CHINA LONGEVITY GROUP COMPANY LIMITED

(formerly known as Sijia Group Company Limited)
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1863)

Annual Report 2015

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lin Shengxiong *(Chairman)*
Mr. Zhang Hongwang
Mr. Huang Wanneng

Independent Non-executive Directors

Mr. Cai Weican
Mr. Wu Jianhua
Mr. Chong Chi Wah

AUDIT COMMITTEE

Mr. Chong Chi Wah *(Chairman)*
Mr. Cai Weican
Mr. Wu Jianhua

REMUNERATION COMMITTEE

Mr. Wu Jianhua *(Chairman)*
Mr. Lin Shengxiong
Mr. Cai Weican
Mr. Chong Chi Wah

NOMINATION COMMITTEE

Mr. Cai Weican *(Chairman)*
Mr. Wu Jianhua
Mr. Chong Chi Wah

COMPANY SECRETARY

Ms. Chiu Fung Chi, Dores (Appointed on 8 June 2015)
Mr. Chan Wing Hang (Resigned on 8 June 2015)

AUTHORISED REPRESENTATIVES

Mr. Lin Shengxiong
Ms. Chiu Fung Chi, Dores (Appointed on 8 June 2015)
Mr. Chan Wing Hang (Resigned on 8 June 2015)

INDEPENDENT AUDITORS

ZHONGHUI ANDA CPA Limited

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China Minsheng Banking Corp., Ltd.,
Hong Kong Branch

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 11A, 6th Floor
Silvercord Tower Two
30 Canton Road
Tsim Sha Tsui
Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road
PO Box 1586
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17/F, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

STOCK CODE

1863

CORPORATE WEBSITE

http://www.chinalongevity.hk

INVESTOR RELATIONS CONTACT

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Telephone: (852) 2477 3799
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FINANCIAL HIGHLIGHTS

	2015	2014
Results		
Revenue (RMB million)	**466.5**	682.9
Gross profit (RMB million)	**5.5**	48.1
Loss before tax (RMB million)	**685.1**	149.0
Loss for the year attributable to Owners of the Company (RMB million)	**692.2**	159.2
Basic loss per share (RMB cents)	**81.19**	18.68
Gross profit margin (%)	**1.2**	7.0
Financial position		
Cash and cash equivalents (RMB million)	**27.6**	70.0
Total assets (RMB million)	**801.8**	1,689.8
Total debts (RMB million)	**607.1**	795.8
Total equity (RMB million)	**194.7**	894.1
Current ratio (Times)	**0.5**	1.0
Quick ratio (Times)	**0.4**	0.9
Gearing – borrowings to total assets (%)	**31.2**	15.6
Efficiency ratios		
Average trade receivables turnover (Days)	**140**	160
Average trade payables turnover (Days)	**89**	85
Average inventories turnover (Days)	**70**	77
Cash conversion (Days)	**121**	152

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors of China Longevity Group Company Limited (the "Company") formerly known as Sijia Group Company Limited and its subsidiaries (the "Group"), I am pleased to present the 2015 annual report to the shareholders of the Company (the "Shareholders").

BUSINESS REVIEW

A review of the Group's business and the analysis using the financial key performance indicators are set out on page 3 of this report under the section headed Financial Highlights and the section headed Management Discussion and Analysis that set out on page 6 to 13 of this report.

In summary, the Group recorded a loss attributable to equity holders of approximately RMB692.2 million, or RMB81.2 cents for basic loss per share for the year ended 31 December 2015 (2014 loss: approximately RMB159.2 million or RMB18.7 cents for basic loss per share). The substantial increase in loss for the year was mainly due to the decrease in revenue and the drop in gross profit margin. Moreover, the impairment of various assets amounting to RMB583.0 million made for the year ended 31 December 2015 (2014: RMB74.8 million) was a critical condition that caused a substantial increase of loss for the year.

In 2015, as the labour costs in China continued to increase, the Group facing not only the fierce competition between competitors but also high labor costs. Hence, the Group continuously scale down the production of Conventional Materials and totally withdrawn from the End-products market that involved labor intensive production processes. During the year, the Group had completed the disposal of 51% equity interest in Hubei Sijia Outdoor Products Company Limited. The Group had changed the usage of the manufacturing plant of Xiamen Grandsoo Industrial & Trade Company Limited from the manufacturing of the End Products to an investment property for rental purpose. Furthermore, the Group had entered into two sales and purchase agreements to dispose the property, plant and equipment and prepaid land lease payments of Hubei Sijia Industrial Material Company Limited to two independent third parties respectively and expected that the transactions will be completed in 2016.

PROSPECTS

Looking ahead into the year of 2016, the slowdown of economy in China and a forecast of rising interest rates in the US are the elements that contribute uncertainty and volatile in the worldwide economic. The Group would expect to struggle with the tough and challenging economic environment in 2016.

The Group has committed to new material research and development, is going to devote more resources in the development of new materials business as well the new products. The management believe that the Group can be able to develop new materials successfully in the near future that can strengthen the trend of Reinforced Materials

The Sijia New Material (Shanghai) Co., Ltd. (the "Shanghai Sijia") has been fully operated and has contributed profit to the Group since last year. The Group intends to focus on the development of the Shanghai Sijia and let it be engaged in the research, development, production and sales of materials for high-end broaden auto motives' windows, double membrane gas holders materials, architectural membrane structure materials, marquees materials, inflatable materials; drop stitch fabric and materials for auto-rolling curtains, in order to create economies of scale.

The Fujian Sijia Industrial Material Co., Ltd (the "Fujian Sijia") will adjust its production and service business, and be engaged in the production and sales of inflatable materials, inflatable boats materials, water pools materials, air tightness materials for water sports and leisure, swimsuit materials and packaging materials, so as to create scale operation.

The management team and staff of the Group are committed to continue to work hard and to strictly comply with the Group's cost-controlling measures designed to increase effectiveness and optimize capacity continuously. At the same time, the management would cooperate with the technical experts in Europe and US in research and development of the new materials and new products. The management expects that the Group would further expand its market segment in the international market.

As the trading of the shares of the Company on the Stock Exchange has been suspended since 14 February 2013, the management will fully cooperate with the engaged professional parties to plan its application for the resumption of trading in the shares of the Company on the Stock Exchange (the "Resumption"). The Company would update the Shareholders on the progress of the Resumption through further announcement in due course.

APPRECIATION

On behalf of the Board, I would like to extend our sincere gratitude to the Shareholders, customers and business partners of the Group for their persistent support throughout the year. Lastly, I would like to take this opportunity to thank all colleagues and staff for their persistent contribution to the Group

On behalf of the Board
LIN Shengxiong
Chairman

Hong Kong, 30 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is one of the recognised industry leaders in the PRC in providing reinforced new materials for a wide spectrum of industries, such as modern transportation, construction, renewable energy, agriculture, healthcare, sports, outdoor leisure and daily supplies. The management team of the Group has vast experience in proprietary technology, product innovation and marketing. With the experienced management team, the Group implemented a market – focused strategy. The Group also engaged in the manufacturing and sales of novel products developed by the research and development ("R&D") team and academic institutions. Various novel products and production techniques of the Group possess independent intellectual property rights and national patents on technology.

The Group's reinforced materials (the "Reinforced Materials") business, located in Fuzhou and Shanghai, utilises self-developed facilities and techniques, which has acquired national patents on innovation, to produce new materials, including architectural membrane, waterproofing membrane, thermoplastic polyurethane ("TPU") materials, air tightness materials, inflatable materials, biogas tank materials, tarpaulin materials, wader and protective garment materials, etc. Such materials exhibit nine characteristics, including high tensile strength, anti-tearing, anti-stripping, flame retardancy, anti-bacteria, anti-corrosive, durable, low temperature resistance and sunlight resistance. Given the diverse applications of the Reinforced Materials, the Group's products can be applied in eleven major markets including outdoor, sports, renewable energy, protection, construction, logistic, packaging, medical use, safety, advertising and daily supplies.

During the year under review, the Group faced a challenging and competitive business environment. Also, the suspension of the trading in the Company's shares on the Stock Exchange (the "Suspension") caused adverse effect on the confidence of local customers which reduced in demand for the Group's products. Moreover, the low price competition among competitors and the increase of production costs greatly reduced the revenue as well as the gross profit margin of the Group's products.

The Group recorded total revenue of approximately RMB466.5 million for the year ended 31 December 2015 (2014: approximately RMB682.9 million), representing a decrease of approximately RMB216.4 million, or 31.7% over the last corresponding year. The overall decrease in revenue was mainly attributable to the fierce market competition, high production cost and a change in product mix to offer less conventional materials (the "Conventional Materials") and a withdraw from the end products (the "End Products") market.

The Group's products can be categorised into three types: (i) Reinforced Materials; (ii) Conventional Materials; and (iii) End Products during the year. The Group generated most of its revenue from the Reinforced Materials which accounted for approximately 85.3% (2014: approximately 70.3%) of total revenue. Local sales continued to be the Group's major source of revenue, representing approximately 56.4% (2014: approximately 82.4%) of the total revenue while export sales accounted for approximately 43.6% (2014: approximately 17.6%) of the total revenue. The Group expanded its market segment overseas successfully during the year. Export sales increased approximately 69.1% while compared with the last corresponding year.

