TENGY

浙江天潔環境科技股份有限公司

Zhejiang Tengy Environmental Technology Co., Ltd

(a joint stock company incorporated in the People's Republic of China with limited liability)
(於中華人民共和國註冊成立的股份有限公司)

Stock code 股份代號：1527

2015 Annual Report 年報

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Bian Yu
Mr. Bian Weican

Non-executive Directors

Mr. Bian Jianguang
Mr. Zhang Yuanyuan

Independent Non-executive Directors

Ms. Tam Hon Shan Celia
Mr. Dang Xiaoqing
Mr. Zhang Bing

SUPERVISORS

Ms. Bian Shu *(Chairman)*
Mr. Fu Jun
Mr. Fang Zhiguo

JOINT COMPANY SECRETARIES

Mr. Lau Hon Kee
Ms. Shen Qiong

AUDIT COMMITTEE

Ms. Tam Hon Shan Celia *(Chairman)*
Mr. Dang Xiaoqing
Mr. Zhang Bing

NOMINATION COMMITTEE

Mr. Bian Yu *(Chairman)*
Ms. Tam Hon Shan Celia
Mr. Zhang Bing

REMUNERATION COMMITTEE

Mr. Dang Xiaoqing *(Chairman)*
Mr. Zhang Bing
Mr. Zhang Yuanyuan

AUTHORISED REPRESENTATIVES

Mr. Bian Yu
Mr. Lau Hon Kee

AUDITOR

Ernst & Young

LEGAL ADVISERS TO OUR COMPANY

Mayer Brown JSM (As to Hong Kong Law)
Zhejiang Confuway Law Firm (As to PRC Law)

COMPLIANCE ADVISER

China Everbright Capital Limited

HEADQUARTERS AND REGISTERED OFFICE IN THE PRC

Yangfu Village, Paitou Town,
Zhuji City, Zhejiang Province,
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

22/F World-Wide House
19 Des Voeux Road Central
Central, Hong Kong

Corporate Information

PRINCIPAL BANKERS

Bank of China Zhuji Branch
102 Jiyang Road
Zhuji City
Zhejiang Province
The PRC

Shanghai Pudong Development Bank Shaoxing Branch
238 Renmin Xi Road
Shaoxing City
Zhejiang Province
The PRC

China Merchants Bank Hangzhou Branch
Hushu Sub-branch
260 Hu Shu Nan Road
Gongshu District
Hangzhou City
Zhejiang Province
The PRC

China Zheshang Bank Co., Ltd. Zhuji Branch
38 Jiangdong Road
Zhuji City
Zhejiang Province
The PRC

H-SHARE REGISTRAR

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

COMPANY WEBSITE

www.tengy.com

STOCK CODE

1527

* *For identifications only*

Chairman's Statement

Dear Shareholders:

On behalf of the Board of Directors ("**Board**"), I am pleased to announce that Zhejiang Tengy Environmental Technology Co., Ltd ("**Company**" or "**Tengy Environmental**") and its subsidiaries (collectively the "**Group**") recorded solid financial results for the year ended 31 December 2015 ("**Year**").

The Group is a well-established integrated atmospheric pollution control solution provider, with a primary focus on particulate emission control by offering mega-sized precipitators to customers in various industries. We have 18 years of industry experience and continue to innovate in industrial technologies.

The Group was listed successfully ("**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") on 12 October 2015 ("**Listing Date**"), which greatly improved the Company's brand value, market influence as well as standing among various stakeholders. We built a long-term financing platform which enhanced the overall competitiveness of the Group.

Benefiting from the increase of the Group's operating income during the Year by 17.7% to approximately RMB920.0 million, the profit before taxation during the Year increased by 34.1% compared to the corresponding period of 2014, to approximately RMB134.4 million. Meanwhile, the profit attributable to shareholders of the Company ("**Shareholders**") was approximately RMB96.5 million, representing a significant increase of 30.1% compared to the corresponding period of 2014.

Sales of the main products of the Group (namely electrostatic precipitators, electrostatic-bag composite precipitators and bag filter precipitators) recorded an outstanding performance for the Year, among which the revenue from related projects of electrostatic precipitators and bag filter precipitators increased from approximately RMB583.0 million and RMB43.1 million for the year ended 31 December 2014 to approximately RMB 727.8 million and RMB75.4 million, respectively, for the Year.

We believe that, with our industry qualification and abundant experience, we can enhance our reputation as a reliable atmospheric pollution control solution provider among the national electricity industries and customers from other industries, which can help us obtain more new projects. Besides, our extensive project experience will give us a competitive advantage over existing market players as well as new entrants in the competition for new projects.

The People's Republic of China ("**PRC**") currently mainly uses coal to generate electricity. The large amount of major pollutants produced during the coal combustion process of coal-fired power plants, including particulates, sulfur dioxide, nitrogen oxides and etc., have become the main source contributing to the serious air pollution in the PRC. In order to solve the worsening air pollution problems, the Government continued to increase environmental protection efforts through the implementation of more stringent environmental policies. To comply with the increasingly stringent environmental regulations amid the endogenous growth of coal-fired generation, it is expected that the market for air pollution control facilities will continue to experience significant growth.

Looking forward, we will continue to enhance our research and development capabilities, develop new technologies and expand the product portfolio, strengthen our sales and grasp the growing opportunities in Chinese air pollution control solutions industry, as well as develop selected overseas markets and expand our international market share.

Last, on behalf of the Board, I would like to thank the management team and our employees for their tireless efforts and I sincerely thank our Shareholders and investors for their continuing trust in and support to the Group.

We will continue to seize market opportunities, protect the blue sky and clear water and build a century-lasting Tengy!

Mr. BIAN Yu
Chairman and executive Director

Zhuji City, Zhejiang Province, the PRC
27 March 2016

Financial Highlights

Results	Year ended 31 December 2015 RMB'000	2014 RMB'000	Change
Revenue	919,975	781,905	+17.7%
Profit before tax	134,399	100,168	+34.1%
Income tax expense	(37,934)	(25,979)	+45.8%
Profit and total comprehensive income for the year	96,465	74,189	+30.1%
Earnings per share attributable to ordinary equity holders of the parent			
— For profit for the year	0.90	0.74	+21.6%

Financial Position	As at 31 December 2015 RMB'000	2014 RMB'000	Change
Total assets	1,600,940	909,222	+76.1%
Net current assets	504,287	111,735	+351.5%
Total assets less current liabilities	611,291	240,762	+153.9%
Total liabilities	989,649	668,460	+48.0%
Total equity	611,291	240,762	+153.9%

Financial Statistics	As at 31 December 2015	2014
Current ratio (Note 1)	1.5	1.2
Gearing ratio (Note 2)	–5.9%	70.5%
Inventory turnover days (days) (Note 3)	18.3	21.9
Trade receivables turnover days (days) (Note 4)	99.9	112.8
Trade payables turnover days (days) (Note 5)	141.4	130.6

Notes

1. Current ratio = current assets/current liabilities
2. Gearing ratio = (total bank loan — cash and cash equivalents)/total equity x 100%
3. Inventory turnover days = 365 days/(costs of sales/average balance of inventory (net off impairment))
4. Trade receivables turnover days = 365 days/(revenue/average balance of trade receivables balance (net off impairment))
5. Trade payables turnover days = 365 days/(cost of sales/average trade payables balance)

Management Discussion and Analysis

OVERVIEW

2015 is a year of significance for the Group. Leveraging years of industry experience and continual innovation in industrial technologies, the Group is a well-established integrated atmospheric pollution control solution provider, with a primary focus on particulate emission control by offering mega-sized precipitators to customers in various industries. The Group generates our revenue primarily from (i) project construction; (ii) sales of goods; and (iii) rendering of services. Project construction represented tailor-made and integrated atmospheric pollution control solutions offered by the Group to our customers, comprising engineering design, equipment procurement and manufacturing, supervision of installation and commissioning, customer training, and repair and maintenance to our customers on a project basis. During the Year, the Group mainly offers three types of precipitators: electrostatic precipitators, bag filter precipitators and electrostatic-bag composite precipitators. Our sales of goods represented sales of materials, including raw materials, spare parts and components and scrap materials to related parties or independent third parties. Our rendering of services represented our technology consultancy services to our customers on a stand-alone basis, which includes repair and replacement, and on-site engineering and maintenance services to those projects which were not constructed by us.

Precipitators are widely installed at coal-fired power plants, metallurgical plants, paper mills and other industrial production plants. As such, the Group has an extensive range of customers including the project owners of power plants and industrial production plants, or contractors who undertake the construction work of power plants and industrial production plants.

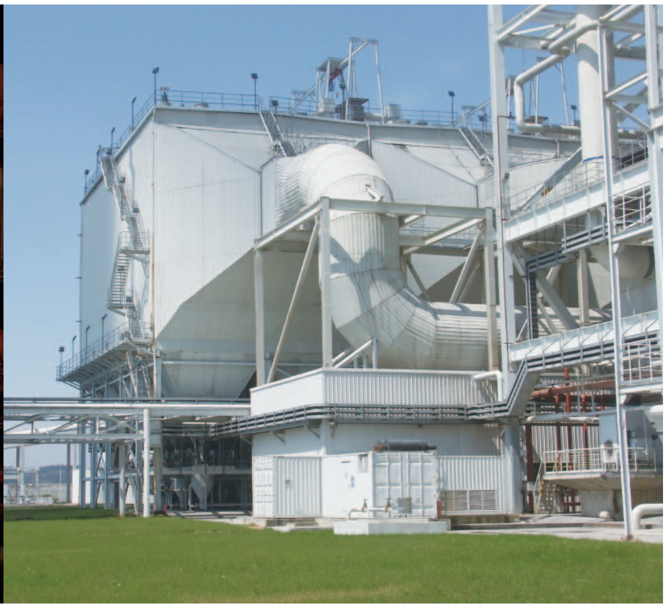
BUSINESS REVIEW

The PRC is currently the world's second largest economy. While the economic growth has slowed down in recent years, the growth rate is still among the highest in the world. The sustained increase in demand for energy and electricity in the PRC as a result of the fast economic growth has nonetheless been promoted at the expense of atmospheric environment and air quality. Last year, due to severe atmospheric pollution problems in Beijing and Hebei Province, some schools even suspended classes. Therefore, the PRC Government continues to strengthen its efforts in environmental protection by implementing more stringent environmental protection policies.

Management Discussion and Analysis

The New Environmental Protection Law was officially implemented in the PRC on 1 January 2015. Besides, with the approval of the New Law of the Prevention and Control of Atmospheric Pollution by The Standing Committee of the National People's Congress in August 2015 for the proposed official implementation from January 2016 onwards together with the increasing governmental and public awareness of environmental protection in the PRC, the Group believes that there will be a vast investment demand for environmental protection in the coming years. The increasingly stringent environmental protection regulations also promote the rapid development of the environmental protection industry, particularly the industry of operations and maintenance services for atmospheric pollution control facilities. It is anticipated that there will be exponential growth in atmospheric pollution control equipment market in the coming several years. Therefore, as a leading integrated atmospheric pollution control solution provider in the industry, the Group believes that we can continue to be benefited from the aforementioned policies in order to capture new business and investment opportunities.

The Group believes that we have benefitted from and will continue to benefit from the synergic effects brought about by customers' satisfaction and broader market recognition of our brand in such a way of increasing our opportunity and capability to succeed in the bidding of new projects. Additionally, with the Group's industry qualifications and track record of successfully completing projects for state-owned power plants in the PRC, the Group believes that our reputation among power enterprises as well as customers in other industries as a reliable atmospheric pollution control solution provider enables the Group to become more competitive over new entrants in project bidding.

On 12 October 2015, the Company was officially Listed, which marks a milestone for the Group in terms of enhancement of capital, corporate governance and competitive edge.

For the Year, total revenue and profit from continuing operations of the Group amounted to approximately RMB920.0 million and RMB96.5 million respectively. During the Year, the Group's gross profit amounted to RMB186.6 million, representing an increase of 30.3% as compared with RMB143.2 million for the same period of the year 2014; and the gross margin increased by 2.0% from the previous year to 20.3%.

For the Year, the value of the Group's new contracts (which represents the aggregate value of the contracts we entered into during a specified period) was approximately RMB852.1 million. As at 31 December 2015, the Group's backlog (including applicable value-added tax) (which represents the total estimated contract value of work that remains to be completed pursuant to outstanding contracts as of a certain date and assuming performance in accordance with the terms of the contract) was approximately RMB1,451.7 million.

The Group's profits (before tax) amounted to RMB134.4 million and profits attributable to owners of our parent company grew to RMB96.5 million, representing a year-on-year increase of 34.1% and 30.1% respectively. The aforesaid growth is mainly generated from the operation income increase of 17.7% to RMB920.0 million for the Year.

At the time of raising the amount of product sales, the Group spent great effort to enhance cost management to make our products and solutions more cost competitive. The atmospheric pollution control solutions offered by our Group mainly comprise the atmospheric pollution control devices designed and manufactured on our own. The Group possesses the qualifications and expertise in manufacture and supply of the key atmospheric pollution control system of the projects undertaken by us based on customised design proposals. The Group is dedicated to improving manufacturing process and management system by managing the product quality and operation, reducing energy consumption and assessing the environmental impact in accordance with international standards. The quantitative management, environmental management and quality management systems of the Group were awarded with a number of ISO certificates. These systems help the company estimate costs, smoothen project operations and improve operating efficiency.

As of 31 December 2015, the Group had 38 registered patents (including two invention patents and 36 utility model patents) in the PRC. Based on the strong design and engineering capabilities, the Group primarily provides comprehensive atmospheric pollution control solutions to our customers. We offer a wide range of models of electrostatic precipitators which support electricity generators with capacity spanning from 6.25MW to over 1000MW. The Group is one of the few manufacturers in the PRC which provides electrostatic precipitators for single generator unit with capacity of 1000MW or above.

As at 31 December 2015, the Group had a total of 634 full-time employees (2014: 564). The remuneration payable to the Group's employees includes basic wages, bonuses and other staff benefit. The Group conducts periodic performance reviews for our employees and determine their remuneration based on factors including qualifications, contributions, years of experience and performance.

FINANCIAL REVIEW

Revenue

The revenue of the Group amounted to approximately RMB920.0 million for the Year representing an increase of 17.7% from RMB781.9 million for the year ended 31 December 2014. The increase was mainly benefitted from the increasingly stringent environmental protection regulations that promoted the growing demand for operations and maintenance services with atmospheric pollution control equipments. For example, the New Environmental Protection Law was officially implemented in the PRC on 1 January 2015, and the New Law of the Prevention and Control of Atmospheric Pollution was approved by The Standing Committee of the National People's Congress in August 2015 and proposed to be officially implemented from January 2016 onwards.

The following table sets forth a breakdown of the Group's revenue by segment and each item as a percentage of revenue for the respective years indicated:

	Year ended 31 December			
	2015		2014	
	RMB'000	%	RMB'000	%
Revenue				
Construction of projects	916,073	99.5	776,596	99.3
Sales of goods	3,862	0.4	5,013	0.6
Rendering of services	40	0.1	296	0.1
Total	919,975	100.0	781,905	100.0

Revenue generated from construction of the Group's projects amounted to over 99.0% of our total revenue. Depending on the specifications and requirements of our customers, the Group may provide an integrated set of atmospheric pollution control devices, comprising precipitators, desulfurisation system and/or denitrification system, or only provide one type of the above atmospheric pollution control devices on a stand-alone basis for new installation projects or upgrading or modification projects. A majority of the Group's construction contracts are related to the manufacturing, installation and sales of electrostatic precipitators.

The following table sets forth a further revenue breakdown of construction contracts by types of atmospheric pollution control solutions for the respective years indicated:

	Year ended 31 December			
	2015		2014	
	RMB'000	%	RMB'000	%
Construction contracts				
Ash removal and transfers				
— Electrostatic precipitator	**727,755**	**79.5**	582,977	75.0
— Electrostatic-bag composite precipitator	**39,575**	**4.3**	49,557	6.4
— Bag filter precipitator	**75,414**	**8.2**	43,146	5.6
— Others (e.g. Pneumatic ash conveying system)	**4,790**	**0.5**	16,463	2.1
SO_2 and NOx emission reduction (desulfurisation and denitrification devices)	**68,539**	**7.5**	84,453	10.9
	916,073	**100.0**	776,596	100.0

The Group's revenue for the Year was mainly generated from ash transfers construction contracts relating to electrostatic precipitator and bag filter precipitator. As a result, the revenue derived from projects relating to electrostatic precipitator and bag filter precipitator were increased from RMB583.0 million and RMB43.1 million for the year ended 31 December 2014 to approximately RMB727.8 million and RMB75.4 million for the Year.

With the experience in delivery of new installation projects by the Group, the Group also provided large scale upgrading and modification projects for power plants and other industries. The following table sets forth a revenue breakdown of construction contracts by types of new installation project as well as upgrading/modification project for the respective years indicated:

	Year ended 31 December			
	2015		2014	
	RMB'000	%	RMB'000	%
Revenue				
Newly installed	**795,828**	**86.9**	538,599	69.4
Upgrading/modification	**120,245**	**13.1**	237,997	30.6
	916,073	**100.0**	776,596	100.0

Cost of sales

The Group's costs incurred in project construction principally comprise material costs, staff costs, depreciation and overhead costs. The Group's cost of sales primarily consists of cost of raw materials, which include steel. The Group's major raw materials used in the manufacturing process of ash removal and transfer devices and desulfurisation and denitrification devices are steel, electrical instruments, filter bags and others. The following table sets forth the breakdown of the Group's cost of sales by nature of expenses for the respective years indicated:

	Year ended 31 December			
	2015		2014	
	RMB'000	**%**	RMB'000	%
Cost of sales				
— Material costs	**522,259**	**71.2**	444,745	69.6
— Staff costs	**107,093**	**14.6**	119,057	18.6
— Depreciation	**2,867**	**0.4**	4,427	0.7
— Overhead costs (e.g. utility charge)	**44,097**	**6.0**	28,289	4.4
— Others	**57,083**	**7.8**	42,228	6.7
	733,399	**100.0**	638,746	100.0

The nature of composition of construction contracts, namely new installation projects and upgrading and modification projects, can in general cause variation to the extent of the usage of materials and staff. More materials, especially steel, are consumed when more new installation projects are conducted, whereas more staff are required when more upgrading and modification projects are conducted.

Gross profit and gross margin

The following table sets forth the breakdown of gross profit and gross margin of the Group (stated as a percentage of revenue) for the respective years indicated:

	Year ended 31 December	
	2015	2014
Gross profit (RMB'000)	**186,576**	143,159
Gross margin (%)	**20.3**	18.3

The Group's gross profit of the Year amounted to RMB186.6 million, representing an increase of RMB43.4 million or 30.3% as compared with RMB143.2 million of the previous year. The gross margin of the Group increased from 18.3% for the year ended 31 December 2014 to 20.3% of the Year. The increase was driven by (i) the increased market demand upon the adoption of stringent emission standards in the PRC leading to more construction contracts with higher gross profit margin obtained by the Group for the Year in the course of negotiation and (ii) the generally lower production costs per project as a result of cost advantages from the economies of scale pursuant to the increase in production activities for the Year.

Other income and gains

Other income and gains of the Group during the Year surged to RMB9.2 million, representing a dramatic increase of 206.7% from that of the previous year.

During the Year, the government subsidies the Group obtained amounted to RMB3.7 million, representing an increase of RMB2.1 million from that of the previous year, of which the Group received a special fund of RMB2.3 million for science and technology business from Zhuji Finance Services Bureau, according to the "Implementation Measurement for Fiscal Support to Strengthen and Expand Real Economy issued by Zhuji People's Government Office".

In addition, the exchange gain of the Year increased by RMB3.2 million from that of 2014, mainly attributable to the continuous appreciation of Hong Kong dollars in which the capital we raised denominated after the Listing.

Selling and distribution expenses

As for the year ended 31 December 2014 and the Year, the selling and distribution expenses remained at RMB16.2 million.

