2014	38,300
Initial recognition in other reserve	65,200
Release of obligation recognised in: profit or loss	(38,200)
At 31 December 2014	65,300
Release of obligation recognised in: profit or loss	(65,300)
At 31 December 2015	–

Note: The amounts represented the adjustment in relation to the financial guarantee contracts in favour of banks provided by the Group to Zhenshi Group and its other related party, 桐鄉市中鑫實業有限公司 (Tongxiang Zhongxin Industrial Co., Ltd) ("**Tongxiang Zhongxin**"), an entity controlled by the close family member of Mr. Zhang Jiankan, one of the Controlling Shareholders of the Group. The impact and corresponding adjustment in respect of the financial guarantee provided to the shareholder was initially recognised in retained profits as deemed distribution to shareholders. The financial guarantee contracts were released in full during the year ended 31 December 2015.

31. BANK BORROWINGS

	31/12/2015 ***RMB'000***	31/12/2014 *RMB'000*
Bank borrowings	**400,000**	420,299

31. BANK BORROWINGS *(Continued)*

The bank borrowings were guaranteed and secured by:

	31/12/2015	31/12/2014
	RMB'000	*RMB'000*
Unsecured and guaranteed by *(note a)*:		
Zhenshi Group	–	174,000
Zhenshi Group, Mr. Zhang and Ms. Zhou Jingqi *(note b)*	–	100,000
	–	274,000
Guaranteed by Zhenshi Group and secured by property plant and equipment, prepaid lease payment owned by Inspirock Hotel *(note a)*	–	99,899
Unguaranteed and secured by property plant and equipment and prepaid lease payments owned by the Group *(Note 37)*	**220,000**	46,400
Unguaranteed and unsecured	**180,000**	–
	400,000	420,299
The bank borrowings comprise:		
Variable-rate borrowings	**220,000**	127,209
Fixed-rate borrowings	**180,000**	293,090
	400,000	420,299
Carrying amount repayable *(note c)*		
Within one year (shown under current liabilities)	**400,000**	320,400
More than two years but not more than five years (shown under non-current liabilities)	–	99,899
	400,000	420,299

31. BANK BORROWINGS *(Continued)*

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings at the end of the reporting period are as follows.

	31/12/2015	31/12/2014
Variable-rate borrowings	**4.60%**	3.13%-6.72%
Fixed-rate borrowings	**4.60%**	5.04%-6.78%

Included in bank borrowings are the following amounts denominated in a currency other than the functional currencies of the Group:

	31/12/2015	31/12/2014
	RMB'000	*RMB'000*
USD	**–**	27,209

Notes:

(a) The guarantees provided to the Group had been released in 2015.

(b) Ms. Zhou Jingqi is the spouse of Mr. Zhang Yuqiang.

(c) The amounts due are based on scheduled repayment dates set out in the loan agreements.

32. DEFERRED REVENUE

	31/12/2015	31/12/2014
	RMB'000	*RMB'000*
Arising from government grant	**3,000**	3,000
Current	**300**	–
Non-current	**2,550**	3,000
	2,850	3,000

During the year ended 31 December 2014, Hengshi Fiberglass received a government grant amounted to RMB3,000,000, which was a subsidy related to the purchase of manufacturing equipment, which shall be charged to profit or loss over the useful lives of these assets when they become ready to use. RMB150,000 had been credited to profit or loss as government grant for the year ended 31 December 2015.

33. SHARE CAPITAL

Capital in the consolidated statements of financial position as at 31 December 2014 and prior to the group reorganisation represents the paid-in capital of Hengshi Fiberglass, while that as at 31 December 2015 represents the issued and fully paid share capital of the Company.

During the year ended 31 December 2014, the owners of Hengshi Fiberglass had made additional capital contribution of RMB94,420,000 and the total paid-in capital of Hengshi Fiberglass was RMB455,434,000 as at 31 December 2014.

Prior to the completion of the Group Reorganisation in 2015, the owners of Hengshi Fiberglass had made additional capital contribution of RMB47,144,000 and the total paid-in capital of Hengshi Fiberglass was RMB502,577,000 before the Group Reorganisation.