The table below sets forth the Group's revenue by products:

	For the year ended 31 December			
	2015		2014	
	(RMB million)	**%**	(RMB million)	%
Reinforced Materials	**397.7**	**85.3**	480.2	70.3
Conventional Materials	**38.3**	**8.2**	129.5	19.0
End Products	**30.5**	**6.5**	73.2	10.7
	466.5	**100.0**	682.9	100.0

The table below sets forth the Group's revenue by geographical locations:

	For the year ended 31 December			
	2015		2014	
	(RMB million)	**%**	(RMB million)	%
PRC	**263.1**	**56.4**	562.6	82.4
US	**50.1**	**10.7**	25.8	3.8
Others	**153.3**	**32.9**	94.5	13.8
	466.5	**100.0**	682.9	100.0

Reinforced Materials

During 2015, in respect of the Reinforced Materials, the Group delivered the most in inflatable, airtightness and tarpaulin materials. The strategy of the Group is to innovate more new products and to leverage its leading marketing position and offer products at a competitive price.

As at 31 December 2015, the Group owned a total of 87 patents with 30 on innovations, 39 on new applications and 18 on exterior designs for Reinforced Materials.

During 2015, the Group's revenue generated from Reinforced Materials amounted to approximately RMB397.7 million (2014: approximately RMB480.2 million) which accounted for approximately 85.3% (2014: approximately 70.3%) of the Group's total revenue, representing a decrease in sales of approximately 17.2%. Due to fierce competition in the industry, low price strategy were adopted by the competitors that caused a decrease in the selling price of certain products. With the Group's effort to build up its brand image and reputation, the Group started to deliver the drop stitch fabric and concentrate to produce the air tightness materials and tarpaulin materials to serve its high-end customers.

Conventional Materials

During 2015, the Group's revenue generated from the Conventional Materials amounted to approximately RMB38.3 million (2014: approximately RMB129.5 million) which accounted for approximately 8.2% (2014: approximately 19.0%) of total revenue, representing a decrease in sales of approximately 70.4%.

End Products

During 2015, the Group's revenue generated from the End Products amounted to approximately RMB30.5 million (2014: approximately RMB73.2 million) which accounted for approximately 6.5% (2014: approximately 10.7%) of total revenue, representing a decrease in sales of approximately 58.3% as compared to last year. As at 31 December 2015, the Group had closed down all local sales offices of the promotion of the End Products.

The decrease in the revenue of Conventional Materials and End Products was mainly due to the Group's strategy to withdraw from the labour intensive End Products business which encountered increasing labour cost and fierce competition. The Group segmented its business based on market development as well as the profit margin of the products. During the year, the Group scale down the sales volume of the low selling price products that made by Conventional Materials and withdrawn completely from the End Products market. The Group also sold the aged inventories of the End Products at cost or even lower than the cost of goods sold that reduced the revenue drastically while compared with the last corresponding year. In the future, the Group will focus more on its Reinforced Materials business with higher barrier of entry and better profit margin.

To cope with this strategy, the Group had completed the disposal of 51% equity interest in Hubei Sijia Outdoor Products Co., Ltd., which was in the business of the production of the highly labour intensive End Products on 3 March 2015. Furthermore, the manufacturing plant of End Products in Xiamen has stopped production since February 2015. Hence, the aforesaid were the main reasons that lead to a significant reduction in the sales of the Conventional Materials and End Products of the Group in 2015.

FINANCIAL REVIEW

Overview

Revenue

The Group's revenue of approximately RMB466.5 million for the year ended 31 December 2015 representing a decrease of approximately RMB216.4 million, or 31.7% over the last corresponding year. During 2015, the business segments of the Group are the sales of: (i) Reinforced Materials; (ii) Conventional Materials; and (iii) End Products. The Group generated most of its revenue from the Reinforced Materials which accounted for approximately 85.3% (2014: approximately 70.3%) of total revenue.

The overall decrease in revenue was mainly attributable to the fierce market competition, high production cost and a change in product mix that offer less Conventional Materials and a withdraw from the End Products market.

Gross Profit and Gross Profit Margin

Gross profit was approximately RMB5.5 million for the year under review (2014: approximately RMB48.1 million), with the gross profit margin of approximately 1.2% (2014: 7.0%). The reduction in gross profit margin was caused by an increase of production costs and a general decrease in selling price of the products of the Group that arisen from intense market competition. In addition, the Group sold the aged inventories of the End Products at cost or even lower than the cost of goods sold that enlarged the negative gross profit margin of End Products during the year and reduced the overall gross profit margin of the Group while compared with the last corresponding year.

The table below sets forth the Group's gross profit margin by products:

	For the year ended 31 December	
	2015	2014
	%	%
Reinforced Materials	**10.4**	10.1
Conventional Materials	**0.2**	0.2
End Products	**(9.4)**	(3.3)
Overall	**1.2**	7.0

Loss for the Year

The Group recorded a loss attributable to equity holders of approximately RMB692.2 million, or RMB81.2 cents for basic loss per share for the year ended 31 December 2015 (2014 loss: approximately RMB159.2 million or RMB18.7 cents for basic loss per share). The increase in loss for the year was due to the decrease in revenue and the drop in gross profit margin. Moreover, the impairment of various assets amounting to RMB583.0 million as at 31 December 2015 (2014: approximately RMB74.8 million) was a critical condition that caused a substantial increase of loss for the year.

The weighted average number of ordinary shares outstanding was 852,612,470 as at 31 December 2015 (2014: 852,612,470 ordinary shares).

Dividends

The Board did not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: Nil).

Selling and Distribution Costs

Selling and distribution costs were approximately RMB17.4 million (2014: approximately RMB21.4 million) whilst the selling and distribution expenses to revenue ratio was 3.7% (2014: 3.1%). A reduction in selling and distribution costs was mainly due to the Group completely withdrawn from the End Products business in 2015.

Administrative Expenses

Administrative expenses were approximately RMB77.6 million (2014: approximately RMB84.1 million) whilst the administrative expenses to revenue ratio was 16.6% (2014: 12.3%). A reduction of administrative expenses of approximately RMB6.5 million or 7.8% while compared with the last corresponding year due to stop production of manufacturing plant in Xiamen since February 2015. However, the research and development cost increased approximately 35.9% while compared with the last corresponding year.

Research and Development

Research and development (the "R&D") costs were approximately RMB51.0 million (2014: approximately RMB37.5 million) whilst the R&D expenses to revenue ratio was 10.9% (2014: 5.5%). The Group believes that its on-going R&D efforts are critical in maintaining long-term competitiveness and retaining existing customers. To explore new technologies and new products in order to attract new customers and developing new markets, the Group continues to dedicate resources to the R&D activities in its Fuzhou and Shanghai plants aiming to lower the cost of raw materials, streamline manufacturing processes, increase production capacities, and develop high value-added new materials.

Impairment of various assets

Impairment of property, plant and equipment and prepaid land lease payments

Due to the changes of marketing strategies from sales of End Products and Conventional Materials in previous years to withdrawn from the market of End Products completely and scale down the sales volume of Conventional Materials during the year, the Group incurred a huge amount of approximately RMB328.9 million of the impairment of property, plant and equipment and prepaid land lease payments for the year ended 31 December 2015 (2014: approximately RMB40.3 million). Such impairment provisions were based on the valuation values that stated in the latest independent valuation report on 29 March 2016 and comprised of the following disposal transactions:

During the year, Hubei Sijia Industrial Material Company Limited (the "Hubei Sijia") which is a subsidiary of the Company entered into a sales and purchase agreement to dispose of certain property, plant and equipment and prepaid land lease payments at a consideration of approximately RMB23.9 million. Subsequent to the end of the reporting period, Hubei Sijia entered into another sales and purchase agreement to dispose the remaining property, plant and equipment and prepaid land lease payments at a consideration of approximately RMB4.5 million. The disposal of property, plant and equipment associated with prepaid land lease payments, which are expected to be completed in 2016.

The proceeds of disposal are expected less than the net book value of the relevant property, plant and equipment and prepaid land lease payments. Accordingly, the impairment loss of approximately RMB46.9 million and RMB5.8 million has been recognized during the year.

Impairment of trade and other receivables

The management of the Group took a prudent approach in assessing the collectability of trade and other receivables and would review the status of the receivables. This includes taking into consideration, the credit history of the customers of the Group and the prevailing market condition.

During 2015, impairments have been recognized in respect of trade and other receivables in the amount of approximately RMB200.5 million (2014: approximately RMB5.7 million).

Impairment of advances to suppliers

The Group would sign the cooperation contracts for an innovation of new materials with suppliers in order to innovate new materials and new market segments. However, a change of the marketing strategies of the Group caused some innovate projects to be abandoned.

During 2015, the management of the Group took a prudent approach in assessing the collectability of the advances to suppliers and recognized approximately RMB51.4 million (2014: Nil) on impairment of advances to suppliers.

Impairment of inventories

Impairment of inventories of approximately RMB2.2 million for the year ended 31 December 2015 (2014: approximately RMB27.8 million) was recognized by the Group. It was mainly attributable to write down the slow moving and obsolete stocks.

Finance Costs

Finance costs were approximately RMB17.3 million (2014: approximately RMB16.5 million net off the interest capitalized of approximately RMB6.6 million) whilst the finance costs to revenue ratio was 3.7% (2014: 2.4%). The nature of finance costs were mainly attributable to interest on bank loans during the year. An increase of the finance cost was mainly caused by no capitalization of loan interest incurred for the year.

Interest Income

Interest income from bank were approximately RMB0.8 million for the year ended 31 December 2015 (2014: approximately RMB1.1 million).