Administrative expenses

The administrative expenses of the Group for the Year amounted to approximately RMB33.1 million, representing an increase of 88.1% as compared with approximately RMB17.6 million of the year ended at 31 December 2014, mainly due to (i) labour cost increased approximately RMB3.5 million or by 37.6% as compared to that of the year ended at 31 December 2014; (ii) according to the Group's accounting policy, the impairment loss of receivables as at the end of 2015 increased approximately RMB5.5 million as compared to that of the end of 2014; and (iii) audit fees and cost incurred for public relations activities increased approximately RMB4.2 million as compared to the year ended at 31 December 2014.

Finance cost

The finance cost of the Year amounted to approximately RMB10.4 million, representing an increase of 4.0% as compared with approximately RMB10.0 million of the year ended at 31 December 2014.

Income tax expense

The Group's income tax expense of the Year amounted to approximately RMB37.9 million, representing an increase of 45.8% as compared with approximately RMB26.0 million of the year ended at 31 December 2014, mainly due to the increase in pre-tax profit.

Trade and bills receivables

As at 31 December 2015, the trade and bills receivables of the Group were approximately RMB420.9 million, increased by RMB126.4 million as compared to that as at 31 December 2014, mainly due to (i) the acceleration in the launch of projects and settlement, as well as (ii) growth of revenue from continuing operations.

Inventories

As at 31 December 2015, the Group had an increase of inventories by approximately RMB7.9 million to approximately RMB40.8 million when compared to that as at 31 December 2014. The inventories mainly consisted of steels, filter bags, electrical instruments and other components.

Trade and bills payables

As at 31 December 2015, the trade and bills payables of the Group increased by RMB198.6 million to RMB431.4 million when compared to that as at 31 December 2014, which was primarily attributable to the corresponding increase in the purchase of raw materials and installation services arising from the promotion of our project schedule.

The Group's trade and bills payables are mainly related to the payment of material costs and payment to service providers and third-party manufacturers. Settlement is normally made in accordance with the terms specified in the contracts governing the relevant transactions.

Our trade payables turnover days increased by 10.8 days from 130.6 days for the year ended 31 December 2014 to 141.4 days for the Year. This was primarily due to the greater control over the payment terms of the Group because of our stronger position in the industry. At the same time, the Group has taken stringent capital management measures to optimise operating cash flows.

Liquidity and capital resources

Cash and cash equivalence
As at 31 December 2015, the cash and cash equivalence of the Group increased by RMB206.6 million to RMB209.9 million when compared to that as at 31 December 2014, which was mainly due to (1) the net cash inflow of approximately RMB284.8 million from the proceeds after deducting the fees charged by the intermediaries as a result of the issuance of 35,000,000 Shares pursuant to the Listing; (2) the cash outflow of approximately RMB3.0 million to the tax payable in relation to the dividends paid in 2014; (3) the net cash outflow of approximately RMB72.3 million arising from the operation of the Group in the Year; and (4) the net cash outflow of approximately RMB5.4 million arising from the investments of the Group in the Year, which consists of the cash outflow of approximately RMB5.2 million on purchase of property plant and equipment to cater for the expansion of the Group's business scale and the growing sales and the cash outflow of approximately RMB0.2 million for the purchase of office software.

Indebtedness
As of 31 December 2015, the Group incurred outstanding bank loans of approximately RMB174.0 million while the undrawn bank loan was approximately RMB3.0 million.

Net current assets
As at 31 December 2015, the net current assets of the Group (the difference between total current assets and current liabilities) increased by approximately 351.5% from RMB111.7 million as at 31 December 2014 to approximately RMB504.3 million.

Capital expenditure
Capital expenditures of the Group amounted to approximately RMB5.4 million, which were used mainly for the purchase of property, plant and equipment in the Year.

Listing expenses
Listing expenses incurred in connection with the Listing included professional fees, underwriting commissions and other fees. Listing expenses amounted to approximately RMB37.3 million that were charged against equity upon the Listing. Such expenses had no material adverse impact on the results of operations of the Group for the Year.

Exchange risk

The Group has transactional currency exposures. Such exposures arise from sales by operating units in currencies other than the functional currencies adopted by the units. Approximately 2.4% of our sales for the Year were denominated in currencies other than the functional currencies of the operating units making the sale. At present, we do not intend to seek to hedge its exposure to foreign exchange fluctuations. However, our management constantly monitors the economic situation and the foreign exchange risk profile of the Group, and will consider appropriate hedging measures in the future should the need arise.

Major acquisitions and disposals

As at 31 December 2015, the Group did not have any material acquisition or disposals in the Year.

Significant investments

As at 31 December 2015, the Group did not have any significant investments in the Year.

Contingent liabilities

The Group is neither currently involved in any material legal proceedings nor aware of any pending or potential material legal proceedings involving us. If the Group were involved in such material legal proceedings, the Group would record any loss or contingent events when, based on information then available, it is likely that a loss has been incurred and the amount of the loss can be reasonably estimated.

As at 31 December 2015, the Group did not have any material contingent liabilities or guarantees.

PROSPECTS

On 12 October 2015 the Group completed the Listing. The net proceeds from the Listing was approximately RMB284.8 million. Whilst there are no definite future plans for material investments, the Group will actively seek appropriate acquisition projects to expand its capabilities of research and development, manufacturing and sales, as well as to access new markets to complement existing business of the Group.

The Group believes that our established customer base in the PRC and our exposure to overseas markets could help us lay a solid foundation for future expansion in both domestic and overseas markets of the Group and place us in an ideal position to capture the growth in any of those markets. Looking forward, the Group will continue to enhance our research and development capabilities, develop new technologies and expand our product portfolio (such as ash conveyers), strengthen sales and capture the growing opportunities in the atmospheric pollution control solution industry in the PRC, enhance the Group’s national and international brand recognition, as well as develop potential overseas markets to expand our international market share.

BOARD OF DIRECTORS

Our Board currently consists of seven members, comprising two executive Directors, two non-executive Directors and three independent non-executive Directors. The powers and duties of the Board include convening Shareholders' meetings and reporting the Board's work at Shareholders' meetings, implementing resolutions passed at Shareholders' meetings, determining our Group's business plans and investment plans, formulating our Group's annual budget and final accounts, formulating proposals for profit distributions and for the increase or reduction of share capital as well as exercising other powers, functions and duties as conferred by the articles of association of the Company ("**Articles of Association**"). Each of the Directors has entered into a service contract/letter of appointment with our Group.

Executive Directors

Mr. BIAN Yu (邊宇) ("Mr. Bian"), aged 32, is the chairman of the Board and an executive Director of our Company. He was appointed as a Director and the chairman of the Board on 28 December 2009. Mr. Bian has approximately 11 years of experience in the business of provision of atmospheric pollution control solutions. Mr. Bian has also been the executive director of our subsidiaries including Zhuji City Tianjie Electronic and Technology Co., Ltd.* (諸暨市天潔電子科技有限公司), Zhuji City Tianjie Installation Engineering Co., Ltd.* (諸暨市天潔安裝工程有限公司) ("**Tianjie Installation Engineering**") and Turpan Environmental Technology Co., Ltd.* (吐魯番天潔環境科技有限公司) since June 2009, March 2008 and July 2013 respectively.

Mr. Bian has worked as a director of Tengy Group Limited* (天潔集團有限公司) ("**TGL**") since August 2003. He is responsible for the overall strategies, planning and business development of TGL. Particularly, he focuses on the management of the business of the provision of atmospheric pollution control solutions carried on by TGL prior to the establishment of our Company in December 2009. From September 2005 to December 2007, he served in various positions such as general commander and general manager in different departments in the subsidiaries of TGL such as Zhejiang Tianjie Special Steel Co., Ltd.* (浙江天潔特鋼有限公司) ("**Tianjie Special Steel**"), Zhejiang Tianjie New Materials Co., Ltd.* (浙江天潔新材料有限公司) ("**Tianjie New Materials**") and Zhejiang Tianjie Magnetic Materials Co., Ltd*. (浙江天潔磁性材料股份有限公司) which were principally engaged in manufacturing, processing and marketing of steel blade and he was mainly responsible for the overall operation and production management.

He worked as a director in various companies such as Zhejiang Tianjie General Machinery Co., Ltd.* (浙江天潔通用機械有限公司) ("**Tianjie General Machinery**") (being principally engaged in manufacturing and marketing of machinery and parts) since April 2008, Shanghai Tianjie Metal Material Co., Ltd* (上海天潔金屬材料有限公司) (being principally engaged in sale of metal materials, construction materials and chemical raw materials) from July 2010 to October 2012, Shanghai Guotuo Mining Investments Limited* (上海國拓礦業投資有限公司) (being principally engaged in management and exploration of mines and development of mining technology) from July 2010 to May 2015, Zhuji Tengy Small Loan Co. Ltd* (諸暨市天潔小額貸款有限公司) (being principally engaged in providing small loan and financial consultancy service in Zhuji City) since June 2011, and as chairman of the board of Zhuji City Tianyu Industry Investment Ltd* (諸暨市天宇實業投資有限公司) (being principally engaged in real estate development and property investment) since November 2010 and of Zhuji City Runtian Property Management Ltd.* (諸暨市潤天物業管理有限公司) (being principally engaged in property management) since September 2011. He was mainly responsible for giving advice on operation and business strategy to the foregoing entities.

Mr. Bian is currently the standing council member (常務理事) of the second Council of Zhejiang Association of Equipment Industries for Environmental Protection (浙江省環保裝備行業協會第二屆理事會). He has also been the deputy officer member* (副主任委員) of the sixth Electrostatic Precipitator Committee of The Environmental Protection Industry* (中國環境保護產業協會電除塵委員會第六屆電除塵委員會) since February 2014.

Mr. Bian graduated with a bachelor's degree in mechanical engineering and automation from Zhejiang University (浙江大學) in June 2005. He obtained his master of science degree in corporate and international finance from University of Durham in the United Kingdom in January 2008. He is the son of Mr. Bian Jianguang, the brother of Ms. Bian Shu, and the brother-in-law of Mr. Zhang Yuanyuan.

Mr. Bian is a member of the family comprising Mr. Bian Jianguang, Ms. Bian Shu and himself ("**Bian Family**") and the Bian Family is a controlling Shareholder (within the meaning of the Listing Rules (as defined on page 21 of this annual report)) ("**Controlling Shareholder**") of the Company.

Mr. BIAN Weican (邊偉燦), aged 55, is the executive Director of our Company. He was appointed as a Director on 28 December 2009. Mr. Bian Weican has approximately 23 years of experience in the business of provision of atmospheric pollution control solutions.

Mr. Bian Weican worked as a worker of Zhuji County Mechanical Model Plant* (諸暨縣機械模型廠) (being principally engaged in the processing and production of machinery mould) from February 1982 to January 1985 in which he was responsible for manufacturing machinery mould. He worked as the supply procurement manager of Zhuji County Cement Machinery Plant* (諸暨縣水泥機械廠) (being principally engaged in the production and sale of cement machinery equipment) from February 1985 to June 1989 in which he was responsible for the procuring of raw materials. From July 1989 to May 1995, he worked as the supply procurement manager of Zhejiang Zhuji City Industrial Environmental Protection Equipment Factory* (浙江省諸暨市工業環保設備總廠) which was principally engaged in the production and marketing of industrial environmental protection equipment and he was responsible for the procuring of raw materials. He worked as the director of the material procuring department of TGL from June 1995 to August 2013 in which he was responsible for the materials procurement planning and management of suppliers.

Mr. Bian Weican graduated from Zhuji County Tongshan Community High School (諸暨縣同山人民公社中心學校) in Zhejiang Province in July 1976.

Non-executive Directors

Mr. BIAN Jianguang (邊建光), aged 61, is the vice chairman of the Board and a non-executive Director of our Company. He was appointed as the vice chairman of the Board on 28 December 2009. Mr. Bian Jianguang has approximately 25 years of experience in the business of the provision of atmospheric pollution control solutions.

Mr. Bian Jianguang worked as the factory director of Zhuji County Mechanical Model Plant* (諸暨縣機械模型廠) (being principally engaged in the processing and production of machinery mould) from February 1982 to January 1985 in which he was responsible for the overall management and business operation. From February 1985 to June 1989, he worked as the factory director of Zhuji County Cement Machinery Plant* (諸暨縣水泥機械廠) which was principally engaged in the production and sale of cement machinery equipment, and he was responsible for overall management and business operation. He worked as the factory director of Zhejiang Zhuji City Industrial Environmental Protection Equipment Factory* (浙江省諸暨市工業環保設備總廠) (being principally engaged in the production and marketing of industrial environmental protection equipment) from July 1989 to May 1995 in which he was responsible for the overall management and business operation. From June 1995 to August 2003, he served as the chairman of the board of directors and the executive director of TGL and he later resigned as chairman of the board of directors and have been serving as vice chairman of the board of directors of TGL since August 2003 responsible for the overall management and business operation of TGL. He worked as the director of Tianjie General Machinery (being principally engaged in the manufacturing and marketing of machinery and parts) from November 1999 to April 2008 in which he was responsible for its overall management and business operation.

Mr. Bian Jianguang has been working as the general manager of Tianjie New Materials (principally engaged in manufacturing, processing and marketing of steel blade) since August 1997, Tianjie General Machinery (being principally engaged in manufacturing and marketing of machinery and parts) from November 1999 to January 2005, as an executive director for various companies such as Tianjie Special Steel (principally engaged in manufacturing, processing and marketing of steel blade) since March 2006, Zhuji City Tianjie Heavy Machines Limited* (諸暨市天潔重工機械有限公司) (being principally engaged in research, design and development of heavy machines) since October 2008, Akesu Xintian Technology Limited* (阿克蘇新天科技有限公司) (being principally engaged in raw iron and sponge iron related business) since October 2011, and he is mainly responsible for day to day operation and management, and overall business management in these companies.

Mr. Bian Jiangguang once served as the chairman and legal representative of Chongqing Tianjie Industry Co Ltd* (重慶天潔實業有限公司), a company incorporated in the PRC. Its business scope includes sales of construction and decoration materials. Since this company no longer carried on business and did not conduct annual inspection, the business license of this company was revoked on 30 March 2005. According to Mr. Bian, the said company was solvent and dormant at the time of it being revoked and the revocation of the said company has not resulted in any liability or obligation imposed against him.

Mr. Bian Jianguang is the father of Mr. Bian and Ms. Bian Shu, and the father-in-law of Mr. Zhang Yuanyuan. Mr. Bian Jianguang is a member of the Bian Family and the Bian Family is a Controlling Shareholder.

Mr. ZHANG Yuanyuan (章袁遠), aged 34, is the non-executive Director of our Company. He was appointed as the Director of our Company on 28 December 2009. Mr. Zhang has approximately five years of experience in the business of the provision of atmospheric pollution control solutions.

From May 2007 to January 2009, Mr. Zhang worked as the general manager of Jiangxi Chenyu Aluminium Industry Ltd.* (江西晨宇鋁業有限公司) ("**Chenyu Lvye**") which was principally engaged in the non-ferrous metals processing, production, marketing and trading of machineries and components, metal products and components, metal doors and windows and electrical products, and he was responsible for its overall operation and management. He has been working as the director of Zhejiang Tianjie New Energy Co., Ltd. (being principally engaged in wind power generation and solar power generation) since May 2008 and was responsible for giving advice on operation strategy, attending board meeting and evaluation of business operation and development strategy. He has been working as the president of TGL since January 2009 and is responsible for the overall management and business operation of TGL. He is currently the vice chairman of Shanghai Aluminum Trade Association (上海鋁業行業協會).

Mr. Zhang holds a bachelor's degree of applied physics from the Tongji University (同濟大學) in July 2003. He holds a master degree of engineering management from the University of Technology, Sydney (悉尼科技大學) in Australia in July 2007. He is the spouse of Ms. Bian Shu, the brother-in-law of Mr. Bian and the son-in-law of Mr. Bian Jianguang. Mr. Bian, Ms. Bian Shu and Mr. Bian Jianguang are members of the Bian Family and the Bian Family is a Controlling Shareholder.

Independent Non-executive Directors

Ms. TAM Hon Shan Celia (譚漢珊), aged 43, is an independent non-executive Director of our Company. Ms. Tam joined our Group on 15 September 2014 when she was appointed as an independent non-executive Director. Ms. Tam has approximately 20 years of experience in the accounting and finance field.

Ms. Tam joined 91 Wireless Websoft Limited, a wholly-owned subsidiary of Baidu Inc. (which is a company listed on NASDAQ (NASDAQ: BIDU) and principally engaged in high technology online services development and expansion), as the vice president, chief financial officer and company secretary and was responsible for management of the finance department, legal department, government relations department, human resources department and administration department from January 2011 to February 2015. From April 2007 to September 2013, she was the head of compliance and corporate affairs of NetDragon Websoft (Hong Kong) Limited and the company secretary and authorised representative of NetDragon Websoft Inc., a company listed on the Main Board of the Stock Exchange (stock code: 777) and principally engaged in online games development and operations which was transferred from the Growth Enterprise Market operated by the Stock Exchange (stock code: 8288) on 23 June 2008, responsible for mergers and acquisitions and corporate finance projects. From August 2004 to March 2007, she worked as the finance manager of Heal Force Development Limited (being principally engaged in the distribution of medical and biochemical instrument) and subsequently became the group finance manager of Heal Force Development Limited in which she was responsible for the management of the group finance department. From November 2000 to October 2003, she worked as a financial accountant and subsequently as the finance and administration manager of Infoserve Technology Hong Kong Ltd which was principally engaged in electronic technology development, and she was responsible for the management of finance, administration and human resources matters. She worked as the senior accountant of World Pioneer Ltd. (being principally engaged in medicine research, development and production) from June 1999 to November 2000 in which she was responsible for its financial and administrative functions. She worked as an accountant of Baker Norton Asia Ltd. (being principally engaged in medicine development and production) from October 1997 to May 1999 in which she was responsible for financial matters. She worked as an accountant of Draft Worldwide Ltd (principally engaged in advertisement) from August 1994 to October 1997 in which she was responsible for managing financial matters. Ms. Tam has been a member of the Association of Chartered Certified Accountants since May 2000. She is also a member of the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") since April 2002.

Ms. Tam graduated from University of Lincolnshire and Humberside with a bachelor's degree in business accounting in April 2000.

Mr. DANG Xiaoqing (黨小慶), aged 52, is an independent non-executive Director of our Company. Mr. Dang joined our Group on 15 September 2014 when he was appointed as an independent non-executive Director. He has approximately 15 years of experience in the field of environmental protection and energy saving. He has been working in the school of environmental and municipal engineering (環境與市政工程學院) of Xi'an University of Architecture and Technology (西安建築科技大學) since January 2001 and subsequently as the professor since November 2011 and also as doctoral supervisor since June 2014 in which he is responsible for teaching and supervising doctoral students. Since May 2006, Mr. Dang has served as the head of the Industrial Gas Cleaning Engineering Technology Research Institute* (工業煙氣淨化工程技術研究所) of Xi'an University of Architecture and Technology (西安建築科技大學) in which he is responsible for overall management of the institute.

Mr. Dang worked at the Energy Saving and Environmental Protection Equipment Research Institute of the Chinese Heavy Machinery Research Institute* (中國重型機械研究院股份公司環保與節能設備研究所) from July 1985 to December 2000. Mr. Dang is the standing committee member (常委) of the sixth Electrostatic Precipitator Committee of The Environmental Protection Industry* (中國環境保護產業協會電除塵委員會第六屆電除塵委員會) since February 2014 and the standing committee member (常委) of the fifth Bag-Type Dust Remover Committee of The China Association of Environmental Protection Industry* (中國環境保護產業協會第五屆袋式除塵委員會) since May 2013.