The Company was incorporated on 23 February 2015 and became the holding company of the entities now comprising the Group in April 2015. The issued capital at 31 December 2015 represents the issued capital of the Company.

33. SHARE CAPITAL *(Continued)*

Details of movements of share capital of the Company are as follows:

	Number of shares	Amount *USD*
Authorised (at par value of US$0.001 each)		
Authorised on date of incorporation of 23 February 2015	50,000	50,000
Sub-division of authorised shares on 7 May 2015 *(note a)*	49,950,000	–
Increase of authorised shares on 7 May 2015 *(note a)*	1,950,000,000	1,950,000
As at 31 December 2015	2,000,000,000	2,000,000

	Number of shares	Amount *USD*	RMB equivalent *RMB'000*
Issued and fully paid (at par value of US$0.001 each)			
On date of incorporation of 23 February 2015	1	1	–
Issue of new ordinary shares on 23 February 2015	99	99	1
Sub-division of shares on 7 May 2015 *(note a)*	99,900	100	1
Issue of new ordinary shares on 17 August 2015 *(note b)*	749,900,000	749,900	4,591
Issue of new shares for Global Offering on 21 December 2015 *(note c)*	250,000,000	250,000	1,615
As at 31 December 2015	1,000,000,000	1,000,000	6,207

Notes:

(a) On 7 May 2015, the Company sub-divided the authorised shares from 50,000 to 50,000,000 of a par value of USD0.001 each. On the same date, the authorised shares was increased from 50,000,000 to 2,000,000,000 of a par value of USD0.001 each.

(b) On 17 August 2015, 329,559,000, 120,381,000, 224,970,000 and 74,990,000 shares of the Company was allotted and issued to Huachen, Huakai, Trade Power Investments Limited and Joyfar Limited with par value of USD0.001 each (equivalent to RMB0.006) each, totaling RMB607,109,000, which were credited as fully paid from other reserve upon completion of the issue of shares by the Company.

(c) On 21 December 2015, the Company issued 250,000,000 shares with par value of USD0.001 (equivalent to RMB0.006) each under the Global Offering at HK$2.15 (equivalent to RMB1.79) per share.

(d) The new shares issued rank pari passu with the existing shares in all respects.

34. CONTINGENT LIABILITIES AND OTHER DISPUTES

	31/12/2015	31/12/2014
	RMB'000	*RMB'000*
Guarantees provided to banks in respect of banking facilities granted to		
– Tongxiang Zhongxin	–	22,000
– Zhenshi Group	–	1,118,000
Total guaranteed amounts	–	1,140,000
Less: amounts provided as financial guarantee obligations *(Note 30)*	–	65,300
	–	1,074,700

The guarantees provided by the Group to a related party and a then shareholder had been released in full prior to the Global Offering during the year ended 31 December in 2015.

On 15 May 2015, China Jushi, supplier of the Group, and Hengshi Fiberglass jointly initiated legal proceedings in Spain against an overseas fiberglass manufacturer (the "**defendant**") to seek an order that (i) the defendant's patent on one particular type of fiberglass is invalid in Spain, and (ii) even if such patent is valid the particular type of fiberglass manufactured by China Jushi does not infringe such patent of the defendant.

35. OPERATING LEASES

The Group as lessee

Minimum lease payments paid under operating leases during the year ended 31 December 2015 was RMB1,577,000 (2014: RMB294,000).

The Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows.

	31/12/2015	31/12/2014
	RMB'000	*RMB'000*
Within one year	**785**	820
In the second to fifth years inclusive	**1,910**	2,397
	2,695	3,217

Operating lease payments represent rental payable by the Group for certain factory, office premises and buildings. Leases are negotiated and rentals are fixed for terms of one to five years.

36. CAPITAL COMMITMENTS

At the end of the year, the Group had the following capital commitments.

	31/12/2015	31/12/2014
	RMB'000	*RMB'000*
Capital expenditure in respect of acquisition of property plant and equipment and construction in progress		
– Contracted for but not provided for	**75,000**	47,758

37. PLEDGE OF ASSETS

The following assets have been pledged to various banks for securing the borrowings of the Group at the end of the years.