Liquidity and Financial Resources

Total Equity

As at 31 December 2015, total equity were approximately of RMB194.7 million, representing a decrease of 78.2%, as compared to approximately RMB894.1 million as at 31 December 2014.

Financial Position

As at 31 December 2015, the Group had total current assets of approximately RMB281.3 million (31 December 2014: approximately RMB727.8 million) and total current liabilities of approximately RMB563.0 million (31 December 2014: approximately RMB719.7 million), with net current liabilities of approximately RMB281.7 million (31 December 2014: net current assets of approximately RMB8.1 million).

As at 31 December 2015, the Group's net gearing ratio (expressed as a percentage of total interest-bearing liabilities to total assets) was at 31.2%, compared to 15.5% as at 31 December 2014.

Cash and Cash Equivalents

As at 31 December 2015, the Group had cash and cash equivalents of approximately RMB27.6 million (31 December 2014: approximately RMB69.9 million), most of which were denominated in Renminbi.

Bank Borrowings

The Group had interest-bearing bank borrowings of approximately RMB250.0 million (31 December 2014: approximately RMB263.0 million) while total banking facilities amounted to approximately RMB316.0 million (31 December 2014: approximately RMB484.0 million).

Contingent Liabilities

As at 31 December 2015, the Group had no material contingent liabilities (31 December 2014: Nil).

Capital Commitments

As at 31 December 2015, capital commitments of the Group were approximately RMB12.0 million (31 December 2014: approximately RMB43.3 million). The capital commitments will be funded partly by internal resources and partly by bank borrowings.

Pledge of Assets

As at 31 December 2015, the Group mortgaged its buildings, plant and machinery of approximately RMB236.8 million (2014: approximately RMB226.6 million) leasehold land of approximately RMB18.7 million (2014: approximately RMB20.3 million), investment properties of approximately RMB17.1 million (2014: Nil) in Mainland China and bank deposits of approximately RMB42.8 million (2014: approximately RMB70.1 million) were pledged to banks to secure bank loans and general banking facilities granted.

Human Resources

As at 31 December 2015, the Group employed a total of 355 employees (31 December 2014: 586 employees). The reduction of staff headcount was mainly due to the Group completely withdrawn from the End Products business during the year.

The Group regards human capital as vital for its continuous growth and profitability and remains committed to improving the quality, competence and skills of all employees. The Group provided job related training throughout the organisation. The Group will continue to offer competitive remuneration packages and bonuses to eligible staffs, based on the performance and the individual employee.

Exposure to fluctuations in exchange rates and related hedge

Most business transactions of the Group are settled in Renminbi ("RMB") since the operations of the Group are mainly carried out in the PRC, and the major subsidiaries of the Group are operating in a RMB environment and the functional currency of the major subsidiaries is RMB. The reporting currency of the Group is RMB.

The Group's cash and bank deposits are predominantly in RMB. Based on the aforesaid, the Group does not enter into any agreement to hedge against the foreign exchange risk. The Company will pay dividends in Hong Kong Dollars if dividends are declared and it will continue to monitor the fluctuation of RMB closely and will introduce suitable measures as and when appropriate.

FUTURE PROSPECTS

In 2015, although the global economy slightly strengthened, the slowing down of China's economy was still causing difficulties in the industry of the Group. Fierce competition between competitors and high labor costs were the main elements that lead the Group totally withdrawn from the End-Products market and scale down the production of Conventional Materials that involved labor intensive production processes.

Looking ahead at year 2016, the slowdown of economic in China and a forecast of rising interest rates in the US are the elements that contribute uncertainty and volatile in the worldwide economic. The Group would expect to struggle with the tough and challenging economic environment in 2016. The Group will actively adapt to the national policy of "adjusting economic structure; transforming traditional manufacturing industries into new manufacturing industries". The Group will be continuing implement of a series of adjustment measures:

1. To stabilize the development of new materials business, and to actively develop new products;

2. To further develop domestic and foreign customers, and to expand the market segments of the Group;

3. To establish more stable and reasonable strategic cooperation partnership relationship with suppliers, so as to significantly decrease the procurement costs;

4. All staff of the Group should enthusiastic to implement the optimization process in internal control procedures of respectively areas of procurement, production, sales, and finance in order to enhance the operation efficiency of the Group.

In 2016, the Company will cooperate with the engaged professional parties to plan its application for the resumption of trading in the shares of the Company on the Stock Exchange (the" Resumption"). Further announcement will be published to shareholders of the Company to update the latest development of the Resumption in due course.

Once if the Group has been successful in applying for the Resumption of trading of its shares on The Stock Exchange of Hong Kong Limited, the Group will comprehensively be upgraded its business and operation by capitalizing on its continuous innovative technologies and its professional technical team, which is well-recognized both in domestic and foreign industries:

1. The Shanghai plants will add the second and the third production lines, which are engaged in the research, development, production and sales of materials for high-end broaden automotives' windows, double membrane gas holders materials, architectural membrane structure materials, marquees materials, inflatable materials; drop stitch fabric and materials for auto-rolling curtains, in order to create economies of scale.

2. Fuzhou plants will adjust its production and service business, and be engaged in the production and sales of inflatable materials, inflatable boats materials, water pools materials, air tightness materials for water sports and leisure, swimsuit materials and packaging materials, so as to create scale operation.

3. To continue the research and development of new products, apply for invention patents for projects, increase products' additional values, establish as one of the most innovative technology enterprises in the industry, and create values for the Shareholders.

4. To continue to strengthen the cooperation with the technical experts in Europe and US, and to further expand its market segment in the international market.

DIRECTORS

The board of directors (the "Board") of the Company consists of six directors (the "Directors"), including three executive Directors and three independent non-executive Directors.

Executive Directors

Mr. Lin Shengxiong（林生雄先生）, aged 54, is the Chairman and an executive Director of the Company, who is the brother of Mr. Zhang Hongwang's father-in-law. Mr. Lin is one of the founders of the Group and a substantial shareholder of the Company. Mr. Lin was appointed as a Director on 7 October 2009. Other than holding directorship in the Company, Mr. Lin is also a director of China Grandsoo Holding Company Limited and Sijia International Holding Limited. He is responsible for all strategic planning of the Group. Mr. Lin has over 29 years of experience in the polymers and plastics industry. He has extensive experience in corporate development and strategic and production management. Mr. Lin was elected as vice chairman of the 3rd session of the Fujian branch of China Chamber of International Commerce（中國國際商會福建商會）in June 2004. During that year, he also held the post of Committee Member of the 5th session of the Sanming City Sanyuan District Committee*（三明市三元區第五屆委員會）in January. Mr. Lin was elected as a committee member of the 4th session of the Fujian Association of Enterprises with Foreign Investment in November 2007, a committee member of the 3rd committee of the Fujian Federation of Industry & Commerce in April 2007 and the chairman of Association of Plastic Material Industry of Fuzhou City*（福州市塑膠同業公會）in 2010. Mr. Lin was also elected as a Member of the 8th Committee of the Chinese People's Political Consultative Conference of Jinan District of Fuzhou City*（中國人民政治協商會議福州市晉安區第八屆委員會）in December 2011 and deputy chairman of Association of Environmental Protection of Jinan District of Fuzhou City*（福州市晉安區環保協會）in 2011. Mr. Lin completed certificate course for graduate students in world economics in Graduate Students' College of Xiamen University（廈門大學研究生院）in September 2001.

Mr. Zhang Hongwang（張宏旺先生）, aged 40, is an executive Director of the Company, who is the son-in-law of Mr. Lin Shengxiong's elder brother. Mr. Zhang was appointed as a Director on 7 October 2009. Other than holding directorship in the Company, Mr. Zhang is also a director of Sijia International Holding Limited and a manager of Fujian Hausa Import and Export Co., Ltd.*（福建浩思進出口貿易有限公司）. He is responsible for the operations of the Group. Mr. Zhang has over 18 years of experience in the polymers and plastic industry. He has extensive experience in financial management and operation. Since February 2002, Mr. Zhang served as the general manager of Fujian Sijia Industrial Material Co., Ltd ("Fujian Sijia"), a subsidiary of the Company, responsible for products promotion, formulating and implementing development strategies and operation plans of the Group. Prior to joining the Group, Mr. Zhang served as the accountant and was later promoted as accounting manager of Fujian Sanming Yongfeng Plastics Co., Ltd.*（福建三明市永豐塑膠有限公司）from September 1996 to October 2000. Subsequently, Mr. Zhang acted as general manager of Fujian Fang Ya from October 2000 to December 2002 responsible for the production, sales and operation in manufacturing rain coats. Through the above work experience with these companies, Mr. Zhang gained substantial knowledge and experience in technologies, formulae and production techniques in manufacturing of polymer products. He has also completed the certificate course for senior business management chief executive seminars（高級工商管理總裁研修班）in Qinghua University in December 2007.