Mr. Dang obtained a bachelor's degree in environmental engineering from Xi'an Institute of Metallurgical Construction (西安冶金建築學院) (later renamed as Xi'an University of Architecture and Technology (西安建築科技大學)) in July 1985, a master degree in environmental engineering from Xi'an University of Architecture and Technology (西安建築科技大學) in July 1994 and a doctorate degree in environmental engineering from Xi'an University of Architecture and Technology (西安建築科技大學) in January 2009. He was accredited as a senior engineer by the State Bureau of Machine-Building Industry Professional Titles Reform Work Leading, Group Office* (國家機械工業局職稱改革領導小組辦公室) in December 1998. He also obtained a qualification certificate for registered environmental protection engineer (註冊環保工程師) of the PRC issued by the Ministry of Personnel (中華人民共和國人事部), the Ministry of Construction (中華人民共和國建設部) and the State Environment Protection Administration (國家環境保護總局) of the PRC in January 2009.

Mr. Dang obtained the Technology Progress Award (First Class)* (科技進步一等獎) from the Ministry of Machinery Industry* (中華人民共和國機械工業部) in December 1993, the Environmental Protection Scientific and Technological Award (Third Class)* (環境保護科學技術三等獎) from the State Environmental Protection Administration (國家環境保護總局) in December 2007 and the Xi'an Municipal Scientific and Technological Award (Second Class)* (西安市科學技術二等獎) from the Xi'an Municipal People's Government (西安市人民政府) in March 2010.

Mr. ZHANG Bing (張炳), aged 34, is an independent non-executive Director of our Company. Mr. Zhang joined our Group on 15 September 2014 when he was appointed as an independent non-executive Director. Mr. Zhang has approximately six years of experience in the field of environmental planning.

Mr. Zhang worked as a lecturer in the School of Environment, Nanjing University (南京大學環境學院) in December 2008 in which he was responsible for teaching and conducting research. He was promoted to an associate professor and assumed the said role from December 2010 to December 2013 in which he was responsible for teaching, conducting research and personnel training, and he later became a professor and has been working since December 2013 in which he is responsible for teaching, conducting research and supervising doctoral students. Mr. Zhang has been the director of the Center for Environmental Management and Policy of Jiangsu Environmental Protection Department of Nanjing University (南京大學–江蘇省環保廳環境管理與政策研究中心) since November 2013 in which he is responsible for conducting research on environmental management and policy and carrying out construction management work.

Mr. Zhang was a committee member and the deputy secretary of the second committee of the Society for Environmental Economics of the Chinese Society for Environmental Sciences (中國環境科學學會環境經濟學分會) from October 2008 to September 2012 and has been the director of Chinese Society of Optimisation, Overall Planning and Economical Mathematics, Energy Economics and Management* (中國優選法統籌法與經濟數學研究會能源經濟與管理研究分會) since November 2012.

Mr. Zhang obtained the Scientific and Technological Progress Award (Second Class)* (科學技術進步二等獎) from the Ministry of Education of the People's Republic of China (中華人民共和國教育部) in January 2010, the Eighth Young Scientist Award of the Chinese Society for Environmental Sciences* (第八屆中國環境科學學會青年科技獎) in December 2012 from the Society of Environmental Science of the PRC (中國環境科學學會) and the Environmental Protection and Scientific Award (First Class)* (環境保護科學技術進步獎一等獎) from the Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部) in December 2012.

Mr. Zhang obtained a bachelor's degree in environmental planning from Nanjing University (南京大學) in June 2003 and a doctorate degree in environmental planning and management from Nanjing University (南京大學) in December 2008.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2) or paragraph 41(3) of Appendix 1A of the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") including matters relating to directorship held by Directors in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

SUPERVISORY COMMITTEE

The supervisory committee of our Company ("**Supervisory Committee**") consists of three members ("**Supervisors**"), comprising two representatives of Shareholders and one representative of employees. Employee representative Supervisors are elected democratically by the employees representative congress, while Shareholder representative Supervisors are elected by the Shareholders. The term of office of each Supervisor is three years, which is renewable upon re-election and re-appointment. The powers and duties of the Supervisory Committee include reviewing and verifying financial reports, business reports and profit distribution proposals prepared by the Board; and if in doubt, appointing certified public accountants and practicing auditors to re-examine our Company's financial information; monitoring the financial activities of our Company, supervising the performance of the Directors, the president and other senior management members, and monitoring whether they had acted in violation of the laws, regulations and Articles of Association in the performance of their duties; requesting the Directors, the president and senior management members to rectify actions which are detrimental to our Company's interests; and exercising other rights given to them under the Articles of Association. Each of the Supervisors has entered into a service contract with our Group.

SUPERVISOR

Ms. BIAN Shu (邊姝), aged 34, is the chairman of the Supervisory Committee and deputy manager of the administration department of our Company. She joined our Group on 28 December 2009, and has served as chairman of the Supervisory Committee since 28 December 2009, employee representative Supervisor since 10 May 2014 and deputy manager of the administration department of our Company since September 2014. Previously, Ms. Bian worked as the manager of the personnel department of TGL from February 2006 to January 2010 and was responsible for the human resources management and administration work of TGL. She worked as the chief financial officer of TGL between February 2010 to December 2011 and was responsible for accounting matters and financial planning and management. Ms. Bian served as the vice president of TGL from December 2011 to August 2014, and was responsible for day-to-day operations and management and to deputise the president when necessary.

Ms. Bian holds a bachelor's degree of philosophy from the Zhejiang University (浙江大學) in June 2003. She holds a master degree of international business from the University of Sydney (悉尼大學) in Australia in October 2006. She is the spouse of Mr. Zhang Yuanyuan, the sister of Mr. Bian and the daughter of Mr. Bian Jianguang.

Ms. Bian Shu is a member of the Bian Family and the Bian Family is a Controlling Shareholder.

Mr. FU Jun (傅均), aged 35, is the Supervisor of our Company, and he joined our Group on 18 October 2014. Prior to joining our Group, Mr. Fu joined the school of computer science and information technology of Zhejiang Gongshang University (浙江工商大學) in December 2009 and was appointed as a lecturer in April 2010. He was promoted to become an assistant professor in November 2013 responsible for teaching and conducting research. Since June 2014, he has been working as a supervisor to master students in which he is responsible for supervising master students.

Mr. Fu obtained a bachelor's degree of bio-medical engineering from Zhejiang University (浙江大學) in June 2004 and a doctorate degree in bio-medical engineering from Zhejiang University (浙江大學) in December 2009. He also completed two years of minor studies in Japanese language in Zhejiang University (浙江大學) in June 2003.

Mr. FANG Zhiguo (方治國), aged 38, is the Supervisor of our Company, and he joined our Group on 18 October 2014. Prior to joining our Group, he worked as a post-doctoral researcher in environmental science and engineering at the Research Centre for Eco-Environment Sciences of the Chinese Academy of Sciences (中國科學院生態環境研究中心) from August 2005 to August 2008, in which he was responsible for conducting research. He joined the school of environmental science and engineering of Zhejiang Gongshang University (浙江工商大學) in August 2008 and became an assistant professor since October 2009, in which he is responsible for teaching and conducting research.

Mr. Fang obtained a master degree of science majoring in ecology from Zhejiang University (浙江大學) in June 2002 and a doctorate degree in science majoring in ecology from the Graduate School of the Chinese Academy of Science (中國科學院研究生院) (later renamed as the University of Chinese Academy of Sciences (中國科學院大學)) in July 2005. He was a visiting scholar at the University of Oklahoma in the United States from June 2006 to May 2008.

Except as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters relating to the appointment of Supervisors that need to be brought to the attention of the Shareholders, nor is there any information relating to our Supervisors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules including matters relating to directorship held by Supervisors in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

SENIOR MANAGEMENT

Mr. QIU Jinxin (邱金鑫), aged 53, is the general manager of our Company. He joined our Group on 17 September 2012 and was appointed as the general manager of our Company on 10 May 2014. Mr. Qiu has approximately 20 years of experience in the business of provision of atmospheric pollution control solutions.

Mr. Qiu worked as a technician and deputy director of Zhuji City Fertiliser Factory* (諸暨市化肥廠) (being principally engaged in the production and marketing of fertiliser) from August 1983 to July 1993 in which he was responsible for quality control and equipment management. From July 1993 to January 2006, he worked in TGL with last position as chief engineer in TGL, and he was responsible for the research and development of environmental protection precipitator. He worked as the general manager in Zhejiang Jieda Environmental Protection Engineering Company Ltd* (浙江潔達環保集團有限公司) (being principally engaged in the design, production and installation of environmental protection projects) from February 2006 to December 2008 in which he was responsible for its overall management and operation. From January 2009 to August 2012, he worked as the vice general manager in Zhejiang Oriental Environmental Protection Equipment Co., Ltd* (浙江東方環保設備有限公司) which was principally engaged in the technology development and marketing of environmental protection equipments, and he was responsible for the overall management and operation.

Mr. Qiu has been the vice president of the fifth Council of the Environmental Protection Industry Association of Zhejiang Province* (浙江省環保產業協會第五屆理事會) since April 2013 and the deputy secretariat* (副秘書長) of third Council of Environmental Protection Industry Association of Zhuji City* (諸暨市環境保護產業協會第三屆理事會) since December 2012. He has also been the standing council member (常務理事) of the ninth Council of Environmental Science Association of Zhejiang Province* (浙江省環境科學學會第九屆理事會) since 17 April 2015. In December 2005, Mr. Qiu was accredited as senior engineer by Assessment Committee for Qualification of Senior Position for Mechanical Engineering Technician of Zhejiang Province* (浙江省機械工程技術人員高級職務任職資格評審委員會).

Mr. WANG Weizhong (王偉忠), aged 44, has been the Board secretary of our Company since 15 September 2014 and he joined our Group on 1 April 2014. Mr. Wang has approximately six years of experience in administration and personnel management.

Mr. Wang worked as a trainee teacher and a teacher at Zhejiang Dongyang Second Senior High School* (浙江省東陽市第二高級中學) from August 1991 to July 1992 and from August 1992 to May 2002 respectively.

Mr. Wang worked at Zhejiang Ruans Pearl Limited* (浙江阮仕珍珠股份有限公司) (being principally engaged in the pearl culture, processing and marketing as well as the design of pearl jewellery) as the assistant of the general manager from May 2002 to April 2008 and the deputy general manager and the secretary to the board of directors from April 2008 to June 2010 in which he was responsible for the research and development of pearl processing technology, and personnel management. From July 2010 to March 2014, he worked as the vice president of TGL and was responsible for the administration and management.

Mr. Wang completed four years of chemistry studies in the Zhejiang Normal University (浙江師範大學) in July 1991. He also completed a two-year advanced seminar programme in business administration (高級研修班) in Zhejiang University (浙江大學) in September 2006.

Mr. Wang completed a training course in relation to the practice of board secretary by the Academy for International Business Officials* (商務部培訓中心) in April 2005 and completed training for board secretary as accredited by the Shenzhen Stock Exchange (深圳證券交易所) in July 2009.

Ms. WU Fengdi (吳鳳娣), aged 33, is the financial manager of our Company. She joined our Group on 28 December 2009 and was appointed as the financial manager of our Company. Ms. Wu has approximately 11 years of experience in accounting in the atmospheric pollution control solutions industry. Ms. Wu worked as the chief accountant of TGL from April 2003 to December 2009 and she was responsible for the financials and internal auditing of TGL.

Ms. Wu completed three years of studies in accounting at Shaoxing University (紹興文理學院) in January 2008.

Mr. YU Yunjie (余運節), aged 43, is the deputy general manager of our Company and he joined our Group on 28 December 2009. He was appointed as the deputy general manager of our Company responsible for the operation of technology department on 3 May 2010 and the head of the technology department of our Company from 28 December 2009 to 2 May 2010. Mr. Yu has approximately eight years of experience in the business of provision of atmospheric pollution control solutions.

Mr. Yu worked as the manager of the engineering department and the assistant of the general manager of TGL from January 2006 to December 2008, in which he was responsible for installation of environmental protection equipments, after-sale matters and liaison with buyers, and as the manager of the engineering department and deputy head of technology department of TGL from January to November 2009 in which he was responsible for installation of environmental protection equipments, after-sale matters and liaison with buyers and personnel management and technological matters respectively. Particularly, he focused on supporting the technology of the business of provision of atmospheric pollution control solutions carried on by TGL prior to establishment of our Company in December 2009.

Mr. Yu completed four years of studies in the Hefei University of Technology (合肥工業大學) majoring in machinery manufacturing craft and equipment in July 1999. In December 2012, Mr. Yu was accredited as senior engineer by Assessment Committee for Qualification of Senior Position for Mechanical Engineering Technician of Zhejiang Province* (浙江省機械工程技術人員高級職務任職資格評審委員會).

Mr. CHEN Jianguo (陳建國), aged 55, is the deputy general manager of our Company. He joined our Group on 28 December 2009 and was appointed as the deputy general manager of our Company on 3 May 2010. Mr. Chen has approximately 22 years of experience in the business of provision of atmospheric pollution control solutions.

Mr. Chen worked as a technician in Zhuji City Industrial Environmental Protection Equipment Factory* (諸暨市工業環保設備總廠) (being principally engaged in production and marketing of industrial environmental protection equipment) from March 1991 to May 1995 in which he was responsible for the research and development of precipitators. From June 1995 to November 1998, Mr. Chen worked as the manager of engineering department and assistant officer of technology department of TGL and was responsible for supervising installation of environmental protection equipments, after-sale matters and liaison with buyers and organisation of technology related matters respectively. From June 1995 to December 2009, he worked as the head of the department of engineering and installation of TGL and was responsible for the supervising installation of environmental protection equipment's, after-sale matters and liaison with buyers. He has been working as the general manager of Tianjie Installation Engineering since December 2009 and is responsible for day-to-day operation and management, and overall business management.

Mr. Chen graduated from Zhuji County Tongshan Community High School* (諸暨縣同山人民公社中心學校) in Zhejiang Province in July 1977.

JOINT COMPANY SECRETARIES

Mr. LAU Hon Kee (劉漢基) and **Ms. SHEN Qiong (沈瓊)** are our joint company secretaries.

Mr. LAU Hon Kee (劉漢基), aged 45, has been one of the joint company secretaries of our Company since 1 November 2014 primarily responsible for the company secretarial matters of our Group. Mr. Lau has over fifteen years of experience in the finance & accounting field.

Since March 2003, Mr. Lau has been the financial controller and company secretary of Shandong Luoxin Pharmaceutical Group Stock Co., Ltd.* (山東羅欣藥業集團股份有限公司), a company listed on the Stock Exchange (Stock Code: 8058) and principally engaged in manufacturing and distribution of pharmaceutical products. He is responsible for accounting, financial reporting and corporate governance of the company. He had served as an independent non-executive director of Strong Petrochemical Holdings Limited from November 2008 to December 2011, a company listed on the Stock Exchange (Stock Code: 852) and principally engaged in trading of oil products, of which worked as chairman of audit committee responsible for corporate governance.

Mr. Lau has been a certified public accountant of the HKICPA since July 1999 and a certified public accountant of the Certified Practising Accountants Australia since March 1999. He is also a fellow member of the HKICPA since December 2006.

Mr. Lau holds a bachelor's degree in commerce from the Australian National University in Australia in April 1994 and a master's degree in professional accounting from Hong Kong Polytechnic University in October 2009.

Ms. SHEN Qiong (沈瓊), aged 31, has been one of the joint company secretaries of our Company since 1 November 2014 primarily responsible for the company secretarial and legal matters of our Group. She joined our Group in September 2014 as a legal officer. Ms. Shen has approximately eight years of legal experience in relation to business operations.

Ms. Shen worked as a legal officer in Zhejiang Group Net Industrial Co., Ltd* (浙江地淨實業有限公司) (being principally engaged in production and sales of environmental protection equipment and machineries) from August 2006 to December 2008 in which she was responsible for legal and compliance matters. From January 2009 to August 2014, she worked as a legal officer and the assistant to the manager in TGL in which she was responsible for legal and compliance matters.

Ms. Shen completed a long distance learning course majoring in law from Southwest University of Political Science & Law (西南政法大學) in July 2008. She also obtained a qualification certificate of assistant engineer in municipal engineering issued by Zhuji City Personnel Bureau* (諸暨市人事局) in April 2010.

Corporate Governance Report

The Board is pleased to present the corporate governance report of the Company.

CORPORATE GOVERNANCE

The Board is committed to upholding a high standard of corporate governance and business ethics in the firm belief that they are essential for enhancing investors' confidence and maximising shareholders' returns. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of stakeholders, comply with increasingly stringent regulatory requirements and fulfill its commitment to excellence in corporate governance.

After reviewing the Company's corporate governance practices and the relevant regulations of the Corporate Governance Code and Corporate Governance Report ("**CG Code**") as set out in Appendix 14 to the Listing Rules, the Board is satisfied that the Company complied with the CG Code provisions for the period from the Listing Date to 31 December 2015.

BOARD OF DIRECTORS.

The Board is committed to providing an effective and responsible leadership for the Company. The Directors, individually and collectively, must act in good faith in the best interests of the Company and the Shareholders. The Board has established three Board committees, being the Audit Committee, the Remuneration Committee and the Nomination Committee (each a "**Board Committee**" and collectively the "**Board Committees**"), to oversee different areas of the Company's affairs.

The Board currently comprises two executive Directors, namely Mr. Bian and Mr. Bian Weican, two non-executive Directors, namely, Mr. Bian Jianguang and Mr. Zhang Yuanyuan, three independent non-executive Directors, namely, Ms. Tam Hon Shan Celia, Mr. Dang Xiaoqing and Mr. Zhang Bing.

Their biographical details and their family relationships (where applicable) are set out in the section headed "Biographies of Directors, Supervisors and Senior Management" from pages 15 to 26 of this annual report. A list of the Directors identifying their roles and functions and whether they are independent non-executive Directors are available on the Company's website.

Mr. Bian, an executive Director and the chairman of the Board, is the son of Mr. Bian Jianguang and the brother-in-law of Mr. Zhang Yuanyuan, both are also the non-executive Directors of the Company. Save as disclosed herein, there are no other financial, business, family or other material/relevant relationships among the members of the Board.

Our Company is committed to the view that the Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong element of independency on the Board, which facilitates the effective exercise of independent judgements in the course of decision-making. Our Company is also committed to the view that the independent non-executive Directors should be of sufficient number, calibre and experience for their views to carry weight, and that they should be free of any business or other relationship which could have interfered or potentially interfere, to any material extent, with the exercise of independent judgment for the purpose of assumptions of directorship in our Company.

Mr. Bian is the chairman of the Board and the executive Director, and is responsible for overseeing the strategic planning, policy formulations as well as corporate development of our Group as well as undertaking the principal decision-making role in the supervision and management of our Company's overall operations. The Board will meet regularly to consider, discuss and review the major and appropriate issues that pertain to the operations of our Company. As such, the Board considers that sufficient measures have been taken and the vesting of the roles of Board management and the management of day-to-day business of the Company in Mr. Bian will not impair the balance of power and authority. We believe that the said balance is ensured by the effective management of the Board, of which the structure provides our Group with strong and consistent leadership and allows for a more effective and efficient business planning, decision making as well as execution of long term business strategies.

The Board sets the Group's overall objectives and strategies, monitors and evaluates its operating and financial performance and reviews the corporate governance standard of the Group. It also decides on matters such as annual and interim results, major transactions, director appointments or re-appointments, investment policies, dividend and accounting policies. The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operations of the Group's businesses to the executive Directors and the senior management of which the members should report back and obtain prior approval from the Board before making decisions or entering into any commitments for and on behalf of the Group. In compliance with the code provision D3.1 of the CG Code, the functions and powers that have been delegated are reviewed periodically to ensure that they remain appropriate to the needs of the Group.

The Board is also responsible for developing, reviewing and monitoring the policies and practices on corporate governance and legal and regulatory compliance of the Group, and the training and continuous professional development of the Directors and senior management. The Board also reviews the disclosures herein to ensure compliance.

All Board members have separate and independent access to the Group's senior management to fulfill their duties. Independent professional advice can be sought to assist the relevant Directors to discharge their duties at the Group's expense upon their request. Since November 2015, all Directors have been provided with monthly updates on the Company's performance and financial position to enable the Board as a whole and each Director to effectively discharge their duties.