	31/12/2015	31/12/2014
	RMB'000	*RMB'000*
Property, plant and equipment	**81,433**	86,481
Prepaid lease payments	**16,758**	16,958
	98,191	103,439

38. RETIREMENT BENEFITS PLANS

Hengshi Fiberglass is a member of the state-managed retirement benefits scheme operated by the PRC government authority. Hengshi Fiberglass is required to contribute specified rate of the employees' salaries to the retirement benefits scheme to fund the benefits. The only obligation of Hengshi Fiberglass with respect to the retirement benefits scheme is to make the required contributions under the scheme.

Hengshi Egypt is a member of the state-managed retirement benefits scheme operated by the Egypt government authority. Hengshi Egypt is required to contribute specified rate of the employees' salaries to the retirement benefits scheme to fund the benefits. The only obligation of Hengshi Egypt with respect to the retirement benefits scheme is to make the required contributions under the scheme.

The amounts of contributions made by the Group in respect of the retirement benefit scheme during the years ended 2015 are RMB4,238,000 (2014: RMB1,946,000).

39. TRANSFER OF FINANCIAL ASSETS

During the year ended 31 December 2015, the Group had endorsed bills receivables to the suppliers to settle the Group's payable balances to the counterparties. As at 31 December 2015, total bills endorsed was amounted to RMB213,369,000 (2014: RMB148,828,000), which is the Group's maximum exposure to loss, should the issuing banks fail to settle the bills on maturity.

In the opinion of the management, the Group has limited exposure in respect of the settlement obligation of these bills receivable under relevant PRC rules and regulations should the issuing bank failed to settle the bills on maturity date. The Group considered the issuing banks of the bills are of good credit quality and the risk of non-settlement by the issuing banks on maturity is insignificant. Therefore, the Group has derecognised these bills receivables and the corresponding payables to the counterparties in their entirety in both years.

39. TRANSFER OF FINANCIAL ASSETS *(Continued)*

Bills arrangement with related parties

During the year ended 31 December 2014, the Group had acquired certain bills receivables from other related parties and Zhenshi Group and was then transferred to its suppliers to settle its payables through endorsing the bills to its suppliers.

In addition, in order to enhance the utilisation of the bills receivables the Group received from its customers, the Group had also endorsed certain bills receivables to other related parties during the year ended 31 December 2014.

The Group ceased the bills arrangement with related parties since 30 October 2014.

As at 31 December 2014, the Group's maximum exposure to loss in respect of the endorsed bills with other related parties was RMB8,082,000, should the issuing banks fail to settle the bills on maturity.

All the bills receivables endorsed to the suppliers have a maturity date of less than six months. Details of the amounts of the acquisition and transfer of bills receivables from (to) related parties and a shareholder were set out in note 41.

40. NON-CASH TRANSACTIONS

Pursuant to a resolution approved by the board of directors on 29 November 2013, Hengshi Fiberglass declared dividend amounting to RMB32,979,000, of which RMB29,681,000 was reinvested as capital injection in capital on 26 January 2014.

Pursuant to a resolution approved by the board of directors on 28 May 2014, Hengshi Fiberglass declared dividend amounting to RMB29,845,000, of which RMB28,651,000 was reinvested as capital injection in capital on 17 July 2014.

Pursuant to a resolution approved by the board of directors on 25 February 2015, Hengshi Fiberglass declared dividends amounting to RMB52,381,000, of which RMB47,144,000 was reinvested as capital injection in capital on 24 March 2015.

41. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in this report, the Group had also entered into the following significant related party transactions during the both years.