* *for identification purpose only*

Mr. Huang Wanneng（黃萬能先生）, aged 49, is an executive Director of the Company. Mr. Huang was appointed as a Director on 7 October 2009. Other than holding directorship in the Company, Mr. Huang is also a manager of Sijia New Material (Shanghai) Co., Ltd.*（思嘉環保材料科技（上海）有限公司）. He is principally responsible for the research and development of the Group. Mr. Huang is a chief mechanical engineer and has about 26 years of experience in the polymer and plastic industry. He has extensive experience in on-site management, development of technology and equipments and improvement in production techniques. Mr. Huang joined the Group and served as deputy general manager and chief engineer of Fujian Sijia, mainly responsible for the new equipments, technology and product development, equipment management and technology reform of equipments since September 2002. Prior to joining the Group, Mr. Huang worked for Fujian Hongming Plastics Co., Ltd.*（福建省宏明塑膠股份有限公司）where he served various positions, namely, workshop technician, workshop supervisor, equipment engineer and department chief of equipment department from July 1989 to August 2002. During this period, Mr. Huang specialised in management of production automation system used in the manufacturing of polymer products. He obtained his bachelor's degree in electric engineering from Southeast University in July 1989.

Independent non-executive Directors

Mr. Chong Chi Wah（莊志華先生）, aged 54, is an independent non-executive Director of the Company. Mr. Chong was appointed as a Director on 14 February 2011. Mr. Chong graduated from the Hong Kong Polytechnic (now known as Hong Kong Polytechnic University) with a Diploma in Management Studies in 1991 and graduated from University of San Francisco of the United States with a Master degree in Business Administration (MBA) in 1997. Mr. Chong is a fellow member of The Association of Chartered Certified Accountants of the United Kingdom, an associate member of Hong Kong Institute of Certified Public Accountants, associate member of The Institute of Chartered Secretaries and Administrators and associate member of The Hong Kong Institute of Chartered Secretaries. Mr. Chong has over 28 years of experience in accounting, audit and finance. Ms. Chong was an independent non-executive director of Daisho Microline Holdings Limited (stock code: 567), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 26 August 2013 till 1 April 2016. Furthermore, he was an independent non-executive director of China Solar Energy Holdings Limited (stock code: 155), a company listed on the Main Board of the Stock Exchange since March 2011 till January 2012; and was an independent non-executive director of Ruifeng Petroleum Chemical Holdings Limited（瑞豐石化控股有限公司）(stock code: 8096), a company listed on the GEM Board of the Stock Exchange since December 2013 till April 2014.

Mr. Cai Weican（蔡維燦先生）, aged 57, is an independent non-executive Director of the Company. Mr. Cai was appointed as a Director on 6 January 2010. Mr. Cai joined Sanming Vocational and Technical College（三明職業技術學院）since June 2005, holding various positions ranging from senior lecturer, assistant professor, senior accountant of the Financial and Accounting Department, Second Convenor (presiding over works) of the Department of Economics and Management, party sub-committee secretary of the Department of Humanity, Economics and Management. Mr. Cai is currently the supervisor and party sub-committee secretary of the Department of Economics and Management at Sanming Vocational and Technical College（三明職業技術學院）. Mr. Cai has been the vice president of the Sanming Institute of Auditors（三明市審計學會）and a member of the Expert Team of Budget Audit and Oversight of People's Congress Standing Committee of Sanming City（三明市人大常委會預算審查監督專家組）. Mr. Cai obtained a number of honorary titles such as Outstanding Teacher Award by the Finance Department of Fujian Province（福建省財政廳）and Outstanding Teacher of Fujian Province. He obtained a bachelor's degree in Hunan University specialising in accounting in 2004.

* *for identification purpose only*

Mr. Wu Jianhua (吳建華先生), aged 71, is an independent non-executive Director of the Company. Mr. Wu was appointed as a Director on 14 January 2011. Mr. Wu is currently the chairman of the Agricultural Society of Fujian, the PRC. Mr. Wu was a postgraduate of Fujian Agriculture and Forestry University (福建農林大學) specialized in Agriculture Economy Management and graduated from University of North Virginia of the United States with a Master degree in Business Administration (MBA) in 2003. Mr. Wu had been a Representative of the 9th National People's Congress, a member of the 7th Provincial Party Committee and a member of 7th and 9th Provincial Political Consultative Conference. During the period from 1969 to 1988, he had worked for Fuzhou Car Manufactory and Repair Plant (福州汽車修造廠), Provincial Traffic Department (省交通廳), industry and traffic division of Executive Office of the Provincial Government (省政府辦公廳工交處), Putian City Planning Commission (莆田市計委), Bureau of Legislative Affairs of the Provincial Government (省政府法制局), served as Deputy Commissioner, Deputy Head, Head of the Planning Commission, Legal Secretary respectively. Between 1988 and 2005, Mr. Wu served as Deputy Secretary General of the Provincial Government, Putian City Mayor, Director of Provincial Agriculture Office engaging in the agricultural economic management works. Since August 2005, Mr. Wu had served as Deputy Director of the Provincial Committee of Economy, Science and Technology and continued to lead in agricultural economic management works. During this period, Mr. Wu had also chaired the formulation of "Shi•Wu (十 • 五)", "Shiyi•Wu (十一 • 五)" agricultural development planning and characteristic agricultural industry of Fujian province, and had participated in research and implementation of projects involving comprehensive law enforcement in agriculture, deepening Taiwan and Fujian agricultural cooperation, establishing 969155 agricultural information hotline.

Senior Management

Ms. Chiu Fung Chi, Dores (趙鳳姿女士), aged 56, is the Company Secretary and Financial Controller of the Group, Ms. Chiu is responsible for the overall company secretarial, compliance and financial control of the Group. Ms. Chiu was well-experienced in the field of accounting, auditing, internal auditing and corporate finance. Prior to joining the Company in May 2015, Ms. Chiu held executive positions at several listed companies and an international financial institution. Ms. Chiu obtained a degree of Bachelor of Arts (Honors) in Accountancy from the City University of Hong Kong and a degree of Master of Science in Information Systems from the Hong Kong Polytechnic University. Ms. Chiu is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.

Mr. Wu Yonggui (伍永貴先生), aged 37, is the division head of finance of the Group, mainly responsible for accounting and audit of the Group. Mr. Wu is also an accountant and assistant economist. Prior to joining the Group in January 2006, Mr. Wu held various posts with Xiamen Huier-Kang Food Co., Ltd.* (廈門惠爾康食品有限公司), namely, costs analyst, production planning officer and costs accountant for the period from July 2003 to December 2004. From January 2005 to December 2005, he worked as sales accountant for Fujian Huier-Kang Dairy Co., Ltd.* (福建惠爾康乳業有限公司). Mr. Wu graduated from Jimei University (集美大學) majoring financial management (with human resource management).

Ms. Zheng Lijuan(鄭麗娟女士), aged 37, is the deputy general manager and division head of the procurement department of the Group and is responsible for the procurement of the Group, cost control and the 7S management of the Group. Ms. Zheng joined the Group in October 2005. During the period from October 2005 to June 2010, Ms. Zheng was the division head of finance of the Group and in March 2010, the division head of the procurement department of the Group. In June 2010, she was promoted as the deputy general manager. Ms. Zheng graduated from Xiamen University(廈門大學)in 1999, majoring in financial accounting and completed the MBA course of Fuzhou University(福州大學)in 2010.

Mr. Huang Daohuo(黃道火先生), aged 44, is the product technology manager and the division head of sales support of the Group, primarily responsible for overseeing the marketing of new products and the after-sale technical support service of the Group. Mr. Huang joined the Group in July 2003 and has 17 years of experience in polymer materials industry.

Mr. Jiang Shisheng(蔣石生先生), aged 47, is the division head of technology of the Group, primarily responsible for technological development of the Group. Mr. Jiang was approved as an engineer by Fujian Provincial Bureau of Personnel in December 1998. Prior to joining the Group in August 2006, Mr. Jiang served various positions as crafts technician, supervisor of technological development department and supervisor of technical center of Fujian Hongming Plastics Co., Ltd*(福建宏明塑膠股份有限公司)from July 1992 to August 2003, crafts engineer of Sanming Mingxin Plastics Co., Ltd*(三明明鑫塑膠有限公司)from August 1993 to July 1999, and supervisor of technical department of Zhejiang Longyue Technology Co., Ltd.(浙江龍躍科技有限公司) from August 2003 to April 2006. Mr. Jiang obtained a bachelors degree in engineering from Tianjin University of Light Industry*(天津輕工業學院).

Ms. Chen Guangxing(陳光星女士), aged 29, is the Vice General Manager of Sijia Industrial Material (Shanghai) Company Limited (the" Shanghai Sijia"). Ms. Chen joined into the Group in December 2005 and worked as the Financial Accountant and President's Assistant in the subsidiary of the Group, namely Fujian Sijia Industrial Material Company Limited from December 2005 to August 2012. Ms. Chen worked as the Vice General Manager of Shanghai Sijia since September 2012 and is responsible for overall in charge of purchasing, human resource and warehousing management. Ms. Chen graduated from Tianjin Technology University majoring Financial Accounting.

CORPORATE GOVERNANCE REPORT

The Board of directors of the Company (the "Board") is recognized the value and importance of achieving high corporate governance standards to enhance corporate performance, transparency and accountability, earning the confidence of shareholders and the public.

The Board will strive to adhere to the principles of corporate governance and adopt sound corporate governance practices to meet the legal and commercial standards by focusing on areas such as internal control, fair disclosure and accountability to all of its shareholders.