All Directors are required to declare to the Board upon their first appointment of directorships or other positions concurrently held in other companies or organisations. These interests are updated on an annual basis and when necessary.

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

All Directors are aware of their responsibilities to the Shareholders and have exercised their duties with care, skill and diligence, in pursuit of the development of the Group. Every newly appointed Director receives an induction to ensure that he has a proper understanding of the business and operations of the Group and that he is fully aware of his duties and responsibilities as a director under applicable rules and requirements.

In compliance with paragraph A.6.5 of the CG Code, the Company, together with its legal adviser, organised training sessions to each of the Directors in relation to continuing obligations of a Hong Kong listed company and its directors before and after the Listing in October 2015. In addition, briefings and updates on the latest development regarding the Listing Rules and other applicable regulatory requirements are provided to each of the Directors during Board meetings to ensure compliance and enhance their awareness of good corporate governance practices.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The role of the independent non-executive Directors is to provide independent and objective opinions to the Board, giving adequate control and balances for the Group to protect the overall interests of the shareholders and the Group. They serve actively on the Board and Board Committees to provide their independent and objective views.

In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, the Company has appointed three independent non-executive Directors, representing more than one-third of the Board. One of the independent non-executive Directors has the appropriate professional qualifications in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

Each independent non-executive Director has submitted an annual confirmation in writing on his/her independence to the Company for the period from the Listing Date to 31 December 2015 pursuant to Rule 3.13 of the Listing Rules. Based on the contents of such confirmations, the Company considers that all independent non-executive Directors are independent and free of any relationship that could materially interfere with the exercise of their independent judgement.

BOARD COMMITTEES

The Board is supported by a number of committees, including the Audit Committee, Nomination Committee and Remuneration Committee. Each Board Committee has its defined and written terms of reference approved by the Board covering its duties, powers and functions. Their terms of reference are available on the Company's website.

All Board Committees are provided with sufficient resources to discharge their duties, including access to management or professional advice if considered necessary.

(i) Audit Committee

The Audit Committee was established with terms of reference in compliance with Rule 3.21 of the Listing Rules as well as paragraph C.3 of the CG Code. The Audit Committee consists of three Directors, namely Ms. Tam Hon Shan Celia (independent non-executive Director), Mr. Dang Xiaoqing (independent non-executive Director) and Mr. Zhang Bing (independent non-executive Director). Ms. Tam Hon Shan Celia, who has appropriate professional qualifications and experience in accounting matters, was appointed as the chairman of the Audit Committee.

The principal responsibilities of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems and relationship with external auditor of the Group, oversee the audit process and perform other duties and responsibilities as assigned by the Board. These include reviewing the Group's interim and annual reports.

Pursuant to the meeting of the Audit Committee on 14 March 2016, the Audit Committee has reviewed the consolidated financial statements of the Group for the Year ("**Financial Statements**"), including the accounting principles and practices adopted by the Group, the report prepared by the external auditor covering major findings in the course of the audit, and the selection and appointment of the external auditor. No meeting was held by the Audit Committee during the Year as the Company was listed in October 2015.

(ii) Remuneration Committee

The Remuneration Committee was established with terms of reference in compliance with Rule 3.25 of the Listing Rules as well as paragraph B.1 of the CG Code. The Remuneration Committee comprises three Directors, namely Mr. Dang Xiaoqing (independent non-executive Director), Mr. Zhang Bing (independent non-executive Director) and Mr. Zhang Yuanyuan (non-executive Director). Mr. Dang Xiaoqing is the chairman of the Remuneration Committee.

The principal responsibilities of the Remuneration Committee are to review and make recommendations to the Board on the overall remuneration structure and policy for all Directors and senior management as well as the specific remuneration packages for the executive Directors and senior management and on the establishment of a formal and transparent process for developing such remuneration policy. No Director takes part in any discussion on his own remuneration. The Company's objective for its remuneration policy is to maintain fair and competitive packages based on business requirements and industry practice. In order to determine the level of remuneration and fees paid to the members of the Board, market rates and factors such as each director's workload, performance, responsibility, job complexity and the Group's performance are taken into account.

Pursuant to the first meeting of the Remuneration Committee on 18 March 2015, the Remuneration Committee reviewed the remuneration policy and structure relating to, as well as the respective service contracts / letters of appointment of, the Directors and senior management of the Company. No meeting was held by the Remuneration Committee during the Year as the Company was listed in October 2015.

The remuneration of members of the senior management of the group for the Year are set out in note 8 to the Financial Statements.

(ii) Nomination Committee

The Nomination Committee was established with terms of reference in compliance with paragraph A.5 of the CG Code and comprises three Directors, namely Mr. Bian (executive Director), Mrs. Tam Hon Shan Celia (independent non-executive Director) and Mr. Zhang Bing (independent non-executive Director). Mr. Bian is the chairman of the Nomination Committee.

The principal responsibilities of the Nomination Committee are to review the composition of the Board, including its structure, size and diversity, at least annually to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Group. It is also responsible to consider and recommend to the Board any suitably qualified person to become a member of the Board, monitor the succession planning of Directors and assess the independence of independent non-executive Directors. The Nomination Committee will also give consideration to the board diversity policy adopted by the Board in March 2015 ("**Board Diversity Policy**") when identifying suitably qualified candidates to become the members of the Board, and the Board will review the Board Diversity Policy, so as to develop and review measurable objectives for the implementing the same and to monitor the progress on achieving these objectives.

Pursuant to the first meeting of the Nomination Committee on 18 March 2015, the Nomination Committee reviewed the structure, size and composition of the Board and assessed the independence of the independent non-executive Directors. No meeting was held by the Nomination Committee during the Year as the Company completed the Listing in October 2015.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in paragraph D.3.1 of the CG Code.

The Board has reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, and the Company's policies and practices on compliance with legal and regulatory requirements, the extent of compliance of the Company with the "Model Code for Securities Transactions by Directors of Listed Issuers" under Appendix 10 to the Listing Rules ("**Model Code**") and the CG Code as well as the relevant disclosures herein.

BOARD PROCEEDINGS

Pursuant to the Articles of Association, the Board is required to hold at least four Board meetings each year, to be convened and hosted by the chairman of the Board. A notice of at least fourteen days shall be dispatched for a regular Board meeting. The notice shall state the time and venue coupled with the means by which the Board meeting will be convened at least three days before the relevant meeting.

The quorum for a Board meeting is the presence of at least half of the total number of the Directors. A Director may attend the Board meeting in person, or appoint another Director in writing as his proxy to attend the Board meeting. The secretary to the Board is responsible for preparing and keeping the minutes of Board meetings and ensuring that such minutes are available for inspection by any Director.

For the period from the Listing Date to 31 December 2015, there were no Board meetings held.

GENERAL MEETINGS

For the period from the Listing Date to 31 December 2015, there were no general meetings held by the Company.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Pursuant to the Articles of Association, Directors shall be subject to election at the Company's annual general meetings with a term of office of three years and may be re-elected. The Company has implemented a set of effective procedures for the appointment of new Directors. The Nomination Committee shall, in accordance with provisions of the relevant laws and regulations and the Articles of Association, take into account the practical situations of the Company, consider the selection criteria, selection procedures and terms of office of the Directors, and record and submit the resolutions to the Board for approval. All newly nominated Directors are subject to election and approval at general meetings.

BOARD DIVERSITY POLICY

The Board adopted the Board Diversity Policy in March 2015. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

SUPERVISORY COMMITTEE

The Supervisory Committee consists of three members. The employee representative Supervisor, namely Ms. Bian Shu, was elected by employees, and the other Supervisors were elected by the Shareholders. Ms. Bian Shu entered into a service contract with the Company on 30 April 2014, each of Mr. Fu Jun and Mr. Fang Zhiguo signed a letter of appointment on 18 October 2014. Pursuant to our Articles of Association, the term of office of the Supervisors shall be three years. The functions and duties of the Supervisory Committee include, but are not limited to reviewing and verifying financial reports and, if in doubt, appointing certified public accountant and practicing auditor to re-examine the Company's financial information; monitoring the business activities of the Company; supervising the performance of the Directors, the chairman of the Board and other senior management members, and monitoring whether they had acted in violation of the laws, regulations and Articles of Association in the performance of their duties; requesting the Directors, the chairman of the Board and senior management members to rectify actions which damage the Company's interests; and exercising other rights given to them under the Articles of Association.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Group has adopted the Model Code as the code of conduct on securities transactions entered into by the Directors and Supervisors, in order to govern such transactions. Having made specific written enquiries, all Directors and Supervisors confirmed their compliance with the provisions under the Model Code throughout the Year.

JOINT COMPANY SECRETARIES

Mr. Lau Hon Kee and Ms. Shen Qiong are our joint company secretaries.

Being the joint company secretaries, Mr. Lau and Ms. Shen serve an important role in ensuring good information flow within the Board and that the Board policies and procedures are followed. Both of them are responsible for advising the Board on corporate governance matters and facilitating induction and professional development of Directors.

During the Year, the joint company secretaries of the Company complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules. The biographical details of our joint company secretaries are set out in the section headed "Biographies of Directors, Supervisors and Senior Management" in this annual report.

FINANCIAL REPORTING AND INTERNAL CONTROL

Financial reporting

The Board acknowledges its responsibility to prepare the Financial Statements which give a true and fair view of the Group's state of affairs, results and cash flows for the Year and in accordance with the Hong Kong Financial Reporting Standards issued by the HKICPA, and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622 of the Laws of Hong Kong). The Company has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgments and estimates. The Board considers that the Group has adequate resources to continue in business for the foreseeable future and is not aware of any material uncertainties relating to any events or conditions that may affect the business of the Group or cast doubts on its ability to continue as going concern.

The responsibilities of Ernst & Young, the Company's external auditor, with respect to financial reporting are set out in the section headed "Independent Auditors' Report" in this annual report.

Internal controls

The Board recognises its responsibility to ensure the Company maintains a sound and effective internal control system and the Board has conducted a review of the effectiveness of the internal control system of the Group during the Year. The Group's internal control system is designed to safeguard assets against misappropriation and unauthorised disposition and to manage operational risks. Review of the Group's internal controls covering major financial, operational and compliance controls, as well as risk management functions of different systems has been done on a systematic basis based on the risk assessments of the operations and controls. No major issues but areas for improvement have been identified. The Board and the Audit Committee considered that the key areas of the Group's internal control systems are reasonably implemented.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

Ernst & Young has been appointed as the external auditor of the Company.

During the Year, the fees to Ernst & Young in respect of its annual audit services provided to the Group was RMB1.5 million. The total fees paid and payable to Ernst & Young for the reporting accountant service in relation to the Listing was approximately RMB5.0 million.

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor during the Year.

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

The Company aims to, via its corporate governance structure, enable all Shareholders an equal opportunity to exercise their rights in an informed manner and allow them to engage actively with the Company. Under the Articles of Association, the shareholder communication policy and other relevant internal procedures of the Company, the Shareholders enjoy, among others, the following rights:

(i) Participation at general meetings

The general meetings of the Company provide an opportunity for direct communication between the Board and the Shareholders. The Company encourages the participation of the shareholders through annual general meetings and other general meetings where the Shareholders meet and exchange views with the Board, and to exercise their right to vote at meetings. The Company shall arrange notices of meetings and circulars containing details on proposed resolutions to be sent to the shareholders no less than 45 days before the meeting. At general meetings, separate resolutions are proposed on each substantial issue, including the election of individual Directors.

(ii) Enquiries and proposals to the Board

The Company encourages Shareholders to attend Shareholders' meetings and make proposals by either directly raising questions on both operational and governance matters to the Board and Board Committees at the general meetings or providing written notice of such proposals for the attention of the Company secretary at the registered office of the Company in the PRC currently at Yangfu Village, Paitou Town, Zhuji City, Zhejiang Province, the PRC, the principal place of business in Hong Kong at 22/F, World-wide House, 19 Des Voeux Road Central, Hong Kong or via email to keithvingolau@gmail.com.

(iii) Convening extraordinary general meetings

Pursuant to the Articles of Association, the Board shall convene an extraordinary general meeting or class meeting within two months where any Shareholder holding, severally or jointly, 10% or more of the Company's issued shares carrying voting rights requests in writing for the convening of an extraordinary general meeting or class meeting. The Shareholders holding, severally or jointly, 10% or more of voting shares at such proposed meeting may request the Board to convene an extraordinary general meeting or class meeting by signing and submitting one or several written requests with the same format and contents and specifying the agenda of the meeting. An extraordinary general meeting or class meeting shall be convened by the Board as soon as practicable upon receipt of the aforesaid written request. The aforesaid shareholding shall be calculated on the basis of the date on which the relevant Shareholders submit the written request. If the Board fails to dispatch a notice of convening such meeting within 30 days upon receipt of the aforesaid written request, the Shareholders individually or jointly holding 10% or more of the shares of the Company may convene such a meeting by themselves within four months of the date of the receipt of such request by the Board. The procedures for convening such meeting should follow those for convening a general meeting or class meeting of Shareholders by the Board as closely as practicable.

All reasonable expenses incurred by convening and holding the aforesaid meeting by Shareholders due to the failure of the Board to hold such meeting in response to the aforesaid request shall be borne by the Company. Such expenses shall be deducted from the amounts due by the Company to the Director(s) who have defaulted their duties.

(iv) Procedures for putting forward proposals at a general meeting

In overseeing and monitoring the business operation of the Company, the Shareholders have the right to put forward proposals and raise inquiries. Shareholders individually or together holding 3% or more of the Company's voting Shares have the right to put up ad hoc proposals in writing to the Company ten days before the holding of the general meeting, and the Company shall include such ad-hoc proposals into the agenda for such general meeting.

The contents of the proposals to be raised shall be within the scope of duties of the general meetings. It shall have a clear topic and specific matters to be resolved on, and shall be in compliance with relevant requirements of the laws, administrative regulations and the Articles of Association.

CONSTITUTIONAL DOCUMENTS

Pursuant to resolutions of the Shareholders passed on 10 October 2014 and a resolution of the Board passed on 25 September 2014, the Articles of Association were adopted with effect from the Listing Date. Save as disclosed above, there was no change in the Articles of Association during the period from the Listing Date to 31 December 2015.

The Articles of Association are available on the respective websites of the Stock Exchange and the Company.

Report of the Directors

The Directors are pleased to present the annual report together with the Financial Statements.

PRINCIPAL ACTIVITIES

The Company is well-established integrated atmospheric pollution control solution provider, with a primary focus on particulate emission control by offering mega-size precipitators to customers in various industries. During the year, the group mainly offer three types of precipitators: electrostatic precipitators, bag filter precipitators and electrostatic-bag composite precipitators.

The principal activities and other particulars of the Company's subsidiaries are set out in note 1 to the Financial Statements.

FINANCIAL POSITION AND RESULTS

The Group's financial position as at 31 December 2015 and the Group's profit for the Year are set out in the section headed "Financial Highlights" on page 5 of this annual report.

A discussion and analysis of the Group's performance during the Year and the key factors affecting its financial position and results are set out in the section headed "Management Discussion and Analysis" from pages 6 to 14 of this annual report.

FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last four financial years is set out in the section headed "Four-Year Financial Summary" on page 114 of this annual report. This summary does not form part of the audited Financial Statements.

USE OF NET PROCEEDS PURSUANT TO THE LISTING

On 12 October 2015, the Company's H-Shares (as defined on page 50 of this annual report) were listed on the Main Board of the Stock Exchange. A total of 35,000,000 H-Shares with nominal value of RMB1.00 each of the Company were issued at HK$10.90 per Share for a total of approximately RMB311.3 million. The net proceeds from the Listing (after deducting underwriting fees and related listing expenses) amounted to approximately RMB284.8 million. During the Year, the net proceeds from the Listing had not yet been utilised. As at the latest practicable date before bulk-printing of this annual report, a total amount of approximately RMB50 million from the net proceeds from the Listing had been utilised for repayment of bank loans. The unutilised net proceeds have been deposited into short-term demand deposits in a bank account maintained by the Group. In 2016, the Company will utilise the net proceeds from the Listing for the purpose consistent with those set out in the section headed "Future Plans and Use of Proceeds" in the prospectus dated 24 September 2015 prepared for the purpose of the Listing ("**Prospectus**").

DIVIDENDS

The Board does not recommend the payment of final dividend for the Year.

CONNECTED TRANSACTIONS

(I) Particulars of the transactions

Hereinbelow are a list of the connected transactions entered into by our Company or members of our Group with connected parties that continued upon Listing and were disclosed in the Prospectus with no further changes after implementation.

Description of the transactions	Inquiry Index
On 25 April 2015, the Company, as lessor, entered into a tenancy agreement ending on 31 December 2017 with Tianjie New Materials, as lessee and a wholly-owned subsidiary of TGL, for industrial use relating to the production and processing of goods ("**Tianjie New Materials Tenancy Agreement**"). Reason for entering into the Tianjie New Materials Tenancy Agreement was that the plant on the said premises is unsuitable for manufacturing of large-scale production equipments, therefore the Company leased the plant to Tianjie New Materials for manufacturing its products in return for rental income. The annual rental payable to us under the Tianjie New Materials Tenancy Agreement was determined on normal commercial terms with reference to, and was reviewed by professional surveyors and valuers independent of the Group to be fair, reasonable and consistent with, the prevailing market rates of similar properties in the locality. The amount of total rental income from Tianjie New Materials for the Year is included in note 30(a) to the Financial Statements. The Group expects the total rental income from Tianjie New Materials in 2016 and 2017 to be approximately RMB1,085,000 and RMB1,085,000, respectively.	For further details regarding the Tianjie New Materials Tenancy Agreement, please refer to the section headed "Connected Transactions" in the Prospectus.

Description of the transactions	Inquiry Index
On 25 April 2015, the Company, as lessee, entered into a tenancy agreement ending on 31 December 2017 with Zhejiang Jiasheng New Materials Co., Ltd.* (浙江嘉盛新材料有限公司) ("**Zhejiang Jiasheng**"), as lessor and a non wholly-owned subsidiary of TGL, for use as office premises and planned for production purpose ("**Zhejiang Jiasheng Office Lease Agreement**"). Reason for entering into the Zhejiang Jiasheng Office Lease Agreement was that the Company mainly used the said premises as its office and for planned production purposes, and any relocation would cause unnecessary costs and disruption. The annual rental payable by us under the Zhejiang Jiasheng Office Lease Agreement was determined on normal commercial terms with reference to, and was reviewed by professional surveyors and valuers independent of the Group to be fair, reasonable and consistent with, the prevailing market rates of similar properties in the locality. The Company would have the right to renew the lease under the Zhejiang Jiasheng Office Lease Agreement subject to compliance with all applicable laws and regulations of the PRC as well as the requirements under the Listing Rules. The lessor also granted us an option to purchase the premises subject to the terms of the lease, and such option is exercisable in whole or in part with respect to such premises. The price of purchase, where applicable, of the premises shall be the higher of (i) the fair market value of the relevant premises at the time of exercise of the option and (ii) an amount calculated by reference to the net book value of the relevant premises at the time of commencement of the lease, the rental amount, the leasing period as well as the Group's financing costs. The amount of total rental payment to Zhejiang Jiasheng for the Year is included in note 30(a) to the Financial Statements. The Group expects the total rental payment to Zhejiang Jiasheng in 2016 and 2017 to be approximately RMB500,000 and RMB500,000, respectively.	For further details regarding the Zhejiang Jiasheng Office Lease Agreement, please refer to the section headed "Connected Transactions" in the Prospectus.