Name of related parties	Relationship	Nature of transactions	Year ended 31/12/2015 RMB'000	31/12/2014 RMB'000
Sinosia Technology	note 25(i)	Sales of finished goods	**9,220**	64,323
Zhenshi Spain	note 25(i)	(Sales return) sales of finished goods	**(109)**	11,311
Huamei New Materials	note 25(i)	Interested income earned	**–**	7,202
		Bills receivables endorsed by the Group to	**–**	612
		purchase of raw materials	**75**	53
		Purchase of property plant and equipment	**1,163**	5
Yushi International	note 25(i)	Services charges incurred	**42,585**	28,843
		Bills receivables acquired from	**–**	1,220
		Bills receivables endorsed by the Group to	**–**	1,368
		Rental income earned	**215**	143
		Purchase of property plant and equipment	**–**	5,618
		Purchase of prepaid lease payments	**–**	15,146
		Prepayment of value added tax in respect of overseas purchase of machineries	**18,406**	13,815
Jiujiang Yushi	note 25(i)	Services charges incurred	**–**	135
Zhenshi Group Jucheng Real Estate Development Co., Ltd.# (振石集團巨成置業有限公司) ("**Jucheng Real Estate**")	note 25(i)	Purchase of property plant and equipment	**655**	–
Yushi Supply Chain	note 25(i)	Bills receivables endorsed by the Group to	**–**	47

41. RELATED PARTY TRANSACTIONS *(Continued)*

Name of related parties	Relationship	Nature of transactions	Year ended 31/12/2015 RMB'000	31/12/2014 RMB'000
Jiaxing Yushi International Logistics Co., Ltd.	note 25(i)	Services charges Incurred	**–**	163
(嘉興市宇石國際貨運代理有限公司)		Bills receivables endorsed by the Group to	**–**	500
Tongxiang Zhouquan Yushi International Logistics Co., Ltd.# (桐鄉市泉州宇石國際物流有限公司)	note 25(i)	Bills receivables acquired from	**–**	750
Inspirock Hotel	note 25(i)	Services charges incurred	**2,089**	587
		Interest income earned	**–**	2,874
		Bills receivables endorsed by the Group to	**–**	20
		Scrap sales earned	**2**	–
Tongxiang Chengshi	note 25(i)	Services charges incurred	**435**	203
Tongxiang Kangshi	note 25(i)	Interest income earned	**–**	386
		Services charges incurred	**102**	–
Zhejiang Meishi	note 25(i)	Interest income earned	**–**	2,806
Tongxiang Huarui	note 25(i)	Bills receivables acquired from	**–**	2,344
		Bills receivables endorsed by the Group to	**–**	190
		Purchase of raw materials	**35**	–
		Purchase of property, plant and equipment	**22**	–
Dongguan Hua Boxing Communication Technology Co., Ltd.# (東莞市華波星通科技有限公司)	note 25(i)	Bills receivables endorsed by the Group to	**–**	7,002

41. RELATED PARTY TRANSACTIONS *(Continued)*

Name of related parties	Relationship	Nature of transactions	Year ended 31/12/2015 RMB'000	31/12/2014 RMB'000
Dongguan Yuandong Tenghui Electronic Technology Co., Ltd. # (東莞遠東騰輝科技電子有限公司)	note 25(i)	Bills receivables endorsed by the Group to	**–**	390
PT. FAJAR	note 25(i)	Prepaid rental expense and rental deposit paid on behalf of the Group	**–**	556
Jushi Group	note 25(ii)	Purchase of raw materials	**55,554**	4,987
		Rental income earned	**–**	553
		Scrap sales earned	**324**	201
		Rental expense incurred	**9**	–
P-D Jushi	note 25(ii)	Rental expense incurred	**–**	18
		Purchase of raw materials	**5,531**	–
Jushi France	note 25(ii)	Sales of finished goods	**2,037**	2,251
Temax Italia	note 25(ii)	Sales of finished goods	**363**	382
Jushi Chengdu	note 25(ii)	Purchase of raw materials	**101**	–
Jushi Jiujiang	note 25(ii)	Purchase of raw materials	**1,827**	–
Jushi Singapore	note 25(ii)	Sales of finished goods	**933**	981
Jushi India	note 25(ii)	Sales of finished goods	**1,803**	1,130
Jushi Canada	note 25(ii)	Sales of finished goods	**537**	748
Jushi Japan	note 25(ii)	Sales of finished goods	**234**	648
Jushi USA	note 25(ii)	Purchase of raw materials	**211**	36
		Services charges incurred	**1,583**	–
		Rental expense incurred	**40**	–
Jushi Spain	note 25(ii)	Sales of finished goods	**884**	–
Jushi Egypt	note 25(ii)	Purchase of raw materials	**617**	–
China Jushi	note 25(ii)	Rental income earned	**–**	709
		Scrap sales earned	**1,121**	–
		Purchase of raw materials	**362,385**	–
Shanghai Tianshi	note 25(ii)	Services charges incurred	**11,053**	8,697
Marquis Logistics	note 25(ii)	Services charges incurred	**522**	–