CORPORATE GOVERNANCE CODE COMPLIANCE

The Board has established procedures on corporate governance that comply with the requirements of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules. The Board has reviewed and taken measures to adopt the CG Code as the Company's code of corporate governance practices. During the year ended 31 December 2015, the Company has complied with the code provisions under the CG Code, save and except for the following:

Code provision A.6.3 stipulates that executive directors, independent non-executive directors and other non-executive directors should attend general meeting and develop a balanced understanding of the views of shareholders. Two executive directors and two independent non-executive directors were unable to attend the annual general meeting ("AGM") and the extraordinary general meeting ("EGM") of the Company which were held on 6 June 2015 and 3 November 2015 respectively due to their other business engagements. Each director of the Company ("Director(s)") has been reminded of his duty and each of them has indicated that he will use his best endeavors to attend the general meetings to be held in the future.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by Directors. Having made specific enquiry with each of the Directors, all of them have confirmed that they have complied with the required standard set out in the Model Code during the year.

THE BOARD

The Board's primary responsibilities are to oversee the management of the Group, to formulate the Group's long-term corporate strategy including the formulation and approval of all policy matters, internal control and risk management systems, to evaluate the performance of the Group and to assess the achievement of targets periodically set by the Board.

In addition, the Board has also established Board Committees and has delegated to these Board Committees various responsibilities set out in their terms of reference respectively.

The Board has delegated the authority and responsibility for implementing day-to-day operations, business strategies and management of the Group's businesses to the executive Directors, senior management and certain specific responsibilities to the Board committees.

COMPOSITION OF THE BOARD

As at the date of this report, the Board of Directors was chaired by Mr. Lin Shengxiong. There are (i) three executive Directors, namely Mr. Lin Shengxiong, Mr. Zhang Hongwang and Mr. Huang Wanneng, (ii) three independent non-executive Directors, namely Mr. Chong Chi Wah, Mr. Cai Weican and Mr. Wu Jianhua.

The names and biographical details of each director are set out in the section of Biographical Details of Directors and Senior Management on pages 14 to 17 of this annual report. All Directors have confirmed that they have taken an active interest in the Company's affairs and obtained a general understanding of its business.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under Code Provision A.2.1 of the CG Code, it stipulates the roles of the Chairman and the Chief Executive Officer should be separate and should not be performed by the same individual. During the year, the role of the Chairman is performed by Mr. Lin Shengxiong and the role of Chief Executive Officer is performed by the General Manager, Mr. Zhang Hongwang, who is the son-in-law of Mr. Lin's brother. The balance of power and authorities is ensured by the operation of the senior management and the Board, which comprises experienced and high caliber individuals.

APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the executive Directors and independent non-executive Directors has entered into a service contract with the Company for a specific term. Such term is subject to his re-appointment by the Company at an annual general meeting (the "AGM") upon retirement. The articles of association of the Company provide that any Director appointed by the Board, (i) to fill a casual vacancy in the Board, shall hold office only until the next following general meeting of the Company and shall be subject to re-election at such meeting and (ii) as an addition to the Board shall hold office until the next AGM of the Company and shall then be eligible for re-election.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Independent non-executive Directors (the "INED(s)") play a significant role in the Board by virtue of their independent judgment and their views carry significant weight in the Board's decision. In particular, they bring an impartial view to bear on issues of the Company's strategy, performance and control. All independent non-executive Directors possess extensive academic, professional and industry expertise and management experience and have provided their professional advices to the Board.

The Board also considers that independent non-executive Directors can provide independent advice on the Company's business strategy, results and management so that all interests of shareholders can be taken into account, and the interests of the Company and its shareholders can be protected.

All of the independent non-executive Directors are appointed for a term of 2 years and are subject to retirement by rotation and re-election in accordance with the articles of association of the Company.

During the year of 2015, the Board at all times met the requirements of Rule 3.10(1) and Rule 3.10(2) of the Listing Rules relating to the appointment of at least three INEDs with at least one INED possessing appropriate professional qualifications, or accounting or related financial management expertise. In compliance with Rule 3.10A of the Listing Rules, INEDs represented at least one-third of the Board throughout the year ended 31 December 2015.

The Company has received a written annual confirmation from each INED of his independence pursuant to the requirements of Rule 3.13 of the Listing Rules, which confirmed to the Company that he has met the independence guidelines set out in the Listing Rules. And the Company also considers that they are independent.

BOARD DIVERSITY POLICY

The Company adopted a Board Diversity Policy (the "Diversity Policy") which became effective in September 2013. The Company seeks to achieve board diversity through the consideration of a number of factors in the Board members' selection process, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments are based on merits, and the selection of candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

Each newly appointed Director receives an induction package from the Company's legal advisor on the first occasion of his/her appointment. This induction package is a comprehensive, formal and tailored induction the responsibilities and on-going obligations to be observed by a director pursuant to the Companies Ordinance, Listing Rules and Securities and Futures Ordinance.

During the year, all the Directors had reviewed the regular business and financial updates and other reading materials concerning latest developments in corporate governance practices and relevant legal and regulatory developments, that provided to them by the Company. Besides, the Company will arrange and fund suitable training for directors in order to develop and refresh their knowledge and skills.

Executive directors	
Mr. Lin Shengxiong	B,C
Mr. Zhang Hongwang	B,C
Mr. Huang Wanneng	B,C
Independent non-executive directors	
Mr. Cai Weican	B,C
Mr. Wu Jianhu	B,C
Mr. Chong Chi Wah	A,B,C

A: attending seminars/meetings/forums/conferences/courses/workshops organized by professional bodies or regulatories

B: reading journals/newsletters/seminar materials/publications/magazines

C: reading memoranda issued or materials provided by the Company

BOARD MEETINGS/GENERAL MEETINGS

The Board meets regularly to discuss the overall strategy as well as operation and financial performance of the Group, and to review and approve the Group's annual and interim results and other ad hoc matters. Notice, agenda and Board papers of Board and committee meetings are served to all directors prior to the meeting in accordance with the Company's Articles of Association and the CG Code requirement (except under emergency situation). Extraordinary and Annual General Meeting schedules and draft agenda are made available to the Directors in advance. Details of individual attendance of directors at the meetings of the Board, Remuneration Committee, Audit Committee, Nomination Committee, Extraordinary and Annual General Meeting are set out in the table below:

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Annual General Meeting	Extraordinary General Meting
Number of meetings held for the year ended 31 December 2015	5	2	1	1	1	1
Executive Directors						
Mr. Lin Shengxiong	5	N/A	1	N/A	1	1
Mr. Zhang Hongwang	3	N/A	N/A	N/A	0	0
Mr. Huang Wanneng	3	N/A	N/A	N/A	0	0
Independent non-executive Directors						
Mr. Chong Chi Wah	5	2	1	1	1	0
Mr. Cai Weican	2	2	1	0	0	0
Mr. Wu Jianhua	2	2	1	1	0	1

All Directors are provided with notice and agenda of meeting at least 14 days in advance, while relevant materials relating to the matters brought before the meetings at least three days in advance. All Directors have access to relevant and timely information, and they can ask for further information or retain independent professional advisors if necessary. They also have access to the advice and services of our Company Secretary, who is responsible for providing Directors with Board papers and related materials and ensuring that Board procedures are followed. Where queries are raised by Directors, steps would be taken to respond as promptly and fully as possible. All Directors have the opportunity to include matters in the agenda for Board meetings. Reasonable notices of Board meetings are given to the Directors and Board procedures complied with the articles of association of the Company, as well as relevant rules and regulations.

CONFLICT OF INTEREST

If a Director has a conflict of interest in relation to a transaction or proposal to be considered by the Board, such Director is required to declare his interest and to abstain from voting. The matter is considered at a Board meeting attended by Directors who have no material interest in the transaction.

BOARD COMMITTEES

The Board has established Audit Committee, Remuneration Committee and Nomination Committee (collectively "Board Committees") with defined terms of reference. The terms of reference of the Board Committees are available upon request. The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

AUDIT COMMITTEE

The Audit Committee is responsible for the review and supervision of the Group's financial reporting process, internal controls and review of the consolidated financial statements. The Audit Committee meets regularly with the Company's external auditors to discuss the audit process and accounting issues (and in the absence of management if appropriate). Their written terms of reference are in line with the CG Code provisions. Members of the Audit Committee comprise Mr. Chong Chi Wah (Chairman), Mr. Cai Weican and Mr. Wu Jianhua, all of whom are independent non-executive Directors.

The Audit Committee has specific written terms of reference, including amongst other duties the following key responsibilities:

- Make recommendations to the Board on the appointment and, if necessary, the replacement/resignation of the external auditors and assess their independence, performance and fee levels;
- Review the completeness, accuracy and fairness of our Company's interim and annual financial statements and reports;
- Ensure compliance with the applicable accounting standards and legal and regulatory requirements on financial reporting and disclosures;
- Review the arrangements for the employees of the Group to raise concerns about financial reporting and any other improprieties;
- Oversee the effectiveness of financial reporting systems; and
- Ensure ongoing assessments of the Group's internal control systems over financial, operational, compliance and broad risk management processes.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters. The Group's audited consolidated financial statements for the year ended 31 December 2015 have been reviewed by the Audit Committee, who is of the opinion that such accounts have complied with the applicable accounting standards, the Listing Rules and all legal requirements, and that adequate disclosures have been made.

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for making recommendations to the Directors' remuneration and other benefits. The remuneration of all Directors is subject to regular review by the Remuneration Committee to ensure that their remuneration and compensation are reasonable. Their written terms of reference are in line with the CG Code provisions. Members of the Remuneration Committee comprise Mr. Wu Jianhua (Chairman), Mr. Lin Shengxiong, Mr. Chong Chi Wah and Mr. Cai Weican.