Description of the transactions	Inquiry Index
On 25 April 2015, the Company, as lessee, entered into a tenancy agreement ending on 31 December 2017 with TGL, as lessor and the holding company of the Group, for use as office building ("**TGL Office Lease Agreement**"). Reason for entering into the TGL Office Lease Agreement was that we commenced the use of the said premises three years ago mainly as its office building, and any relocation would cause unnecessary costs and disruption. The annual rental payable by us under the TGL Office Lease Agreement was determined on normal commercial terms with reference to, and was reviewed by professional surveyors and valuers independent of the Group to be fair, reasonable and consistent with, the prevailing market rates of similar properties in the locality. The Company would have the right to renew the lease under the TGL Office Lease Agreement subject to compliance with all applicable laws and regulations of the PRC as well as the requirements under the Listing Rules. The lessor also granted us an option to purchase the premises subject to the terms of the lease, and such option is exercisable in whole or in part with respect to such premises. The price of purchase, where applicable, of the premises shall be the higher of (i) the fair market value of the relevant premises at the time of exercise of the option and (ii) an amount calculated by reference to the net book value of the relevant premises at the time of commencement of the lease, the rental amount, the leasing period as well as the Group's financing costs. The amount of total rental payment to TGL for the Year is included in note 30(a) to the Financial Statements. The Group expects the total rental payment to TGL in 2016 and 2017 to be approximately RMB250,000 and RMB250,000, respectively.	For further details regarding the TGL Office Lease Agreement, please refer to the section headed "Connected Transactions" in the Prospectus.

Description of the transactions	Inquiry Index
On 25 April 2015, the Company, as lessee, entered into a tenancy agreement ending on 31 December 2017 with TGL, as lessor and the holding company of the Group, for industrial use ("**TGL Industrial Lease Agreement**"). Reason for entering into the TGL Industrial Lease Agreement was that we commenced the use of the said premises three years ago mainly for industrial use, and any relocation would cause unnecessary costs and disruption. The annual rental payable by us under the TGL Industrial Lease Agreement was determined on normal commercial terms with reference to, and was reviewed by professional surveyors and valuers independent of the Group to be fair, reasonable and consistent with, the prevailing market rates of similar properties in the locality. The Company would have the right to renew the lease under the TGL Industrial Lease Agreement subject to compliance with all applicable laws and regulations of the PRC as well as the requirements under the Listing Rules. The lessor also granted us an option to purchase the premises subject to the terms of the lease, and such option is exercisable in whole or in part with respect to such premises. The price of purchase, where applicable, of the premises shall be the higher of (i) the fair market value of the relevant premises at the time of exercise of the option and (ii) an amount calculated by reference to the net book value of the relevant premises at the time of commencement of the lease, the rental amount, the leasing period as well as the Group's financing costs. The amount of total rental payment to TGL for the Year is included in note 30(a) to the Financial Statements. The Group expects the total rental payment to TGL in 2016 and 2017 to be approximately RMB3,268,000 and RMB3,268,000, respectively.	For further details regarding the TGL Industrial Lease Agreement, please refer to the section headed "Connected Transactions" in the Prospectus.

Description of the transactions	Inquiry Index
On 25 April 2015, the Company entered with TGL, the holding company of the Group, into a power supply agreement ending on 31 December 2017 ("**TGL Power Supply Agreement**"), under which TGL would procure supply of electricity to us in the premises leased by us under the TGL Office Lease Agreement and the TGL Industrial Lease Agreement in relation to daily operation of our office as well as the manufacturing and processing of goods which include the outer casings of the precipitators. Reason for entering into the subject agreement was that we commenced the use of the premises under the TGL Office Lease Agreement and the TGL Industrial Lease Agreement three years ago, and such premises are owned by TGL and accordingly the power supply services registered with the relevant power enterprises are in the name of TGL. In light of the foregoing, any procurement for alternate source of power supply would cause unnecessary costs and disruption. Whilst TGL would not charge us additional costs, the amount payable by us under the TGL Power Supply Agreement for the provision of electricity supply was determined on with reference to the fee scale implemented by the PRC Government. Payment would be furnished to TGL on a cost basis on 25th day of each calendar month in accordance with the actual amount of electricity consumed by the Company of that particular month, and such consumption amount should be confirmed by both parties to the TGL Power Supply Agreement by jointly inspecting the readings on the relevant meters on 5th day of each calendar month. The amount of total utility payment to TGL for the Year is included in note 30(a) to the Financial Statements. The Group expects the total utility payment to TGL in 2016 and 2017 to be capped at approximately RMB3,800,000 and RMB3,800,000, respectively.	For further details regarding the TGL Power Supply Agreement, please refer to the section headed "Connected Transactions" in the Prospectus.

Description of the transactions	Inquiry Index
On 25 April 2015, the Company, as purchaser, entered with Tianjie General Machinery, as service provider and the wholly-owned subsidiary of TGL, into a processing service agreement ending on 31 December 2017 ("**Processing Services Agreement**"), under which Tianjie General Machinery agreed to provide processing services such as the processing of steel to the Group. Reason for entering into the Processing Services Agreement was that Tianjie General Machinery has been providing us with processing services since January 2012 and that Tianjie General Machinery is familiar with our products and requirements. Since January 2012, Tianjie General Machinery has been providing us with processing services of consistent quality. Further, due to the geographical proximity between Tianjie General Machinery and us, the transportation costs are relatively low. In light of the foregoing circumstances, the Directors considered it would be in the interests of the Group to continue our relationship with Tianjie General Machinery on sourcing of such processing services therefrom upon the Listing. The amount payable by us under the Processing Services Agreement would be ascertained through our regular contacts with independent suppliers in order to keep ourselves abreast of the market conditions and accordingly to ensure that our engagement with Tianjie General Machinery for its supply of processing services would be fair and reasonable as well as in line with prevailing market practices. Furthermore, prior to our placing of any purchase order of processing services, we would also obtain quotations from comparable processing services that might be available from other independent suppliers for the purpose of determining whether viable alternatives of comparable quality could be obtained in a timely manner and at the most competitive price. The amount of total processing services payment to Tianjie General Machinery for the Year is included in note 30(a) to the Financial Statements. The Group expects the total services payment to Tianjie General Machinery in 2016 and 2017 to be capped at approximately RMB15,000,000 and RMB15,000,000, respectively.	For further details regarding the Processing Services Agreement, please refer to the section headed "Connected Transactions" in the Prospectus.

(II) Confirmation opinion by independent non-executive Directors on connected transactions

The independent non-executive Directors have reviewed all connected transactions as mentioned above and confirmed that:

(1) Such transactions were conducted in the ordinary course of business of the Company;

(2) Such transactions were conducted on normal commercial terms or, if transactions available for comparison were insufficient to determine whether the terms of such transactions are normal commercial terms, from the perspective of the Company, the terms of such transactions were no less favourable than the terms offered to or by independent third parties; and

(3) Such transactions were conducted in accordance with the terms of the agreements governing relevant transactions, which terms were fair and reasonable and in the interests of the Shareholders as a whole.

(III) Confirmation opinion from the Company's external auditor on connected transactions

After having reviewed the connected transactions disclosed in this annual report, Ernst & Young issued a letter to the Board to confirm nothing came to their attention that caused them to believe such connected transactions:

(1) not having been approved by the Board;

(2) not having been carried out, in all material respects, based on the pricing policy of the Company (if the transaction involves provision of goods or services by the Company);

(3) not having been carried out, in all material respects, in accordance with terms of agreements governing the relevant transactions; and

(4) having exceeded the caps as disclosed in the Prospectus.

(IV) Related party/connected transactions in note 30 to the audited financial statements of the Company for the Year

Out of the list of the related party/connected transactions set out in note 30 to the Financial Statements, the following transactions constitute connected transactions for the purpose of Chapter 14A of the Listing Rules under which the requirements have been fully complied with. Details of the said compliance are as follows:

Connected party	Type of connected transactions	Agreement for the connected transaction	Whether or not constituting connected transaction or continuing connected transaction (connected relationship)	Details of the connected transaction	Whether or not in compliance with the disclosure requirements under Chapter 14A of the Listing Rules
Tianjie New Materials	Lease	Tianjie New Materials Tenancy Agreement	Continuing connected transaction (a subsidiary of a Controlling Shareholder)	Lease of premises from us for industrial use relating to the production and processing of goods	Yes (being a de minimis continuing connected transaction exempt from the reporting, annual review, announcement, circular and the independent Shareholders' approval requirements pursuant to Rule 14A.76(1)(c) of the Listing Rules)
Zhejiang Jiasheng	Lease	Zhejiang Jiasheng Office Lease Agreement	Continuing connected transaction (a subsidiary of a Controlling Shareholder)	Lease of premises to us for our use as office premises and planned for production purpose	Yes (exempt from the circular and the independent Shareholders' approval requirements but subject to the reporting, annual review and announcement requirements pursuant to Rule 14A.76(2)(a) of the Listing Rules, having taken into account the aggregated annual transaction amount under the Zhejiang Jiasheng Office Lease Agreement, the TGL Office Lease Agreement and the TGL Industrial Lease Agreement in light of similarity in their nature)

Connected party	Type of connected transactions	Agreement for the connected transaction	Whether or not constituting connected transaction or continuing connected transaction (connected relationship)	Details of the connected transaction	Whether or not in compliance with the disclosure requirements under Chapter 14A of the Listing Rules
TGL	Lease	TGL Office Lease Agreement	Continuing connected transaction (a Controlling Shareholder)	Lease of premises to us for use as our office building	Yes (exempt from the circular and the independent Shareholders' approval requirements but subject to the reporting, annual review and announcement requirements pursuant to Rule 14A.76(2)(a) of the Listing Rules, having taken into account the aggregated annual transaction amount under the Zhejiang Jiasheng Office Lease Agreement, the TGL Office Lease Agreement and the TGL Industrial Lease Agreement in light of similarity in their nature)
TGL	Lease	TGL Industrial Lease Agreement	Continuing connected transaction (a Controlling Shareholder)	Lease of premises to us for use as our office building	Yes (exempt from the circular and the independent Shareholders' approval requirements but subject to the reporting, annual review and announcement requirements pursuant to Rule 14A.76(2)(a) of the Listing Rules, having taken into account the aggregated annual transaction amount under the Zhejiang Jiasheng Office Lease Agreement, the TGL Office Lease Agreement and the TGL Industrial Lease Agreement in light of similarity in their nature)

Connected party	Type of connected transactions	Agreement for the connected transaction	Whether or not constituting connected transaction or continuing connected transaction (connected relationship)	Details of the connected transaction	Whether or not in compliance with the disclosure requirements under Chapter 14A of the Listing Rules
TGL	Supply of utilities	TGL Power Supply Agreement	Continuing connected transaction (a Controlling Shareholder)	Supply of electricity to us in the premises leased by us under the TGL Office Lease Agreement and the TGL Industrial Lease Agreement in relation to daily operation of our office as well as the manufacturing and processing of certain goods	Yes (being a continuing connected transaction on buying of consumer services exempt from the reporting, annual review, announcement, circular and the independent Shareholders' approval requirements pursuant to Rule 14A.97 of the Listing Rules)
Tianjie General Machinery	Provision of services	Processing Services Agreement	Continuing connected transaction (a subsidiary of a Controlling Shareholder)	Provision of processing services, such as the processing of steel, to us	Yes (exempt from the circular and the independent Shareholders' approval requirements but subject to the reporting, annual review and announcement requirements pursuant to Rule 14A.76(2)(a) of the Listing Rules)

CLOSURE OF REGISTER OF MEMBERS

The registration of the transfer of Shares will be suspended from 29 April 2016 to 1 June 2016 (both days inclusive) in order to ascertain the Shareholders' entitlement to the attendance in the annual general meeting to be convened for the Year ("**2015 AGM**"). All Shareholders who wish to attend the 2015 AGM must deliver their properly completed H-Shares transfer forms accompanied by the relevant share certificates to the Registrar of H-Shares in Hong Kong, Tricor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 28 April 2016, for registration.

MAJOR CUSTOMERS AND SUPPLIERS

For the Year, the Group's sales to its five largest customers and its largest customer accounted for 29.1% and 6.9% (2014: 25.3% and 6.6%) of the Group's total sales, respectively.

For the Year, the Group's purchases from its five largest suppliers and its largest supplier accounted for 21.9% and 7.6% (2014: 36.3% and 17.6%) of the Group's total cost of sales, respectively.

During the Year, none of the Directors, their close associates nor the shareholder of the Company (which, to the best knowledge and belief of the Directors, owned more than 5% of the Company's issued capital) had any interest in any of the Group's five largest customers and suppliers.

PROPERTY, PLANT AND EQUIPMENT, AND CONSTRUCTION IN PROGRESS

Details of movements in the property, plant and equipment and construction in progress during the Year are set out in notes 12 to the Financial Statements.

SHARE CAPITAL

Details of movements in the share capital of the Group during the Year are set out in note 25 to the Financial Statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movement in the reserves of the Group during the Year are set out in the consolidated statement of changes in equity on page 60 of this annual report.

As at 31 December 2015, the Group's reserves available for distribution, calculated in accordance with the provisions of Companies Law in the PRC ("**PRC Company Law**"), amounted to approximately RMB204.3 million.

BANK LOANS

Details of bank loans of the Group as at 31 December 2015 are set out in note 23 to the Financial Statements.

RIGHTS TO ACQUIRE THE COMPANY'S SECURITIES

At no time during the Year was the Company, or any of its holding companies or subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors, Supervisors or chief executive of the Company or their respective associates or close associates (as respectively defined under the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("**SFO**") or to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate.

DIRECTORS

The Directors and the Supervisors during the Year and up to the date of this annual report were as follows:

Executive Directors

Mr. Bian *(Chairman)*
Mr. Bian Weican

Non-Executive Directors

Mr. Bian Jianguang
Mr. Zhang Yuanyuan

Independent Non-Executive Directors

Ms. Tam Hon Shan Celia (appointed on 15 September 2014)
Mr. Dang Xiaoqing (appointed on 15 September 2014)
Mr. Zhang Bing (appointed on 15 September 2014)

Supervisors

Ms. Bian Shu
Mr. Fu Jun
Mr. Fang Zhiguo

BOARD OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of the Directors, the Supervisors and senior management members of the Company are set out from page 15 to 26 of this annual report.

CONFIRMATION ON INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS AND LETTER OF APPOINTMENTS

Each of the executive Directors and non-executive Directors entered into a service contract with the Company on 28 November 2012. Each of the independent non-executive Directors signed a letter of appointment on 15 September 2014. The principal particulars of these service contracts and letters of appointment are (a) for a term commencing from the respective effective dates of their appointment until the day on which the next general meeting of the Shareholders for re-election of Directors is held, and (b) are subject to termination in accordance with their respective terms.

Ms. Bian Shu entered into a service contract with the Company on 30 April 2014, whilst each of Mr. Fu Jun and Mr. Fang Zhiguo signed a letter of appointment on 18 October 2014. As required under the Opinions on Further Promotion of Standardising Operations and Intensifying Reform of Overseas Listed Companies (Guojingmaogai No. [1999]230), the Supervisory Committee has a number of external Supervisors comprising one half or more of the Composition, among whom two or more are independent Supervisors, namely Mr. Fu Jun and Mr. Fang Zhiguo.

None of the Directors and the Supervisors had entered into a service contract with the Company or its subsidiaries which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

None of the Directors and the Supervisors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during or subsisted at the end of the Year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

EMOLUMENT POLICY

The Nomination Committee and the Remuneration Committee were set up for, among others, reviewing and making recommendations on remuneration policy and scheme for directors, supervisors, senior management and employees, taking into account salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group.

The Company has not adopted any share award scheme or share option scheme.

REMUNERATION OF DIRECTORS, SUPERVISORS AND FIVE HIGHEST-PAID INDIVIDUALS

Details of the remuneration of the Directors, the Supervisors and five highest-paid individuals are set out in notes 8 and 9 to the Financial Statements, under which the bonuses paid to or otherwise receivable by the relevant individuals form part of the item "Salaries, allowances and benefits in kind". During the Year, no amounts were paid to or receivable by any of the relevant individuals (i) as an inducement to join or upon joining the Company and (ii) as compensation for loss of any office in connection with the management of the affairs of any member of the Group.

PENSION SCHEMES

Particulars of the pension schemes of the Group are set out in note 6 to the Financial Statements.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS AND SUPERVISORS

Save as disclosed in the section headed "Biographies of Directors, Supervisors and Senior Management" in this annual report, during the Year, there were no changes to information which are required to be disclosed and has been disclosed by the Directors and the Supervisors pursuant to paragraph (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

Directors' and chief executive's interest and/or short position in the shares, underlying shares and debentures of the Company

As at 31 December 2015, the interests and short positions of each of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures (including ordinary Shares subscribed for and paid up in Renminbi, i.e. "**Domestic Shares**", and overseas listed foreign Shares listed on the Main Board of the Stock Exchange and traded in Hong Kong dollars, i.e. "**H-Shares**") of the Company and any of its associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Listing Rules were as follows:

Name of Director	Capacity/ Nature of interest	Number of Domestic Shares	Approximate % of total issued Domestic Shares	Approximate % of Company's share capital
Mr. Bian *(Note 1)*	Beneficial owner	13,671,000	13.67	10.13
	Interest in a controlled corporation *(Note 2)*	70,000,000	70	51.85
Mr. Bian Jianguang *(Note 1)*	Beneficial owner	6,843,000	6.84	5.07
	Interest in a controlled corporation *(Note 2)*	70,000,000	70	51.85
Mr. Bian Weican	Beneficial owner	1,851,000	1.85	1.37
Ms. Bian Shu *(Note 1)*	Beneficial owner	3,933,000	3.93	2.91
	Interest in a controlled corporation *(Note 2)*	70,000,000	70	51.85
Mr. Zhang Yuanyuan *(Note 3)*	Family interest of spouse	73,933,000	73.93	54.76

Notes:

1. The Company is held as to approximately 51.85% by TGL, approximately 10.13% by Mr. Bian, approximately 5.07% by Mr. Bian Jianguang, approximately 2.91% by Ms. Bian Shu, approximately 1.37% by Mr. He Jianmin, approximately 1.37% by Mr. Bian Weican and approximately 1.37% by Mr. Chen Jiancheng. TGL is held as to approximately 64.08% by Mr. Bian, approximately 22.81% by Mr. Bian Jianguang and approximately 13.11% by Ms. Bian Shu.

2. The disclosed interest represents the interest in the Company held by TGL which is in turn approximately 64.08% owned by Mr. Bian, approximately 22.81% owned by Mr. Bian Jianguang and approximately 13.11% owned by Ms. Bian Shu. Therefore, Mr. Bian, Mr. Bian Jianguang and Ms. Bian Shu are deemed to be interested in TGL's interest in the Company by virtue of the SFO. The indirect interests in the Company's share capital owned by Mr. Bian, Mr. Bian Jianguang and Ms. Bian Shu via their respective interests in TGL are approximately 33.23%, 11.83% and 6.80% respectively.

3. Mr. Zhang Yuanyuan, the spouse of Ms. Bian Shu, is deemed to be interested in Ms. Bian Shu's interest in the Company by virtue of the SFO.

Substantial Shareholders' interests and/or short position in the Shares and underlying Shares of the Company

In respect of the register of substantial Shareholders (not being a Director or chief executive of the Company) required to be kept under section 336 of Part XV of the SFO shows that as at 31 December 2015, the Company had been notified of the following substantial Shareholders' interests and short positions. These interests are in addition to those disclosed above in respect of the Directors and chief executive of the Company.

1. *Long position in respect of Domestic Shares as at 31 December 2015:*

Name	Capacity/ Nature of interest	Number of Domestic Shares	Approximate % of total issued Domestic Shares	Approximate % of Company's share capital
TGL *(Note 1)*	Beneficial owner	70,000,000	70	51.85
Ms. Bao Guo *(Note 2)*	Family interest of spouse	83,671,000	83.67	61.98
Ms. Xu You *(Note 3)*	Family interest of spouse	76,843,000	76.84	56.92

Notes:

1. TGL is directly interested in approximately 51.85% in the Company.

2. Ms. Bao Guo, the spouse of Mr. Bian, is deemed to be interested in Mr. Bian's interest in the Company by virtue of the SFO.

3. Ms. Xu You, the spouse of Mr. Bian Jianguang, is deemed to be interested in Mr. Bian Jianguang's interests in the Company by virtue of the SFO.