41. RELATED PARTY TRANSACTIONS *(Continued)*

Name of related parties	Relationship	Nature of transactions	Year ended 31/12/2015 RMB'000	31/12/2014 RMB'000
Zhenshi US	note 25(iv)	Sales of finished goods	**34,108**	21,108
Zhenshi Group	note 25(vii)	Sales of finished goods	**5,395**	5,483
		Purchase of raw materials	**91,688**	390,375
		Purchase of property plant and equipment	**7,525**	17,289
		Interest income earned	**2,901**	3,285
		Scrap sales earned	**10**	–
		Bills receivables endorsed by the Group	**–**	7,970

Certain trademarks owned by Zhenshi Group were used by the Group free of charge during the years.

Compensation of key management personnel

The remuneration of directors and other members of key management during the years is as follows.

	Year ended 31/12/2015 RMB'000	Year ended 31/12/2014 RMB'000
Salaries and other benefits	**1,287**	668
Performance related bonus *(note)*	**150**	160
Retirement benefits schemes contribution	**53**	23
	1,490	851

Note: Performance related bonus is determined with reference to the Group's operating results, individual performance and comparable market statistics.

42. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Group's material subsidiaries at the end of the years are as follows

Name of subsidiaries	Principal activities	Place of incorporation/ establishment	Issued and fully paid capital/registered capital	Proportion of ownership interest and voting power held by the Company	
				31/12/2015	31/12/2014
Directly held					
Huaxu Investment	Investment holding	BVI	Ordinary Share USD1	**100%** *(note a)*	NA
Hengshi USA Company Limited ("**Hengshi USA**")	Sales of fiberglass fabrics	United States of America ("**USA**")	Ordinary Share USD200,000	**100%** *(note a)*	NA
Hengshi Hong Kong Company Limited	Sales of fiberglass fabrics	Hong Kong	Ordinary Share USD500,000	**75%** *(note a)*	NA
Indirectly held					
Huajin Capital	Investment holding	Hong Kong	Ordinary Share USD100	**100%** *(note a)*	NA
Hengshi Fiberglass *(note b)*	Manufacture and sales of fiberglass fabrics	PRC	Registered capital USD73,680,000	**100%**	100%
Hengshi Egypt	Manufacture and sales of fiberglass fabrics	Egypt	Ordinary Share USD3,500,000	**90%**	90%

Notes:

(a) These entities were newly incorporated during the year ended 31 December 2015.

(b) Wholly foreign-owned enterprise.

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

43. FINANCIAL INFORMATION OF THE COMPANY

The Company had the following assets and liabilities as at 31 December 2015.

	Year ended 31/12/2015 *RMB'000*
Non-current asset	
Interest in a subsidiary	645,275
Current asset	
Bank and cash	431,610
Current liabilities	
Trade and other payables	17,651
Amount due to a subsidiary	1,299
	18,950
Net current asset	412,660
Total assets less current liability	1,057,935
Capital and reserve	
Share capital	6,207
Reserve	1,051,728
	1,057,935

43. FINANCIAL INFORMATION OF THE COMPANY *(Continued)*

The movement of reserves of the Company was set forth below:

	Share premium *RMB'000*	Other reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
At 23 February 2015 (date of incorporation)	–	–	–	–
Total comprehensive income for the period	–	–	29,810	29,810
Capital contribution	–	607,109	–	607,109
Issue of shares to shareholders	602,518	(607,109)	–	(4,591)
Issue of shares in connection with Global Offering	446,579	–	–	446,579
Share issue cost	(27,179)	–	–	(27,179)
At 31 December 2015	1,021,918	–	29,810	1,051,728

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 March 2016.