The Remuneration Committee has specific written terms of reference and its primary duties include:

- Ongoing review of the Group's overall remuneration policies and structure;
- Making recommendations to the Board on the administration of fair and transparent procedures for setting policies on the remuneration of directors and senior management;
- Reviewing and approving management's remuneration proposals with reference to the Board's corporate goals and objectives; and
- Reviewing and approving compensation payable to executive directors and senior management for any loss or termination of office.

For the year ended 31 December 2015, the remuneration of members of senior management by band is set out below:

Band of remuneration	**Number of individuals**
Nil to RMB1,000,000	6

NOMINATION COMMITTEE

The Nomination Committee is primarily responsible to consider and recommend to the Board suitably qualified persons to become the member of the Board and is also responsible for reviewing the structure, size and composition of the Board on a regular basis and as required. Members of the Nomination Committee comprise Mr. Cai Weican (Chairman), Mr. Chong Chi Wah and Mr. Wu Jianhua.

The Nomination Committee has specific written terms of reference and its primary duties include:

- Review the structure, size and composition and diversity (including the skills, knowledge, gender, age, cultural and educational background & professional experience) of the Board annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- Identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- Assess the independence of independent non-executive directors and review the independent non-executive directors' annual confirmation on their independence;

- Make recommendations to the Board on the appointment and re-appointment of directors and the succession planning for directors and, in particular, the chairman and the chief executive;
- Review the contribution required from a director to perform his/her responsibilities, and whether he/she is spending sufficient time performing them; and
- Review the training and continuous professional development of the Directors.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for determining the policy for the corporate governance of the Company and performing its corporate governance duties as set out below:

i Develop and review the Company's policies and practices on corporate governance;

ii Review and monitor the training and continuous professional development of Directors and senior management;

iii Review and monitor the Company's policies and practices on compliance with all legal and regulatory requirements;

iv Develop, review and monitor the code of conduct and compliance manual applicable to the employees and directors; and

v Review the Company's compliance with the code of corporate governance and disclosure requirements in the Corporate Governance Report.

During the year, the Board continued to adopt its Corporate Governance Handbook which is comprised of, inter alias, continuous disclosure policies, securities dealings policies, whistle-blowing policies, shareholders' communication policies as well as terms of reference of the board committees and the charter for internal audit.

RESPONSIBILITIES IN PREPARING THE FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The Directors acknowledge their responsibilities for preparing the financial statements of the Company and the Group for the year ended 31 December 2015.

The work scope and responsibilities of ZHONGHUI ANDA CPA Limited, the Company's external auditor, are stated in the section entitled "Independent Auditor's Report" in this annual report.

INTERNAL CONTROL

The Board is responsible for the internal control of the Group and for reviewing its effectiveness. Procedures have been designed for safeguarding assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance of applicable laws, rules and regulations. The Audit Committee has conducted general review and monitor of the Group's internal management and operation during the financial year.

LISTING RULES COMPLIANCE

Throughout the year, the Group has fully complied with the Listing Rules requirements. Financial Reports, announcements and circulars have been prepared and published in accordance with the requirements of the Listing Rules.

AUDITOR'S REMUNERATION

Audit Committee of the Company reviews the terms of appointment of the external auditor each year. The review includes their independence, the scope of their audit, their audit fees, and the scope and professional fees for any non-audit services. For the year ended 31 December 2015, services provided to the Company by its external auditor and the respective fees paid were:

Services rendered	**Fee paid/ payable** *HK$'000*
Audit of financial statements	1,900
Other non-audit services	30
	1,930

COMPANY SECRETARY

The Company Secretary of the Company during the period between:

(a) 1 January 2015 to 8 June 2015 was Mr. Chan Wing Hang; and

(b) 8 June 2015 to 31 December 2015 and thereafter was Ms. Chiu Fung Chi, Dores.

The biographical details of Ms. Chiu Fung Chi, Dores, the current Company Secretary, are set out in the section headed" Directors and Senior Management" of this annual report. All the Company Secretaries took not less than 15 hours of relevant professional training in the year ended 31 December 2015 as required by the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS

The Board recognizes the importance of good communication with Shareholders and highly respects the Shareholders' right to express their view and appreciates their suggestions to the Company.

The Company uses a number of formal communication channels to deliver the information to Shareholders in a timely manner for assuring the Shareholders are kept well informed of the Company's key business imperatives. These include general meetings, interim and annual reports, various announcements and circulars. The Company's website offers a communication channel between the Company and the Shareholders as the website be updated with published information of the Group.

VOTING BY POLL

AGM proceedings are reviewed from time to time to ensure that the Company follows best corporate governance practices. The notice of AGM is distributed to all shareholders at least 21 days prior to the AGM and the accompanying circular also sets out details of each proposed resolution and other relevant information as required under the Listing Rules. The chairman of the AGM exercises his power under the articles of association of the Company to put each proposed resolution to the vote by way of a poll. The procedures for demanding and conducting a poll are explained at the beginning of the meeting. Voting results are posted on our Group's website on the day of the AGM.

The Company will invite representatives of the external auditors to attend the AGM to answer shareholders' questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditors' independence.

SHAREHOLDERS' RIGHTS

1. Procedures for Shareholders to Convene an Extraordinary General Meeting

Pursuant to Article 58 of the articles of association of the Company extraordinary general meetings shall be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

2. Procedures for Raising Enquiries

Shareholders may direct their queries about their shareholdings, share transfer, registration and payment of dividend to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited.

3. Procedures for Putting Forward Proposals at Shareholders' Meetings

i. Proposal for Election of a Person Other than a Director as a Director:

According to Article 85 of the articles of association of the Company, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a shareholder of the Company (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office of the Company in Hong Kong or at the Company's branch share registrar in Hong Kong provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

ii. Other Proposals:

If a shareholder wishes to make other proposals (the "Proposal(s)") at a general meeting, he/she may lodge a written request, duly signed, at the head office of the Company in Hong Kong marked for the attention of the Company Secretary of the Company.

The identity of such shareholder and his/her request will be verified with the Company's branch share registrar in Hong Kong and upon confirmation by the share registrar that the request is proper and in order, and is made by a shareholder of the Company, the Board will in its sole discretion decide whether the Proposal may be included in the agenda for the general meeting to be set out in the notice of meeting.

The notice period to be given to all the shareholders for consideration of the Proposal raised by the shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

1. Notice of not less than 21 clear days and not less than 20 clear business days in writing if the Proposal requires approval in an annual general meeting of the Company.

2. Notice of not less than 21 clear days and not less than 10 clear business days in writing if the Proposal requires approval by way of a special resolution in an extraordinary general meeting of the Company;

3. Notice of not less than 14 clear days and not less than 10 clear business days in writing if the Proposal requires approval by way of an ordinary resolution in an extraordinary general meeting of the Company.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2015, there was no change in the memorandum and articles of association of the Company.

The amended and restated memorandum and articles of association of the Company are available on the website of the Stock Exchange and the website of the Company.

REPORT OF THE DIRECTORS

The Directors are pleased to present the annual report and the audited consolidated financial statements of the Company for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and the Group is principally engaged in the design, development, manufacture and sale of (i) polymer processed high strength polyester fabric composite materials and other reinforced composite materials, (ii) conventional materials and (iii) downstream related inflatable and waterproof products targeting the outdoor leisure, recreation and sports consumer market.

The activities of its principal subsidiaries are set out in note 43 to the consolidated financial statements.

BUSINESS REVIEW AND PERFORMANCE

A review and outlook of the business of the Company and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are provided in the Chairman's Statement and Management Discussion and Analysis respectively from pages 4 to 5 and pages 6 to 13.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group's operations are subject to a number of environmental laws and regulations, including the Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法), the Administrative Regulations on Environmental Protection for Construction Project (建設項目環境保護管理條例), the Law of the People's Republic of China on the Prevention and Control of the Air Pollution (中華人民共和國大氣污染防治法).

The Group will conduct necessary environmental feasibility studies and submit to the relevant environmental authorities for approvals in accordance with PRC laws and regulations for any further expansion of plants or equipment.

The Group's production process will only produce a small amount of industrial wastes. Certain plastic fragment will be leftover during the production process of the final products. The Group will recycle such plastic wastes as raw materials for the sake of cost effectiveness and environmental protection. The Group's production process will not generate any water sewage. The Group checks all raw materials received at its plants to ensure compliance with the Group's safety and quality standards. To the Directors' best knowledge, because all of the Group's raw materials comply with the Group's safety and quality standards, any use of these raw materials, including production processing, storage and disposal, would also comply with applicable PRC environmental regulations such as the Integrated Emission Standard of Air Pollutants (GB16297-1996) (大氣污染物綜合排放標準)("IESAP"). Since none of the Group's raw materials is toxic, the storage of raw materials will not produce any toxic element or harmful effect on the environment or human health. In addition, since the Group's production process will only produce a small amount of solid industrial waste, which is recyclable and does not have any environmental impact, the disposal process will not produce any toxic element or harmful effect on the environment or human health.

During the processing and heating of PVC, small amounts of harmful gases will be generated at levels in compliance with IESAP. These gases, along with other non-harmful exhaust gases produced during the manufacturing process, are discharged through tall emission pipes at rates in compliance with IESAP. The Group has not received any notice from the environmental bureau in relation to any non-compliance with any environmental laws and regulations during the Year.

COMPLIANCE WITH LAWS AND REGULATIONS

The Board was unaware of any non-compliance with the relevant laws and regulations that have a significant impact on the Group during the year.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Details of the key relationships between the Company and its employees are set out in the paragraph headed Human Resources in the section of Management Discussion And Analysis of this annual report.