2. *Long position in respect of H-Shares as at 31 December 2015:*

Name	Capacity/ Nature of interest	Number of H-Shares	Approximate % of total issued H-Shares	Approximate % of Company's share capital
Sinotak Limited	Interest in a controlled corporation	9,792,600	27.98	7.26
Zhang Wei *(Note 4)*	Beneficial owner	9,792,600	27.98	7.26
Hong Kong Joint Financial Investment Ltd	Interest in a controlled corporation	5,504,400	15.73	4.08
Zhao Kai Yuan *(Note 5)*	Beneficial owner	5,504,400	15.73	4.08
Kylin International (HK) Co., Ltd	Beneficial owner	1,834,800	5.24	1.36
凱銀投資管理有限公司 *(Note 6)*	Interest in a controlled corporation	1,834,800	5.24	1.36
德信控股集團有限公司 *(Note 7)*	Interest in a controlled corporation	1,834,800	5.24	1.36
Hu Yiping *(Note 8)*	Interest in a controlled corporation	1,834,800	5.24	1.36

Notes:

4. Mr. Zhang Wei, the controlling shareholder of Sinotak Limited, is deemed to be interested in Sinotak Limited's interests in the Company by virtue of the SFO.

5. Mr. Zhao Kai Yuan, the controlling shareholder of Hong Kong Joint Financial Investment Ltd, is deemed to be interested in Hong Kong Joint Financial Investment Ltd's interests in the Company by virtue of the SFO.

6. 凱銀投資管理有限公司, the controlling shareholder of Kylin International (HK) Co., Ltd ("**Kylin International**"), is deemed to be interested in Kylin International's interests in the Company by virtue of the SFO.

7. 德信控股集團有限公司, the controlling shareholder of 凱銀投資管理有限公司, is deemed to be interested in Kylin International's interests in the Company by virtue of the SFO and note 6 above.

8. Mr. Hu Yiping, the controlling shareholder of 德信控股集團有限公司, is deemed to be interested in Kylin International's interests in the Company by virtue of the SFO as well as note 6 and 7 above.

PURCHASE, SALES AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

From the Listing Date to 31 December 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the PRC Company Law, which would oblige the Company to offer new Shares on a pro rata basis to the existing Shareholders.

INTEREST OF COMPLIANCE ADVISER

As notified by China Everbright Capital Limited ("**China Everbright**"), the Company's compliance adviser, neither China Everbright nor any of its directors or employees or associates had any significant interest in the Share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 31 December 2015.

SUFFICIENCY OF PUBLIC FLOAT

As at the latest practicable date prior to the issue of this annual report and based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the minimum public float of 25% as required under the Listing Rules.

COMPLIANCE WITH NON-COMPETE UNDERTAKING

Each of Mr. Bian, Mr. Bian Jianguang and Ms. Bian Shu (the Controlling Shareholders) has confirmed to the Company that he/she has complied with the non-compete undertaking given by them to the Company on 20 October 2014. The independent non-executive Directors of the Company have reviewed the status of compliance and enforcement of the non-compete undertaking and confirmed that all the undertakings thereunder have been complied with throughout the period from the Listing Date to 31 December 2015.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Since the Listing Date up to (and including) 31 December 2015, the Company complied with all code provisions as set out in the CG Code contained in Appendix 14 of the Listing Rules.

SIGNIFICANT LEGAL PROCEEDINGS

For the Year, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company.

POST-YEAR SIGNIFICANT EVENTS

There were no significant events occurred or arising after the Year with respect to the Group.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial report matters including the review of the Financial Statements.

AUDITOR

The Financial Statements have been audited by Ernst & Young, who shall retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Ernst & Young as auditor of the Group is to be proposed at the 2015 AGM.

By order of the Board

Bian Yu
Chairman

Zhuji City, Zhejiang Province, the PRC
27 March 2016

Supervisory Committee Report

In 2014, the current session of the Supervisory Committee was established in accordance with the PRC Company Law and resolutions of general meetings. The current session of the Supervisory Committee comprises three Supervisors, namely Ms. Bian Shu, Mr. Fu Jun and Mr. Fang Zhiguo.

In the Year, for the Company's long term interests and Shareholders' interests, the Supervisory Committee acted in strict compliance with relevant laws, regulations, rules, regulatory documents, the Articles of Association and Listing Rules and earnestly performed their duties of supervision as to the acts of the Directors and senior management of the Company. The main area of work of the Supervisory Committee in 2015 is summarised as follows:

I. MEETING CONDUCTED BY THE SUPERVISORY COMMITTEE

The Supervisory Committee convened two meetings in the Year.

II. WORK OF THE SUPERVISORY COMMITTEE

The work of the first session of the Supervisory Committee mainly comprised the followings:

1. Inspection over implementation of resolutions of the general meetings

The Supervisory Committee exercised supervision and inspection of the implementation of the resolutions in general meetings by the Board and the senior management through observation and attendance at the board meetings and general meetings. The Supervisory Committee is of the opinion that the Directors and senior management of the Company have diligently performed their duties in compliance with resolutions of the general meetings. No violation of any laws or regulations or Articles of Association or any act which jeopardises the interests of the Company or Shareholders has been found in the performance of the Company's directors and senior management.

2. Inspection over legal compliance of the Group's operations

The Supervisory Committee exercised supervision on a regular basis over the legal compliance and rationality of the Group's operation and management in its ordinary work. It has also exercised supervision over work performance of the Board and senior management. The Supervisory Committee is of the opinion that the Group's operation is sound and rational, and is in compliance with all applicable laws, regulations and rules and the Articles of Association. The members of the Board and senior management of the Group have conscientiously and diligently performed their duties, and none of their act would prejudise the interests of the Group or the Shareholders.

3. Inspection over the Group's daily operating activities

The Supervisory Committee exercised supervision over the Group's operating activities. The Supervisory Committee is of the opinion that the Group has a sound internal control system and has made a great progress in the formulation and implementation of its internal work procedures, thus effectively controlled its exposure to various operating risks. The Group's operation is in compliance with the PRC laws and regulations and the Articles of Association.

4. Inspection over the Group's financial condition

The Supervisory Committee has reviewed the Financial Statements, supervised and inspected the Group's implementation of relevant financial policies and legislations as well as details on the Group's assets, financial income and expenditure. The Supervisory Committee is of the opinion that the Financial Statements fairly reflected its financial position and operating results.

Looking forward, the Supervisory Committee will continue to carry out its duties in strict compliance with the Articles of Association and the relevant laws and regulations and protect the interests of the Shareholders.

Bian Shu
Chairman of the Supervisory Committee

Zhuji City, Zhejiang Province, the PRC
27 March 2016

Independent Auditors' Report

To the shareholders of Zhejiang Tengy Environmental Technology Co., Ltd
(Established in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Zhejiang Tengy Environmental Technology Co., Ltd (the "Company") and its subsidiaries set out on pages 58 to 113, 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, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

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

OPINION

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

Ernst & Young
Certified Public Accountants
Hong Kong

14 March 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
REVENUE	5	**919,975**	781,905
Cost of sales		**(733,399)**	(638,746)
Gross profit		**186,576**	143,159
Other income and gains	5	**9,244**	3,022
Selling and distribution expenses		**(16,180)**	(16,176)
Administrative expenses		**(33,098)**	(17,621)
Other expenses		**(1,767)**	(2,235)
Finance costs	7	**(10,376)**	(9,981)
PROFIT BEFORE TAX	6	**134,399**	100,168
Income tax expense	10	**(37,934)**	(25,979)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**96,465**	74,189
Attributable to:			
Owners of the parent		**96,465**	74,189
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)			
— For profit for the year	11	**0.90**	0.74

Consolidated Statement of Financial Position

31 December 2015

	Notes	2015 RMB'000	2014 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	12	**42,878**	41,511
Investment property	13	**16,515**	17,470
Prepaid land lease payments	14	**11,549**	12,524
Intangible assets	15	**195**	79
Deferred tax assets	24	**18,261**	14,791
Pledged deposits	20	**17,606**	42,652
Total non-current assets		**107,004**	129,027
CURRENT ASSETS			
Inventories	16	**40,788**	32,877
Gross amounts due from contract customers	17	**703,831**	377,303
Trade and bills receivables	18	**420,875**	294,505
Prepayments, deposits and other receivables	19	**43,234**	56,037
Pledged deposits	20	**75,272**	16,188
Cash and cash equivalents	20	**209,936**	3,285
Total current assets		**1,493,936**	780,195
CURRENT LIABILITIES			
Gross amounts due to contract customers	17	**89,523**	98,932
Trade and bills payables	21	**431,431**	232,841
Advances from customers, other payables and accruals	22	**263,342**	140,260
Interest-bearing bank borrowings	23	**174,000**	173,000
Tax payable		**31,353**	23,427
Total current liabilities		**989,649**	668,460
NET CURRENT ASSETS		**504,287**	111,735
TOTAL ASSETS LESS CURRENT LIABILITIES		**611,291**	240,762
Net assets		**611,291**	240,762
EQUITY			
Equity attributable to owners of the parent			
Share capital	25	**135,000**	100,000
Share premium	25	**239,064**	–
Reserves	26	**237,227**	140,762
Total equity		**611,291**	240,762

Bian Yu
Director

Bian Weican
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

		Attributable to owners of the parent					
	Note	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve* RMB'000	Safety production reserve* RMB'000	Retained profits* RMB'000	Total equity RMB'000
At 1 January 2014		100,000	–	10,807	2,185	103,581	216,573
Profit and total comprehensive income for the year		–	–	–	–	74,189	74,189
Dividends declared		–	–	–	–	(50,000)	(50,000)
Appropriation to statutory surplus reserve		–	–	7,408	–	(7,408)	–
Appropriation to safety production reserve		–	–	–	1,871	(1,871)	–
At 31 December 2014 and 1 January 2015		100,000	–	18,215	4,056	118,491	240,762
Profit and total comprehensive income for the year		–	–	–	–	96,465	96,465
Issue of shares	*25*	35,000	276,337	–	–	–	311,337
Share issue expenses	*25*	–	(37,273)	–	–	–	(37,273)
Appropriation to statutory surplus reserve		–	–	9,857	–	(9,857)	–
Appropriation to safety production reserve		–	–	–	806	(806)	–
At 31 December 2015		135,000	239,064	28,072	4,862	204,293	611,291

* These reserve accounts comprise the consolidated reserves of RMB237,227,000 (2014: RMB140,762,000) in the consolidated statement of financial position.

** No dividends were declared or paid by the Company during the year (2014: RMB50,000,000).

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		**134,399**	100,168
Adjustments for:			
Finance costs	7	**10,376**	9,981
Bank interest income	6	**(598)**	(264)
Foreign exchange differences, net		**(1,499)**	(59)
Depreciation of property, plant and equipment	6	**3,845**	3,061
Depreciation of an investment property	6	**955**	955
Amortisation of prepaid land lease payments	6	**975**	957
Amortisation of intangible assets	6	**42**	11
Write-off of trade receivables		**–**	845
Write-off of other receivables		**–**	7
Amortisation of prepaid rental expense		**3,768**	721
Reversal of impairment of inventories	6	**–**	(2,214)
Impairment of trade receivables	6	**3,707**	87
Impairment of other receivables	6	**150**	487
		156,120	114,743
(Increase)/decrease in inventories		**(7,911)**	13,145
Increase in gross amounts due from/(to) contract customers		**(335,937)**	(151,182)
(Increase)/decrease in trade and bills receivables		**(130,077)**	34,578
Increase in prepayments, deposits and other receivables		**(83)**	(2,985)
(Increase)/decrease in pledged deposits — current		**(59,084)**	4,796
Decrease/(increase) in pledged deposits — non-current		**25,046**	(21,348)
Increase in trade and bills payables		**198,340**	8,677
Increase in advances from customers, other payables and accruals		**124,539**	65,112
Cash (used in)/generated from operations		**(29,047)**	65,536
Interest received		**598**	264
Interest paid		**(10,376)**	(9,901)
Income tax paid		**(33,478)**	(26,618)
Net cash flows (used in)/generated from operating activities		**(72,303)**	29,281
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(5,212)**	(14,888)
Purchase of a land use right		**–**	(1,224)
Additions to intangible assets		**(158)**	–
Net cash flows used in investing activities		**(5,370)**	(16,112)

	Notes	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**303,240**	221,000
Repayment of bank loans		**(302,240)**	(186,000)
Proceeds from issue of shares		**311,337**	–
Share issue expenses		**(26,512)**	(8,111)
Loans from the holding company		**–**	83,554
Repayment of loans from the holding company		**–**	(83,554)
Repayment of other loans		**–**	(5,000)
Dividend paid		**(3,000)**	(47,000)
Net cash flows generated from/(used in) financing activities		**282,825**	(25,111)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**205,152**	(11,942)
Cash and cash equivalents at beginning of year		**3,285**	15,168
Effect of foreign exchange rate changes, net		**1,499**	59
CASH AND CASH EQUIVALENTS AT END OF YEAR		**209,936**	3,285
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	20	**209,936**	3,285
Cash and cash equivalents as stated in the statements of financial position and statements of cash flows		**209,936**	3,285

1. CORPORATE AND GROUP INFORMATION

The Company is a joint stock company with limited liability established in the People's Republic of China ("PRC"). The registered office of the Company is located at Yangfu Village, Paitou Town, Zhuji City, Zhejiang Province, PRC.

The Company and its subsidiaries are principally engaged in the design, development, manufacturing, installation and sale of environmental pollution prevention equipment and electronic products.

On 12 October 2015, the Company succeeded its listing on the Main Board of the Stock Exchange of Hong Kong Limited (" SEHK").

In the opinion of the directors, the holding company of the Company is Tengy Group Limited ("TGL") (天潔集團有限公司), which is established in the PRC. The ultimate controlling shareholders are Bian Yu, Bian Jianguang and Bian Shu.

Particulars of the Company's subsidiaries at 31 December 2015 are set out below:

Name	Registered/ paid-up capital	Percentage of equity attributable to the Company Direct	Place and date of establishment/ registration and place of operations	Principal activities
諸暨市天潔安裝工程有限公司 ("Tianjie Installation Engineering")	RMB4,500,000	100%	PRC/Mainland China 14 May 2003	Provision of installation services
諸暨市天潔電子科技有限公司 ("Tianjie Electronic and Technology")	RMB2,000,000	100%	PRC/Mainland China 29 June 2009	Manufacture and sale of electronic products
吐魯番天潔環境科技有限公司 ("Turpan Environmental")	RMB20,000,000	100%	PRC/Mainland China 19 July 2013	Manufacture and sale of environmental pollution prevention equipment and electronic products

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirement of Hong Kong Companies Ordinance.

They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year's financial statements.

Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions*

Annual Improvements to HKFRSs 2010–2012 Cycle

Annual Improvements to HKFRSs 2011–2013 Cycle

The nature and the impact of each amendment is described below:

(a) Amendments to HKAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.

(b) The *Annual Improvements to HKFRSs 2010–2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

- HKAS 16 *Property, Plant and Equipment* and HKAS 38 *Intangible Assets*: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.

- HKAS 24 *Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(c) The *Annual Improvements to HKFRSs 2011–2013 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 3 *Business Combinations*: Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.

- HKFRS 13 *Fair Value Measurement*: Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.

- HKAS 40 *Investment Property*: Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group as the Group did not acquire any investment properties during the year.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012–2014 Cycle	Amendments to a number of HKFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group
4 No mandatory effective date yet determined but is available for adoption

The directors anticipate that the application of the new and revised HKFRSs will have no material impact on the financial statements except for the application of HKFRS 15. Further information about HKFRS 15 is as follows:

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, financial assets and investment property), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets *(Continued)*

An assessment is made at the end of each of the Reporting Period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it.

Related parties

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	4.75%
Plant and machinery	9.50%
Office equipment	19.00% – 31.67%
Motor vehicles	23.75%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings, plant and machinery under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business.

Investment properties are accounted for using the cost model.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties *(Continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each item of investment property to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Building	4.75%
Land used right	2.74%

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 3 years.

Patent

Purchased patent is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 10 years.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding 5 to 7 years, commencing from the date when the products are put into commercial production.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in administrative expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to administrative expenses in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals, amounts due to holding company, related companies and related parties and interest-bearing bank borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in the country in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" below;

(c) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services" below;

(d) rental income, on a time proportion basis over the lease terms;

(e) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(f) dividend income, when the shareholders' right to receive payment has been established.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of outsourcing, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised using the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Contracts for services *(Continued)*

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Other employee benefits

Pension scheme

The employees of the Company and its subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These companies are required to contribute 14% of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as a part of the cost of those assets. The capitalisation of such borrowing costs ceases when 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 capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the directors were classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting.

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Exchange differences arising from the settlement of such transactions and from the retranslation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments — Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment property and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If these portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

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

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Further details are contained in note 24 to the financial statements.

Impairment of trade and other receivables

Impairment of trade and other receivables is made based on ongoing assessment of the recoverability of trade and other receivables. The identification of impairment requires management's judgements and estimates. Where the actual outcome is different from the original estimate, such differences will impact on the carrying values of the trade and other receivables and the impairment loss in the period in which such estimate has been changed.

Useful lives and residual values of property, plant and equipment and investment property

In determining the useful lives and residual values of items of property, plant and equipment and investment property, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset and the legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way.

Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment and investment property are different from the previous estimation. Useful lives and residual values are reviewed at each financial year end date based on changes in circumstances.

Estimation of total budgeted costs and cost to completion for construction contracts

Total budgeted costs for construction contracts comprise (i) direct material costs, (ii) costs of outsourcing and direct labour, and (iii) an appropriation of variable and fixed service overheads. In estimating the total budgeted costs for construction contracts, management makes reference to information such as (i) current market price of raw materials, (ii) current offers from sub-contractors and suppliers, and (iii) recent offers agreed with sub-contractors and suppliers.

Percentage of completion of construction works

The Group recognises revenue according to the percentage of completion of individual contracts of construction works, which requires estimation to be made by management. The stage of completion is measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract, and the corresponding contract revenue is also estimated by management. Due to the nature of the activity undertaken in construction contracts, the date at which the activity is entered into and the date at which the activity is completed usually fall into different accounting periods. Hence, the Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses. Where the actual contract revenue is less than expected or actual contract costs are more than expected, a foreseeable loss may arise.

4. OPERATING SEGMENT INFORMATION

The Group's turnover during the year was mainly derived from the sale of environmental pollution prevention equipment. The products of the Group are subject to similar risks and returns and, therefore, the Group has only one business segment.

Geographical information

(a) Revenue from external customers

	2015 RMB'000	2014 RMB'000
Mainland China	896,367	754,642
Other countries	23,608	27,263
	919,975	781,905

The revenue information above is based on the locations of the customers.

(b) Non-current assets

All non-current assets of the Group are located in Mainland China.

Information about major customers

For the years ended 31 December 2015 and 2014, no revenue from sales to a single customer amounted to 10% or more of the Group's total revenue.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, represents an appropriate proportion of contract revenue of construction contracts; the net invoiced value of goods sold, after allowances for returns and trade discounts; and the value of services rendered during the year.