The management of the Group understands the importance of maintaining a good relationship with its customers and suppliers for achieving its long term goals. Hence, the management of the Group would keep good communication and relationship with its customers and suppliers.

The Group will continue to enhance its customer service and deliver the excellent quality products to its customers. Simultaneously, the Group would expand its market segment to the international market.

The Group has established long term relationships with its major suppliers in order to ensure the sustainable suppliers for the business of the Group.

During the year, there were no material dispute between the Group and its customers and suppliers.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 39.

The Board do not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: Nil).

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and note 38 to the consolidated financial statements.

The Company's reserves available for distribution represent the share premium and retained profits under the Companies Law of the Cayman Islands. The share premium of the Company is available for paying dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distribution of dividend the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's Articles of Association, dividends can be distributed out of the share premium and retained profits of the Company which in aggregate amounted to approximately RMB194.0 million (2014: approximately RMB876.7 million) as at 31 December 2015.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 96.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the property, plant and equipment of the Group are set out in note 20 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 36 to the consolidated financial statements.

BANK BORROWINGS

Details of bank borrowings for the year ended 31 December 2015 are set out in note 33 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under our Company's Articles of Association and there is no restriction against such rights which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares for the year ended 31 December 2015.

MATERIAL ACQUISITION AND DISPOSAL

Details of the disposal of a subsidiary that completed during 2015 are set out in note 11 and 12 to the consolidated financial statements.

The Group had no material acquisition conducted during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 14.8% of the Group's total revenue and the sales attributable to the Group's largest customer were approximately 4.9% of the Group's revenue.

During the year, the aggregate purchases attributable to the Group's five largest suppliers comprised approximately 21.3% of the Group's total cost of sales and the purchases attributable to the Group's largest supplier were approximately 5.2% of the Group's total cost of sales.

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

DIRECTORS

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

Executive Directors

Mr. Lin Shengxiong *(Chairman)*
Mr. Zhang Hongwang
Mr. Huang Wanneng

Independent non-executive Directors

Mr. Chong Chi Wah
Mr. Wu Jianhua
Mr. Cai Weican

In accordance with Article 84 of the Articles of Association of the Company, Mr. Lin Shengxiong and Mr. Chong Chi Wah will retire from office by rotation and, being eligible, have offered themselves for re-election at the forthcoming annual general meeting.

The Company has received confirmation of independence in respect of the year ended 31 December 2015 from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. Up to and as at the date of this report, the Company considers the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors and the independent non-executive Directors has entered into a service contract with the Company for a term of three years and two years respectively unless terminated by either party giving not less than three months' notice to the other party.

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

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save as disclosed under the heading "Related Party Transactions" in note 42 to the consolidated financial statements, no contracts of significance to which the Company, its holding company, subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly and indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors of the Company had engaged in any business or had any interest in business which competes or may constitutes competition directly or indirectly with the business of the Group for the year ended 31 December 2015.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2015, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed issuers (the "Model Code") of the Listing Rules were as follows:

(a) Long Positions in shares of the Company

Name of Director	Capacity/Nature of interest	Number of shares held	Approximate percentage of shareholding in the Company
Mr. Lin Shengxiong	Interests in controlled corporation *(Note)*	410,886,000 *(Note)*	48.19%
Mr. Zhang Hongwang	Beneficial owner	5,060,000	0.59%
Mr. Huang Wanneng	Beneficial owner	5,060,000	0.59%

Note: As at 31 December 2015, Mr. Lin Shenxiong, through his 100% equity interest in Hopeland International Holdings Company Limited held 410,886,000 shares of the Company, representing approximately 48.19% of the entire issued share capital of the Company.

(b) Long positions in shares of the associated corporation of the Company

Name of Director	Name of associated corporation	Capacity/Nature of interest	Number of shares held	Approximate percentage of shareholding in the associated corporation
Mr. Lin Shengxiong	Hopeland International Holdings Company Limited	Beneficial owner	1	100.00%

SHARE OPTION SCHEME

The Company has adopted its share option scheme (the "Share Option Scheme") on 8 April 2010 to provide incentives to the employees, including any executive and non-executive Directors and officers of the Company and its subsidiaries, to contribute to the Group and to enable the Group to recruit high-calibre employees, to attract and retain human resources that are valuable to the Group. Pursuant to the Share Option Scheme, the Directors may, at their discretion, invite eligible participants including employees, executive and non-executive Directors, officers, agents or consultants of the Group to take up options to subscribe for the Company's shares subject to the terms and conditions stipulated therein. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for ten years from the date of its adoption.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme must not in aggregate exceed 10% of the shares of the Company in issue on 29 April 2010, the date of completion of the global offering and capitalization issue. No options may be granted under the Share Option Scheme if this will result in such limit exceeded unless another shareholders' approval is obtained. As at 31 December 2015, the number of shares available for issue under the Share Option Scheme is 80,000,000, representing 9.38% of the total number of shares of the Company in issue. The total number of shares of the Company issued and to be issued upon exercise of options (whether exercised or outstanding) granted in any 12-month period to each participant must not exceed 1% of the shares of the Company in issue.

The exercise price must be at least the highest of: (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of the shares.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were granted on 22 July 2010 and exercisable from 22 July 2010 to 21 July 2015 at an exercise price of HK$3.30 per share:

Executive Directors

Mr. Zhang Hongwang	8,000,000
Mr. Huang Wanneng	6,000,000

The following share options were granted on 30 September 2010 and exercisable from 30 September 2010 to 29 September 2015 at an exercise price of HK$3.50 per share:

Other participants

Employees	36,000,000

As at 31 December 2015, all outstanding share options granted had been forfeited during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year ended 31 December 2015 was the Company, its subsidiaries or its associate a party to any arrangement to enable the Directors and chief executives of the Company or their spouses or children under the age of 18, to acquire benefits by means of acquisition of shares in, or debentures of the Company or its associated corporation.

Save as disclosed above and the section "Share Option Scheme", as at 31 December 2015, none of the Directors or the chief executive of the Company had or was deemed to have any interests in or short positions in the shares, underlying shares of equity derivatives or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2015, the following persons or corporations, other than the interest disclosed above in respect of the directors, interest in 5% or more in the shares and underlying shares of the Company have been notified to the Company and recorded in the register of substantial shareholders' interests in shares and short positions required to be kept under Section 336 of Part XV of the SFO:

Name of shareholder	Long/Short position	Capacity/Nature of interest	Number of shares held	Approximate percentage of shareholding in the Company
Hopeland International Holdings Company Limited *(Note 1)*	Long position	Beneficial owner	410,886,000	48.19%
Ms. Lin Hongting *(Note 2)*	Long position	Interests of spouse	410,886,000	48.19%
Glory Bright Investments Enterprise Limited *(Note 3)*	Long position	Beneficial owner	59,011,000	6.92%
Mr. Lin Wanpeng *(Note 3)*	Long position	Interests in controlled corporation	59,011,000	6.92%
Ms. Wang Huiqing *(Note 4)*	Long position	Interests of spouse	59,011,000	6.92%

Notes

1. As at 31 December 2015, Mr. Lin Shengxiong through his 100% equity interest in Hopeland International Holdings Company Limited held 410,886,000 shares of the Company, representing approximately 48.19% of the entire issued share capital of the Company. Mr. Lin Shengxiong, is an executive Director of the Company.

2. As at 31 December 2015, Ms. Lin Hongting, the spouse of Mr. Lin Shengxiong is deemed to be interested in 410,886,000 shares of the Company, representing approximately 48.19% of the entire issued share capital of the Company.

3. Glory Bright Investments Enterprise Limited is beneficially owned by Mr. Lin Wanpeng. As at 31 December 2015, Mr. Lin Wanpeng is deemed to be interested in 59,011,000 shares of the Company, representing approximately 6.92% of the entire issued share capital of the Company.

4. As at 31 December 2015, Ms. Wang Huiqing, the spouse of Mr. Lin Wanpeng is deemed to be interested in 59,011,000 shares of the Company, representing approximately 6.92% of the entire issued share capital of the Company.

As at 31 December 2015, save as disclosed above, so far as was known to the Directors, no other person (other than the Directors or chief executive of the Company) had any interests or short position in the shares and/or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or as notified to the Company.

RELATED PARTY TRANSACTIONS

Details of the related party transactions for the year are set out in note 42 to the consolidated financial statements. In the opinion of the independent non-executive directors, none of the related party transactions is a connected transaction or continuing connected transaction of the Company as defined in Chapter 14A of the Listing Rules.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group (other than contracts of service with Director or any person engaged in full time employment of the Group) were entered into or existed during the year.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by the provisions of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their qualifications, competence and performance.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market rates.

The Company has adopted a share option scheme as an incentive to directors and eligible employees. Details of the scheme are set out in the above section of share option scheme and note 37 to the consolidated financial statements.

CHARITABLE CONTRIBUTIONS

During the year, no charitable contributions were made by the Group.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained a sufficient public float throughout the year ended 31 December 2015.

AUDITORS

Ernst & Young, which had acted as the auditors of the Company, was removed in the extraordinary general meeting of the Company on 15 May 2013. The Company appointed ZHONGHUI ANDA CPA Limited (formerly known as ANDA CPA Limited) as the auditors of the Company on 25 September 2013. Save as disclosed above, there has been no other changes of auditor in the past three years.