An analysis of revenue, other income and gains is as follows:

	2015 RMB'000	2014 RMB'000
Revenue		
Construction contracts	916,073	776,596
Sale of goods	3,862	5,013
Rendering of services	40	296
	919,975	781,905
Other income		
Bank interest income	598	264
Government grants	3,699	1,612
Gross rental income	1,085	1,085
Compensation income	507	–
Others	24	2
	5,913	2,963
Gains		
Foreign exchange gain	3,331	59
	3,331	59
	9,244	3,022

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2015 RMB'000	2014 RMB'000
Cost of services provided		**731,771**	636,606
Cost of inventories sold		**1,628**	2,140
Depreciation of property, plant and equipment	12	**3,845**	3,061
Depreciation of an investment property	13	**955**	955
Amortisation of prepaid land lease payments	14	**975**	957
Amortisation of intangible assets	15	**42**	11
Amortisation of prepaid rental expense		**3,768**	721
Write-off of trade receivables		**–**	845
Write-off of other receivables		**–**	7
Auditors' remuneration		**1,459**	220
Employee benefit expense (excluding directors', supervisors' and chief executive's remuneration (note 8))			
Wages and salaries		**43,529**	31,330
Pension scheme contributions		**3,444**	2,472
Staff welfare expenses		**3,839**	3,980
		50,812	37,782
Foreign exchange differences, net		**(3,331)**	(59)
Reversal of impairment of inventories	16	**–**	(2,214)
Impairment of trade receivables	18	**3,707**	87
Impairment of other receivables	19	**150**	487
Bank interest income	5	**(598)**	(264)
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment property		**955**	955

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2015 RMB'000	2014 RMB'000
Interest on loans from the holding company	**–**	80
Interest on bank loans	**10,215**	9,535
Interest on discounted bills	**161**	366
	10,376	9,981

8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors', supervisors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about Benefits of Directors) Regulation, is as follows:

	2015 RMB'000	2014 RMB'000
Fees	–	–
Other emoluments:		
Salaries, allowances and benefits in kind	1,716	776
Pension scheme contributions	91	53
	1,807	829

(a) Independent non-executive directors

Zhang Bing, Dang Xiaoqing and Tam Hon Shan Celia were appointed as independent non-executive directors on 15 September 2014 and there were no fees and other emoluments payable to Zhang Bing and Dang Xiaoqing during the year ended 31 December 2014.

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2015				
Tam Hon Shan Celia	–	236	–	236
Dang Xiaoqing	–	10	–	10
Zhang Bing	–	10	–	10
	–	256	–	256

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2014				
Tam Hon Shan Celia	–	57	–	57
Dang Xiaoqing	–	–	–	–
Zhang Bing	–	–	–	–
	–	57	–	57

8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

(b) Executive director, non-executive directors, supervisors and the chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2015				
Executive directors:				
Bian Yu	–	481	18	499
Bian Weican	–	177	20	197
	–	658	38	696
Non-executive directors:				
Bian Jianguang	–	121	–	121
Zhang Yuanyuan	–	146	20	166
	–	267	20	287
Supervisors:				
Bian Shu	–	177	20	197
Fu Jun (2)	–	10	–	10
Fang Zhiguo (2)	–	10	–	10
	–	197	20	217
Chief executive:				
Qiu Jinxing	–	338	13	351
	–	1,460	91	1,551

8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

(b) Executive director, non-executive directors, supervisors and the chief executive *(Continued)*

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2014				
Executive directors:				
Bian Yu	–	86	18	104
Bian Weican	–	138	18	156
	–	224	36	260
Non-executive directors:				
Bian Jianguang	–	30	–	30
Zhang Yuanyuan	–	30	–	30
	–	60	–	60
Supervisors:				
Bian Shu	–	53	3	56
Fu Jun (2)	–	–	–	–
Fang Zhiguo (2)	–	–	–	–
Chen Jiancheng (1)	–	–	–	–
Zhang Genfa (1)	–	42	4	46
	–	95	7	102
Chief executive:				
Qiu Jinxing	–	340	10	350
	–	719	53	772

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

Notes:

(1) Zhang Genfa and Chen Jiancheng resigned as supervisors with effect from 10 May 2014.

(2) Fu Jun and Fang Zhiguo were appointed as supervisors of the Company with effect from 18 October 2014.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors and the chief executive (2014: one director and the chief executive), details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2014: three) highest paid employees who are neither a director nor chief executive of the Company during the year are as follows:

	2015 RMB'000	2014 RMB'000
Salaries, allowances and benefits in kind	762	762
Pension scheme contributions	23	31
	785	793

The remuneration of all the non-director and non-chief executive highest paid employees fell within the band of nil to HK$1,000,000.

10. INCOME TAX

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations, the Company and its subsidiaries which operate in Mainland China are subject to Corporate Income Tax ("CIT") at a rate of 25% on the taxable income.

The income tax expense of the Group is analysed as follows:

	2015 RMB'000	2014 RMB'000
Current — Charged for the year	41,404	33,639
Deferred (note 24)	(3,470)	(7,660)
Total tax charge for the year	37,934	25,979

A reconciliation of the tax expense applicable to profit before tax at the statutory rate to the tax expense at the effective tax rate is as follows:

	2015 RMB'000	2014 RMB'000
Profit before tax	134,399	100,168
Tax at the statutory tax rate of 25%	33,600	25,042
Effect of non-deductible expenses	548	828
Tax losses not recognised	3,786	109
Tax charge at the Group's effective tax rate	37,934	25,979

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 107,767,000 (2014:100,000,000) in issue during the year.

There were no potentially dilutive ordinary shares in issue during the years ended 31 December 2015 and 2014.

The calculations of basic earnings per share are based on:

	2015 RMB'000	2014 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation:	**96,465**	74,189

	Number of shares	
	2015	2014
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**107,767,000**	100,000,000

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2015						
At 1 January 2015:						
Cost	26,700	21,303	599	1,050	4,671	54,323
Accumulated depreciation	(6,116)	(6,236)	(317)	(143)	–	(12,812)
Net carrying amount	20,584	15,067	282	907	4,671	41,511
At 1 January 2015, net of accumulated depreciation	20,584	15,067	282	907	4,671	41,511
Additions	–	2,109	200	5	2,898	5,212
Depreciation provided during the year	(1,573)	(1,826)	(196)	(250)	–	(3,845)
Transfers	1,125	–	–	–	(1,125)	–
At 31 December 2015, net of accumulated depreciation	20,136	15,350	286	662	6,444	42,878
At 31 December 2015, Cost	27,825	23,412	799	1,055	6,444	59,535
Accumulated depreciation	(7,689)	(8,062)	(513)	(393)	–	(16,657)
Net carrying amount	20,136	15,350	286	662	6,444	42,878
31 December 2014						
At 1 January 2014:						
Cost	16,004	17,618	350	228	4,548	38,748
Accumulated depreciation	(5,054)	(4,416)	(249)	(32)	–	(9,751)
Net carrying amount	10,950	13,202	101	196	4,548	28,997
At 1 January 2014, net of accumulated depreciation	10,950	13,202	101	196	4,548	28,997
Additions	–	3,600	249	822	10,904	15,575
Depreciation provided during the year	(1,062)	(1,820)	(68)	(111)	–	(3,061)
Transfers	10,696	85	–	–	(10,781)	–
At 31 December 2014, net of accumulated depreciation	20,584	15,067	282	907	4,671	41,511
At 31 December 2014, Cost	26,700	21,303	599	1,050	4,671	54,323
Accumulated depreciation	(6,116)	(6,236)	(317)	(143)	–	(12,812)
Net carrying amount	20,584	15,067	282	907	4,671	41,511

As at 31 December 2015, certain of the Group's buildings with a net carrying amounts of approximately RMB8,371,000 (2014: RMB9,330,000) were pledged to secure bank loan facilities granted to the Group (note 23).

13. INVESTMENT PROPERTY

	2015 RMB'000	2014 RMB'000
Carrying amount at beginning of year	17,470	18,425
Depreciation provided during the year	(955)	(955)
Carrying amount at end of year	16,515	17,470

The Group's investment property is situated in Mainland China and is held under a short term lease.

The Group's investment property consists of an industrial property. The investment property is leased to a related party under operating leases, further summary details of which are included in note 30(a) to the financial statements.

The investment property is measured at cost. The fair value of the investment property as at 31 December 2015 was RMB20,900,000 (2014: RMB20,800,000), based on valuations performed by DTZ Debenham Tie Leung Limited, an independent professionally qualified valuer.

As at 31 December 2015, the Group's investment property with a net carrying amount of RMB16,515,000 (2014: RMB17,470,000) was pledged to secure bank loan facilities granted to the Group (note 23).

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's investment property:

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Investment property	–	–	20,900	20,900

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Investment property	–	–	20,800	20,800

13. INVESTMENT PROPERTY *(Continued)*

Fair value hierarchy *(Continued)*

Below is a summary of the valuation technique used and the key inputs to the valuation of investment property:

Investment property	Valuation technique	Significant unobservable inputs	Range
31 December 2014	Income approach	Market monthly rental rate (RMB/square metre)	7.06
		Yield rate	5%
31 December 2015	Income approach	Market monthly rental rate (RMB/square metre)	7.30
		Yield rate	5%

Under the income approach, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

Prevailing market rents are estimated based on the independent valuer's view of recent letting transactions within the subject properties and other comparable properties. A significant increase (decrease) in the estimated rental value in isolation would result in a significant increase (decrease) in the fair value of the investment property. A significant increase (decrease) in the yield rate in isolation would result in a significant decrease (increase) in the fair value of the investment property. Generally, a change in the assumption made for the estimated rental value is accompanied by an opposite change in the yield rate.

14. PREPAID LAND LEASE PAYMENTS

	2015 RMB'000	2014 RMB'000
Carrying amount at beginning of year	13,499	13,232
Additions	–	1,224
Amortised during the year	(975)	(957)
Carrying amount at end of year	12,524	13,499
Current portion included in prepayments, deposits and other receivables (note 19)	(975)	(975)
Non-current portion	11,549	12,524

As at 31 December 2015, the Group's leasehold lands with an aggregate net carrying amount of RMB10,382,000 (2014: RMB11,332,000) were pledged to secure bank loan facilities granted to the Group (note 23).

15. INTANGIBLE ASSETS

	Patent RMB'000	Software RMB'000	Total RMB'000
31 December 2015			
Cost at 1 January 2015, net of accumulated amortisation	79	–	79
Additions	–	158	158
Amortisation provided during the year	(11)	(31)	(42)
At 31 December 2015	68	127	195
At 31 December 2015:			
Cost	110	182	292
Accumulated amortisation	(42)	(55)	(97)
Net carrying amount	68	127	195

15. INTANGIBLE ASSETS *(Continued)*

	Patent RMB'000	Software RMB'000	Total RMB'000
31 December 2014			
Cost at 1 January 2014, net of accumulated amortisation	90	–	90
Amortisation provided during the year	(11)	–	(11)
At 31 December 2014	79	–	79
At 31 December 2014:			
Cost	110	24	134
Accumulated amortisation	(31)	(24)	(55)
Net carrying amount	79	–	79

16. INVENTORIES

	2015 RMB'000	2014 RMB'000
Raw materials	**37,295**	30,268
Finished goods	**3,493**	2,609
	40,788	32,877
Impairment	**–**	–
	40,788	32,877

The movements in provision for impairment of inventories are as follows:

	2015 RMB'000	2014 RMB'000
At beginning of year	**–**	2,214
Reversal	**–**	(2,214)
At end of year	**–**	–

17. CONSTRUCTION CONTRACTS

	2015 RMB'000	2014 RMB'000
Gross amounts due from contract customers	**703,831**	377,303
Gross amounts due to contract customers	**(89,523)**	(98,932)
	614,308	278,371
Contract costs incurred plus recognised profits less recognised losses to date	**4,110,398**	3,039,780
Less: Progress billings	**(3,496,090)**	(2,761,409)
	614,308	278,371

The gross amounts due from contract customers for contract works included balances with the holding company of the Company as follows:

	2015 RMB'000	2014 RMB'000
TGL	**2,406**	8,669

18. TRADE AND BILLS RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade receivables	**276,476**	246,011
Bills receivable	**155,819**	56,207
	432,295	302,218
Impairment	**(11,420)**	(7,713)
	420,875	294,505

The Group's trading terms with its customers are payment in advance normally required from customers. Trade receivables are non-interest-bearing with no credit period. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

The Group's bills receivable are all due within six months and are neither past due nor impaired. As at 31 December 2015, the Group's bills receivable of RMB69,455,000 (2014: Nil) were pledged to secure the Group's bills payable (note 21).

18. TRADE AND BILLS RECEIVABLES *(Continued)*

An aging analysis of the trade receivables, based on the invoice date and net of provisions, is as follows:

	2015 RMB'000	2014 RMB'000
Within 1 year	197,098	188,327
1 to 2 years	53,531	42,191
2 to 3 years	11,756	6,928
Over 3 years	2,671	852
	265,056	238,298

The movements in provision for impairment of trade receivables are as follows:

	2015 RMB'000	2014 RMB'000
At beginning of year	7,713	7,735
Impairment losses recognised	3,707	87
Amount written off as uncollectible	–	(109)
At end of year	11,420	7,713

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB1,007,000 (2014: RMB1,007,000) with a carrying amount before provision of RMB1,007,000 (2014: RMB1,007,000).

The individually impaired trade receivables relate to customers that no longer have transactions with the Group and none of the receivables is expected to be recovered.

The aging analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2015 RMB'000	2014 RMB'000
Neither past due nor impaired	–	–

18. TRADE AND BILLS RECEIVABLES *(Continued)*

As at the end of each of the years, the Group endorsed certain bills receivable accepted by certain banks in the PRC (the "Endorsed Notes") to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). Subsequent to the Endorsement, the Group does not retain any rights on the use of the Endorsed Notes, including the sale, transfer or pledge of the Endorsed Notes to any other third parties. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Endorsed Notes have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). The total carrying amount of the Endorsed Notes of the Group as at 31 December 2015 was RMB104,581,000 (2014: RMB71,607,000). In the opinion of the directors, the Group has transferred substantially all the risks and rewards relating to certain Endorsed Notes accepted by large and reputable banks with an amount of the Group of RMB31,132,000 (the "Derecognised Notes") as at 31 December 2015 (2014: RMB45,150,000). Accordingly, the Group has derecognised the full carrying amounts of these Derecognised Notes and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in these Derecognised Notes and the undiscounted cash flows to repurchase these Derecognised Notes is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in these Derecognised Notes are not significant. The Group continued to recognise the full carrying amount of the remaining Endorsed Notes and the associated trade payables settled with an amount of the Group of RMB73,449,000 as at 31 December 2015 (2014: RMB26,457,000), because the directors believe that the Group has retained the substantial risks and rewards, which include default risks relating to such remaining Endorsed Notes.

During the year, the Group has not recognised any gain or loss (2014: Nil) on the date of transfer of the Derecognised Notes. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The Endorsement has been made evenly throughout the year.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	**2015 RMB'000**	2014 RMB'000
Other receivables		**25,538**	25,511
Prepayments		**15,405**	29,861
Current portion of prepaid land lease payments	*14*	**975**	975
Due from the holding company	*30(d)*	**1,924**	–
Due from related companies	*30(d)*	**333**	481
		44,175	56,828
Impairment		**(941)**	(791)
		43,234	56,037

Other receivables are non-interest-bearing, unsecured and repayable on demand.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

The movements in provision for impairment of other receivables are as follows:

	2015 RMB'000	2014 RMB'000
At beginning of year	**791**	305
Impairment losses recognised	**150**	487
Amount written off as uncollectible	**–**	(1)
At end of year	**941**	791

20. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2015 RMB'000	2014 RMB'000
Cash and bank balances	**209,936**	3,285
Pledged deposits — current	**75,272**	16,188
Pledged deposits — non-current	**17,606**	42,652
	302,814	62,125
Less: Pledged time deposits:		
Pledged for bills payable	**(31,217)**	–
Pledged for bank guarantees	**(61,661)**	(58,840)
Cash and cash equivalents	**209,936**	3,285

As at 31 December 2015, cash and bank balances and pledged deposits denominated in RMB of the Group amounted to RMB251,435,000 (2014: RMB62,125,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Bank guarantees are performance guarantee and made for varying periods ranging from several months to four years depending on the agreement of the contract, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

21. TRADE AND BILLS PAYABLES

	2015 RMB'000	2014 RMB'000
Trade payables	**335,344**	232,841
Bills payable	**96,087**	–
	431,431	232,841

The bills payable were secured by the pledge of the Group's time deposits of RMB31,217,000 (2014: Nil) and the Group's bills receivable of RMB69,455,000 (2014: Nil) as at 31 December 2015 (note 18).

An aging analysis of the trade and bills payables, based on the invoice date, is as follows:

	2015 RMB'000	2014 RMB'000
Within 3 months	**230,582**	180,715
3 to 12 months	**182,316**	42,314
12 to 24 months	**15,757**	9,795
Over 24 months	**2,776**	17
	431,431	232,841

Trade payables are non-interest-bearing and have an average credit term of six months.

22. ADVANCES FROM CUSTOMERS, OTHER PAYABLES AND ACCRUALS

	Note	2015 RMB'000	2014 RMB'000
Advances from customers		**169,429**	74,120
Other payables		**88,737**	57,747
Accruals		**373**	345
Due to the holding company	*30(d)*	**2,916**	1,132
Due to related companies	*30(d)*	**1,887**	6,378
Due to a related party	*30(d)*	**–**	538
		263,342	140,260

Other payables are non-interest-bearing and have an average term of three months.

23. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	2015 RMB'000	2014 RMB'000
Current				
Bank loans — secured	6.96	Within 1 year	–	21,000
Bank loans — secured	7.20	Within 1 year	–	20,000
Bank loans — secured	6.30	Within 1 year	–	50,000
Bank loans — secured	6.60	Within 1 year	–	40,000
Bank loans — secured	6.44	Within 1 year	–	38,000
Bank loans — secured	4.80	Within 1 year	–	4,000
Bank loans — secured	3.95	Within 1 year	5,000	–
Bank loans — secured	5.34	Within 1 year	15,000	–
Bank loans — secured	5.36	Within 1 year	35,000	–
Bank loans — secured	5.58	Within 1 year	47,000	–
Bank loans — secured	5.87	Within 1 year	12,000	–
Bank loans — secured	5.52	Within 1 year	20,000	–
Bank loans — secured	5.00	Within 1 year	40,000	–
			174,000	173,000
Analysed into:				
Bank loans repayable with one year			174,000	173,000

Notes:

(a) The Group's bank borrowings are secured by:

(i) the Group's buildings situated in Mainland China, which had an aggregate net carrying value of RMB8,371,000 as at 31 December 2015 (2014: RMB9,330,000) (note 12);

(ii) the Group's investment property situated in Mainland China, which had a net carrying value of RMB16,515,000 as at 31 December 2015 (2014: RMB17,470,000) (note 13);

(iii) the Group's leasehold lands situated in Mainland China, which had an aggregate net carrying value of RMB10,382,000 as at 31 December 2015 and (2014: RMB11,332,000) (note 14); and

(iv) mortgages over leasehold lands situated in Mainland China of 諸暨市潤天物業管理有限公司 ("Zhuji Runtian"), a related company.

(b) The Company's ultimate holding company, TGL, has guaranteed certain of the Group's bank loans of up to RMB110,000,000 as at 31 December 2015 (2014: RMB44,000,000).

(c) 雄風集團有限公司 has guaranteed certain of the Group's and Company's bank loans of up to RMB44,000,000 as at 31 December 2015. 海亮集團有限公司, 浙江盾安精工集團有限公司 and 雄風集團有限公司, independent third parties, have guaranteed certain of the Group's and Company's bank loans of up to RMB118,000,000 as at 31 December 2014.

(d) A director, Bian Jianguang, has guaranteed certain of the Group's bank loans of up to RMB50,000,000 as at 31 December 2015 (2014: RMB116,000,000).

24. DEFERRED TAX

Deferred tax assets

	Impairment of other receivables RMB'000	Impairment of trade receivables RMB'000	Impairment of inventories RMB'000	Accruals RMB'000	Provision RMB'000	Total RMB'000
At 1 January 2014	76	1,934	554	3,467	1,100	7,131
Deferred tax credited/(charged) to profit or loss during the year	121	(6)	(554)	8,142	(43)	7,660
At 31 December 2014 and 1 January 2015	197	1,928	–	11,609	1,057	14,791
Deferred tax credited to profit or loss during the year	38	927	–	2,328	177	3,470
At 31 December 2015	235	2,855	–	13,937	1,234	18,261

The Group has tax losses arising in Mainland China of RMB15,712,000 as at 31 December 2015 (2014: RMB568,000), that will expire in one to five years for offsetting against taxable profits. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

25. SHARE CAPITAL

Shares

	2015 RMB'000	2014 RMB'000
Issued and fully paid: 135,000,000 (2014:100,000,000) ordinary shares	**135,000**	100,000

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	**Share capital** RMB'000	**Share premium** RMB'000	**Total** RMB'000
At 1 January 2014, 31 December 2014 and 1 January 2015	100,000,000	100,000	–	100,000
Issue of shares (Note (a))	35,000,000	35,000	276,337	311,337
Share issue expenses	–	–	(37,273)	(37,273)
At 31 December 2015	135,000,000	135,000	239,064	374,064

Note:

(a) In connection with the Company's initial public offering, 350,000,000 new shares of RMB1.00 each were issued at a price of HK$10.9 per share for a total cash consideration, before expenses, equivalent to RMB311,337,000. Dealings in these shares on the SEHK commenced on 12 October 2015.

26. RESERVES

The amounts of the Group's reserves and the movements therein are presented in the consolidated statements of changes in equity of the financial statements.

Statutory surplus reserve

Pursuant to the PRC Company Law and the respective entities' articles of association, the Company and its subsidiaries established in the PRC shall appropriate 10% of their annual statutory net profit (determined in accordance with the PRC accounting principles and regulations and after offsetting any prior years' losses) to the statutory surplus reserve until such reserve fund reaches 50% of the share capital of these entities. The statutory surplus reserve can be utilised to offset prior years' losses or to increase capital. However, except for offsetting prior years' losses, such reserve must be maintained at a minimum of 25% of the share capital after usage.

Safety production reserve

Pursuant to the regulation of Administrative Measures for the Withdrawal and Use of Expenses for Safety Production of Enterprises in the PRC relating to the construction industry, a subsidiary of the Group, Tianjie Installation Engineering, is required to transfer an amount to the reserve account as safety production reserve. The amount is calculated based on the revenue of construction each year and at the applicable rate of 2%. The safety production reserve will be used for modification and maintenance of safety equipment in accordance with the rules of the Company Law of the PRC and is not available for distribution to shareholders.

27. PLEDGE OF ASSETS

Details of the Group's bank borrowings and bills payable, which are secured by the assets of the Group, are included in notes 12, 13, 14, 18, 20, 21 and 23, respectively, to the financial statements.

28. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment property (note 13) under operating lease arrangements, with lease terms of three years.

At 31 December 2015, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2015 RMB'000	2014 RMB'000
Within one year	**1,085**	1,085
In the second to fifth years, inclusive	**1,085**	2,169
	2,170	3,254

28. OPERATING LEASE ARRANGEMENTS *(Continued)*

(b) As lessee

The Group leases certain of its plants and office properties under operating lease arrangements, with lease term of three years.

At 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015 RMB'000	2014 RMB'000
Within one year	**4,018**	3,684
In the second to fifth years, inclusive	**4,018**	8,035
	8,036	11,719

29. COMMITMENTS

In addition to the operating lease commitments detailed in note 28(b) above, the Group had the following capital commitments at 31 December 2015:

	2015 RMB'000	2014 RMB'000
Contracted, but not provided for:		
Plant and machinery	**–**	593

30. RELATED PARTY TRANSACTIONS

The Group's principal related parties are as follows:

Name	Relationship with the Company
浙江天潔通用機械有限公司 ("Tianjie General Machinery")	Fellow subsidiary
浙江天潔新材料有限公司 ("Tianjie New Materials")	Fellow subsidiary
浙江天潔特鋼有限公司 ("Tianjie Special Steel")	Fellow subsidiary
浙江天潔置業有限公司 ("Tianjie Zhiye")	Fellow subsidiary
浙江天潔磁性材料股份有限公司 ("Tianjie Cixingcailiao")	Joint venture of the holding company
江西晨宇鋁業有限公司 ("Chenyu Lvye")	Fellow subsidiary
浙江嘉盛新材料有限公司 ("Zhejiang Jiasheng")	Fellow subsidiary
諸暨市遠騰物流有限公司 ("Yuanteng Logistics")(i)	Directors' close family members are beneficial equity holders
浙江遠騰實業集團有限公司 ("Yuanteng Shiye")	Directors' close family members are beneficial equity holders
諸暨市天宇實業投資有限公司 ("Tianyu Industry")	Fellow subsidiary
Zhuji Runtian	Fellow subsidiary
Bian Jianguang	Director
Wang Xiaoxia	Spouse of a key management

Note:

(i) Yuanteng Logistics was renamed from 諸暨市天潔物流有限公司 to 諸暨市遠騰物流有限公司 in 2014.

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	2015 RMB'000	2014 RMB'000
Transactions with the holding company		
Revenue from construction contracts (i)	**1,562**	2,699
Sales of materials (ii)	**–**	1,041
Purchases of materials (ii)	**–**	2,515
Rental expense (iv)	**3,518**	3,523
Loans received from the holding company (v)	**–**	83,554
Repayment of loans from the holding company (v)	**–**	83,554
Advances from the holding company (vi)	**–**	16,194
Interest expense (vi)	**–**	80
Electric charges paid by the holding company on behalf of the Group (vii)	**3,743**	3,353

30. RELATED PARTY TRANSACTIONS *(Continued)*

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year: (Continued)

	2015 RMB'000	2014 RMB'000
Transaction with other related parties		
Sales of materials:		
Tianjie New Materials (ii)	–	574
Tianjie General Machinery (ii)	–	104
Tianjie Special Steel (ii)	1,210	2,609
Tianjie Cixingcailiao (ii)	–	1
Zhejiang Jiasheng (ii)	–	11
Tianyu Industry (ii)	–	942
Purchases of materials:		
Tianjie New Materials (ii)	–	5,745
Chenyu Lvye (ii)	–	240
Tianjie Cixingcailiao (ii)	26	33
Tianjie General Machinery (ii)	1,310	725
Yuanteng Shiye (ii)	317	–
Provision of services:		
Tianjie New Materials (i)	–	21
Tianjie General Machinery (i)	–	60
Tianjie Cixingcailiao (i)	40	117
Tianjie Zhiye (i)	–	31
Services received:		
Tianjie General Machinery (iii)	12,412	14,476
Yuanteng Logistics (iii)	74	660
Rental income:		
Tianjie New Materials (iv)	1,085	1,085
Rental expense:		
Zhejiang Jiasheng (iv)	500	500
Payments by related parties on behalf of the Group:		
Wang Xiaoxia (vii)	–	8,144
Zhejiang Jiasheng (vii)	736	288

30. RELATED PARTY TRANSACTIONS *(Continued)*

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year: (Continued)

Notes:

(i) The provision of construction services and processing services to the related parties was made based on mutually agreed prices and terms.

(ii) The sales of materials to the related parties and purchases of materials from the related parties were based on mutually agreed prices and terms.

(iii) The services received from the related parties were based on mutually agreed prices and terms.

(iv) The rental fee was charged and the rental income was received based on mutually agreed prices.

(v) The loans were repayable within one month, unsecured and interest-free.

(vi) The advances from the holding company were unsecured, bore interest at 6% as at 31 December 2014, and had no fixed terms of repayment.

(vii) The payments were made on behalf of the Group based on the actual costs incurred.

(b) Other transactions with related parties:

(1) TGL has guaranteed certain of the Group's bank loans of up to RMB110,000,000 as at 31 December 2015 (2014: RMB44,000,000).

(2) A director, Bian Jianguang has guaranteed certain of the Group's bank loans of up RMB50,000,000 as at 31 December 2015 (2014: RMB116,000,000).

(3) Zhuji Runtian pledged its leasehold lands for certain of the Group's bank loans of up to RMB150,000,000 as at 31 December 2015 (2014: RMB120,000,000).

(c) Commitments with related parties:

(1) On 25 April 2015, the Company, as lessor, entered into a three-year tenancy agreement ending 31 December 2017 with Tianjie New Materials, as lessee. The amount of total rental income from Tianjie New Materials for the year is included in note 30(a) to the financial statements. The Group expects total rental income from Tianjie New Materials in 2016 and 2017 to be approximately RMB1,085,000 and RMB1,085,000, respectively.

(2) On 25 April 2015, the Company, as lessee, entered into a three-year tenancy agreement ending 31 December 2017 with Zhejiang Jiasheng, as lessor. The amount of total rental payable to Zhejiang Jiasheng for the year is included in note 30(a) to the financial statements. The Group expects total rental payable to Zhejiang Jiasheng in 2016 and 2017 to be approximately RMB 500,000 and RMB500,000, respectively.

(3) On 25 April 2015, the Company, as lessee, entered into two three-year tenancy agreements ending 31 December 2017 with the holding company, as lessor. The amount of total rental payable to the holding company for the year is included in note 30(a) to the financial statements. The Group expects total rental payable to the holding company in 2016 and 2017 to be approximately RMB3,518,000 and RMB3,518,000, respectively.

(4) On 25 April 2015, the Company entered into a three-year power supply agreement ending on 31 December 2017 with TGL. Pursuant to the agreement, TGL agreed to procure supply of electricity to the Company. The amount of total electric charges payable to TGL for the year is included in note 30(a). The annual cap of the electricity charge to be paid to TGL in 2016 and 2017 is RMB3,800,000 and RMB3,800,000, respectively.

30. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Commitments with related parties: (Continued)

(5) On 25 April 2015, the Company entered into a three-year processing service agreement ending 31 December 2017 with Tianjie General Machinery. The total processing services fee payable to Tianjie General Machinery for the year is included in note 30(a). The annual cap of the processing service fees to be paid to Tianjie General Machinery in 2016 and 2017 is RMB15,000,000 and RMB15,000,000, respectively.

(d) Outstanding balances with related parties:

	2015 RMB'000	2014 RMB'000
Due from the holding company:		
TGL [i]	**1,924**	–
Due from related companies:		
Zhejiang Jiasheng [i]	**333**	277
Tianjie Special Steel [i]	**–**	204
	333	481
Maximum amounts due from related companies during the year:		
Tianjie New Materials [i]	**–**	1,580
Wang Xiaoxia [i]	**–**	12,549
Zhejiang Jiasheng [i]	**333**	439
Tianjie Special Steel [i]	**787**	1,247
Tianyu Industry [i]	**–**	1,102
Tianjie Zhiye [i]	**–**	24
Tianjie General Machinery [i]	**1,306**	11
Tengy Cixingcailiao [i]	**47**	81
	2,473	17,033
Due to the holding company:		
TGL [i]	**2,916**	1,132
Due to related companies:		
Yuanteng Shiye [i]	**371**	–
Tianjie General Machinery [i]	**1,288**	5,802
Yuanteng Logistics [i]	**–**	348
Chenyu Lvye [i]	**228**	228
	1,887	6,378
Due to a related party:		
Wang Xiaoxia [i]	**–**	538
	–	538

Note:

(i) These balances were unsecured, interest-free and had no fixed terms of repayment.

30. RELATED PARTY TRANSACTIONS *(Continued)*

(e) Compensation of key management personnel of the Group:

	2015 RMB'000	2014 RMB'000
Short term employee benefits	**2,622**	1,171
Pension scheme contributions	**141**	75
Total compensation paid to key management personnel	**2,763**	1,246

Further details of directors', supervisors and the chief executive's emoluments are included in note 8 to the financial statements.

31. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of year are as follows:

Financial assets

	2015 RMB'000	2014 RMB'000
Trade and bills receivables	**420,875**	294,505
Financial assets included in prepayments, deposits and other receivables	**26,854**	25,201
Pledged deposits — current	**75,272**	16,188
Pledged deposits — non-current	**17,606**	42,652
Cash and cash equivalents	**209,936**	3,285
	750,543	381,831

Financial liabilities at amortised cost

	2015 RMB'000	2014 RMB'000
Trade and bills payables	**431,431**	232,841
Financial liabilities included in advances from customers, other payables and accruals	**32,105**	18,152
Interest-bearing bank borrowings	**174,000**	173,000
	637,536	423,993

32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in advances from customers, other payables and accruals, and interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the financial controller. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the financial controller.

The fair values of financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fair value hierarchy

Assets and liabilities measured at fair value:

The Group did not have any financial assets and financial liabilities measured at fair value as at 31 December 2015 (2014: Nil).

Assets and liabilities for which fair values are disclosed:

The Group did not have any financial assets and financial liabilities disclosed at fair value as at 31 December 2014 and 2015.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings, amounts due from/to the holding company, related companies and parties, cash and cash equivalents and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings. Some of these interest-bearing bank and other borrowings were obtained at floating interest rates, which have exposed the Group to interest rate risk. The interest rates and terms of repayment of borrowings are disclosed in note 23 above.

The following table demonstrates the sensitivity to a reasonably possible change in the RMB interest rate, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax** RMB'000
2015		
RMB	**100**	**–**
RMB	**(100)**	**–**
2014		
RMB	100	(294)
RMB	(100)	294

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales by operating units in currencies other than the units' functional currencies. Approximately 2.4% (2014: 3.2%) of the Group's sales for the year ended 31 December 2015, were denominated in currencies other than the functional currencies of the operating units making the sale. At present, the Group does not intend to seek to hedge its exposure to foreign exchange fluctuations. However, management constantly monitors the economic situation and the Group's foreign exchange risk profile and will consider appropriate hedging measures in the future should the need arise.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk *(Continued)*

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the United States dollar and Hong Kong dollar exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities).

	Increase/ (decrease) in foreign currency rate %	Increase/ (decrease) in profit before tax RMB'000
2015		
If RMB weakens against US$	**5**	**(519)**
If RMB strengthens against US$	**(5)**	**519**
If RMB weakens against HK$	**5**	**2,539**
If RMB strengthens against HK$	**(5)**	**(2,539)**
2014		
If RMB weakens against US$	5	143
If RMB strengthens against US$	(5)	(143)

Credit risk

The Group trades only with recognised and creditworthy third parties. Receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the executive director.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, pledged deposits, amounts due from the holding company, related companies and a related party, and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables and prepayments, deposits and other receivables are disclosed in notes 18 and 19, respectively, to the financial statements.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings to meet its working capital requirements.

The maturity profile of the Group's financial liabilities as at the end of each reporting period, based on the contractual undiscounted payments, is as follows:

	31 December 2015					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 3 years RMB'000	Over 3 years RMB'000	Total RMB'000
Trade and bills payables	200,849	230,582	–	–	–	431,431
Other payables and accruals	5,388	21,858	56	–	–	27,302
Interest-bearing bank borrowings	–	64,000	110,000	–	–	174,000
Due to the holding company	65	2,851	–	–	–	2,916
Due to related companies	1,128	759	–	–	–	1,887
	207,430	320,050	110,056	–	–	637,536

	31 December 2014					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 3 years RMB'000	Over 3 years RMB'000	Total RMB'000
Trade and bills payables	52,126	180,715	–	–	–	232,841
Other payables and accruals	251	9,817	36	–	–	10,104
Interest-bearing bank borrowings	–	8,000	165,000	–	–	173,000
Due to the holding company	574	558	–	–	–	1,132
Due to related companies	419	5,959	–	–	–	6,378
Due to related parties	538	–	–	–	–	538
	53,908	205,049	165,036	–	–	423,993

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015 and 31 December 2014.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management *(Continued)*

The Group monitors capital using a gearing ratio, which is total debt divided by total equity. Total debt includes interest-bearing bank borrowings, amounts due to the holding company, related companies and related parties, gross amounts due to contract customers, trade and bills payables, advances from customers, other payables and accruals, less cash and cash equivalents. The gearing ratios as at the end of the reporting periods were as follows:

	2015 RMB'000	2014 RMB'000
Interest-bearing bank borrowings	174,000	173,000
Due to the holding company	2,916	1,132
Due to related companies	1,887	6,378
Due to related parties	–	538
Gross amounts due to contract customers	89,523	98,932
Trade and bills payables	431,431	232,841
Advances from customers	169,429	74,120
Other payables	88,737	57,747
Accruals	373	345
Less: Cash and cash equivalents	(209,936)	(3,285)
Net debt	748,360	641,748
Total equity	611,291	240,762
Gearing ratio	122%	267%

34. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the implementation of the Hong Kong Companies Ordinance (Cap. 622) during the current year, the presentation and disclosures of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been restated to conform with the current year's presentation and disclosures.

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2015 RMB'000	2014 RMB'000 (Restated)
NON-CURRENT ASSETS		
Property, plant and equipment	29,582	28,534
Investment property	16,515	17,470
Prepaid land lease payments	10,381	11,332
Intangible assets	195	79
Investments in subsidiaries	28,787	20,787
Deferred tax assets	15,371	8,201
Pledged deposits	17,606	42,652
Total non-current assets	118,437	129,055
CURRENT ASSETS		
Inventories	35,724	27,792
Gross amounts due from contract customers	676,002	355,458
Trade and bills receivables	379,213	253,676
Prepayments, deposits and other receivables	40,701	54,616
Due from subsidiaries	15,073	12,557
Pledged deposits	74,942	15,858
Cash and cash equivalents	208,891	2,900
Total current assets	1,430,546	722,857
CURRENT LIABILITIES		
Gross amounts due to contract customers	83,137	98,305
Trade and bills payables	394,624	192,848
Advances from customers, other payables and accruals	246,066	130,601
Interest-bearing bank borrowings	174,000	173,000
Due to subsidiaries	19,681	5,863
Tax payable	24,486	16,938
Total current liabilities	941,994	617,555
NET CURRENT ASSETS	488,552	105,302
TOTAL ASSETS LESS CURRENT LIABILITIES	606,989	234,357
Net assets	606,989	234,357
EQUITY		
Equity attributable to owners of the parent		
Share capital	135,000	103,303
Share premium (note)	239,064	–
Reserves (note)	232,925	131,054
Total equity	606,989	234,357

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Attributable to owners of the parent				
	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2014	–	3,303	10,702	96,269	110,274
Profit and total comprehensive income for the year	–	–	–	74,083	74,083
Dividends declared	–	–	–	(50,000)	(50,000)
Appropriation to statutory surplus reserve	–	–	7,408	(7,408)	–
At 31 December 2014 and 1 January 2015	–	3,303	18,110	112,944	134,357
Profit and total comprehensive income for the year	–	–	–	98,568	98,568
Issue of shares	276,337	–	–	–	276,337
Share issue expenses	(37,273)	–	–	–	(37,273)
Appropriation to statutory surplus reserve	–	–	9,857	(9,857)	–
At 31 December 2015	239,064	3,303	27,967	201,655	471,989

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 14 March 2016.

Four-Year Financial Summary

	Year ended 31 December			
	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Continuing operations				
Revenue	**919,975**	781,905	594,058	553,543
Gross profit	**186,576**	143,159	79,582	64,627
Profit before tax from continuing operations	**134,399**	100,168	35,026	27,321
Income tax expense	**37,934**	25,979	9,193	6,426
Profit for the year from continuing operations	**96,465**	74,189	25,833	20,895
Discontinued operation				
Profit for the year from a discontinued operation	**–**	–	–	5,606
Profit and total comprehensive income for the year	**96,465**	74,189	25,833	26,501
Earnings per share attributable to shareholders of the Company for the year (expressed in RMB per share)				
— Basic and diluted	**0.90**	0.74	0.26	0.27
Gross profit margin	**20.28%**	18.31%	13.40%	12.62%
Net profit margin	**10.49%**	9.49%	4.35%	4.68%

	As at 31 December			
	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Non-current assets	**107,004**	129,027	88,229	75,389
Current assets	**1,493,936**	780,195	687,568	573,797
Current liabilities	**989,649**	668,460	559,224	458,446
Net current assets	**504,287**	111,735	128,344	115,351
Total assets less current liabilities	**611,291**	240,762	216,573	190,740
Net assets	**611,291**	240,762	216,573	190,740
Capital	**135,000**	100,000	100,000	100,000
Share Premium	**239,064**	–	–	–
Reserves	**237,227**	140,762	116,573	90,740
Total equity	**611,291**	240,762	216,573	190,740

TENGY

浙江天潔環境科技股份有限公司

Zhejiang Tengy Environmental Technology Co., Ltd