A resolution will be submitted to the annual general meeting to re-appoint ZHONGHUI ANDA CPA Limited as auditor of the Company.

CONTINUED SUSPENSION IN TRADING

Trading in the Shares of our Company was suspended with effect from 14 February 2013 and will remain suspended until further notice.

On Behalf of the Board

Mr. Lin Shengxiong
Chairman

Hong Kong, 30 March 2016

TO THE SHAREHOLDERS OF CHINA LONGEVITY GROUP COMPANY LIMITED
(formerly known as "Sijia Group Company Limited")
中國龍天集團有限公司
（前稱思嘉集團有限公司）
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Longevity Group Company Limited (formerly known as "Sijia Group Company Limited") (the "Company") and its subsidiaries (together, the "Group") set out on pages 39 to 95, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with 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 financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

BASIS FOR QUALIFIED OPINION

Corresponding figures and impairment loss

Our opinion on the consolidated financial statements of the Group for the year ended 31 December 2014, which forms the basis for the corresponding figures presented in the current year's consolidated financial statements, was qualified because of the possible effects of the limitations on the scope of our audit, details of which are set out in our audit report dated 31 March 2015. Included in the impairment loss for the year ended 31 December 2015 were amounts of approximately RMB158 million and RMB51 million relating to trade receivables and advances to supplier, respectively, brought forward from 31 December 2014. We have not been provided with sufficient appropriate audit evidence whether the impairment loss should be recorded in the current year or prior years.

Any adjustments to the figures mentioned above might have consequential effects on the Group's financial performance for the year ended 31 December 2015 and 2014, the Group's cash flows for the year ended 31 December 2015 and 2014, the financial position of the Group as at 31 December 2014, and the related disclosures thereof in the consolidated financial statements.

QUALIFIED OPINION

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

EMPHASIS OF MATTER — GOING CONCERN BASIS

Without further qualifying our opinion, we draw attention to note 2 to the consolidated financial statements which indicate the Group incurred loss attributable to owners of the Company of RMB692,217,000 and RMB159,227,000 respectively for two consecutive years of year ended 31 December 2015 and 31 December 2014, the Group had net current liabilities of RMB281,694,000 as at 31 December 2015, incurred a negative operating cashflow of RMB33,714,000 for the year ended 31 December 2015 and the Company's shares have been suspended for trading since 14 February 2013. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Sze Lin Tang
Practising Certificate Number P03614
Hong Kong, 30 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	**2015 RMB'000**	2014 RMB'000
REVENUE	9	**466,531**	682,858
Cost of sales		**(461,071)**	(634,746)
GROSS PROFIT		**5,460**	48,112
Other income and gains	10	**7,509**	7,769
Selling and distribution costs		**(17,445)**	(21,423)
Administrative expenses		**(77,574)**	(84,126)
Other expenses		**(2,308)**	(7,995)
LOSS FROM OPERATIONS		**(84,358)**	(57,663)
Gain on disposal of a subsidiary	11	**1,506**	—
Loss on dissolution of a subsidiary	12	**(1,983)**	—
Impairments of various assets		**(582,989)**	(74,822)
Finance costs	13	**(17,312)**	(16,543)
LOSS BEFORE TAX	14	**(685,136)**	(149,028)
Income tax expense	15	**(7,308)**	(10,545)
LOSS FOR THE YEAR		**(692,444)**	(159,573)
Other comprehensive income/(expenses) after tax:			
Items that may be reclassified to profit or loss:			
Fair value gains on revaluation of property, plant and equipment		**8,133**	—
Exchange differences on translation of non-PRC operations		**1,320**	(263)
TOTAL COMPREHENSIVE EXPENSES FOR THE YEAR		**(682,991)**	(159,836)
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**(692,217)**	(159,227)
Non-controlling interests		**(227)**	(346)
		(692,444)	(159,573)
TOTAL COMPREHENSIVE EXPENSES FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**(682,764)**	(159,490)
Non-controlling interests		**(227)**	(346)
		(682,991)	(159,836)
LOSS PER SHARE (RMB cents)			
— Basic	19	**(81.19)**	(18.68)
— Diluted		**(81.19)**	(18.68)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment	20	**459,236**	875,797
Prepaid land lease payments	21	**18,264**	28,063
Investment properties	22	**17,100**	—
Intangible assets	23	**1,898**	2,742
Deposits paid for acquisition of property, plant and equipment		**14,137**	26,488
Available-for-sale investment	24	**4,140**	4,140
Deferred tax assets	25	**5,756**	24,810
Total non-current assets		**520,531**	962,040
Current assets			
Inventories	26	**60,938**	112,758
Trade receivables	27	**89,699**	268,221
Prepayments, deposits and other receivables	28	**31,868**	98,603
Pledged deposits	29	**42,750**	70,075
Cash and cash equivalents	29	**27,583**	69,940
		252,838	619,597
Non-current assets classified as held for sale	30	**28,437**	108,212
Total current assets		**281,275**	727,809
Current liabilities			
Trade and bills payables	31	**239,244**	328,101
Other payables and accruals	32	**90,012**	129,629
Interest-bearing borrowings	33	**209,980**	203,000
Deferred income	34	**360**	360
Due to a director	35	**5,000**	—
Tax payable		**18,373**	15,957
		562,969	677,047
Liabilities associated with assets classified as held for sale	30	**—**	42,666
Total current liabilities		**562,969**	719,713
Net current (liabilities)/assets		**(281,694)**	8,096
Total assets less current liabilities		**238,837**	970,136

	Notes	2015 RMB'000	2014 RMB'000
Non-current liabilities			
Interest-bearing borrowings	33	**40,000**	60,000
Deferred income	34	**1,410**	1,770
Deferred tax liabilities	25	**2,711**	14,293
Total non-current liabilities		**44,121**	76,063
NET ASSETS		**194,716**	894,073
Capital and reserves			
Equity attributable to owners of the Company			
Issued capital	36	**747**	747
Reserves	38	**193,969**	876,733
		194,716	877,480
Non-controlling interests		**—**	16,593
TOTAL EQUITY		**194,716**	894,073

The consolidated financial statements on pages 39 to 95 were approved and authorised for issue by the Board of Directors on 30 March 2016 and are signed on its behalf by:

Lin Shengxiong
Chairman

Zhang Hongwang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the Company										
	Issued capital	Capital surplus/ Share premium*	Capital reserve*	Share option reserve*	Statutory surplus funds*	Exchange fluctuation reserve*	Revaluation reserve*	Retained profits/ (Accumulated losses)*	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	747	566,403	28,994	13,101	115,396	(7,288)	–	319,617	1,036,970	16,939	1,053,909
Total comprehensive expenses for the year	–	–	–	–	–	(263)	–	(159,227)	(159,490)	(346)	(159,836)
At 31 December 2014	747	566,403	28,994	13,101	115,396	(7,551)	–	160,390	877,480	16,593	894,073
At 1 January 2015	**747**	**566,403**	**28,994**	**13,101**	**115,396**	**(7,551)**	**–**	**160,390**	**877,480**	**16,593**	**894,073**
Total comprehensive income/(expenses) for the year	**–**	**–**	**–**	**–**	**–**	**1,320**	**8,133**	**(692,217)**	**(682,764)**	**(227)**	**(682,991)**
Disposal of subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(16,366)**	**(16,366)**
Share options expired	**–**	**–**	**–**	**(13,101)**	**–**	**–**	**–**	**13,101**	**–**	**–**	**–**
At 31 December 2015	**747**	**566,403**	**28,994**	**–**	**115,396**	**(6,231)**	**8,133**	**(518,726)**	**194,716**	**–**	**194,716**

* These reserve accounts comprise the consolidated reserves in the consolidated statement of financial position.

	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(685,136)**	(149,028)
Adjustments for:		
Finance costs	**17,312**	16,543
Interest income	**(758)**	(1,106)
Depreciation	**67,371**	71,623
(Gain)/loss on disposals of property, plant and equipment	**(235)**	6,455
Amortisation of prepaid land lease payments	**937**	941
Amortisation of intangible assets	**844**	1,140
Release of deferred income	**(360)**	(360)
Loss on dissolution of a subsidiary	**1,983**	—
Gain on disposal of a subsidiary	**(1,506)**	—
Impairment of property, plant and equipment	**323,146**	40,251
Impairment of prepaid land lease payments	**5,784**	—
Impairment of deposits paid for acquisition of for property, plant and equipment	**—**	1,110
Impairment of trade receivables	**193,339**	5,680
Impairment of other receivables	**7,125**	—
Impairment of advances to suppliers	**51,402**	—
Impairment of inventories	**2,193**	27,781
Dividend income from available-for-sale investment	**(283)**	(232)
Operating (loss)/profit before working capital changes	**(16,842)**	20,798
Change in inventories	**44,128**	(19,315)
Change in trade and bills receivables	**(13,722)**	52,863
Change in prepayments, deposits and other receivables	**35,701**	56,734
Change in trade and bills payables	**(95,338)**	(64,973)
Change in other payables and accruals	**12,490**	(28,338)
Cash (used in)/generated from operations	**(33,583)**	17,769
Income tax paid	**(131)**	(5,759)
Net cash (used in)/generated from operating activities	**(33,714)**	12,010
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(33,853)**	(38,038)
Proceeds from disposals of property, plant and equipment	**4,933**	3,352
Decrease in pledged deposits	**30,865**	26,954
Net cash inflow on disposal of a subsidiary	**14,956**	—
Payment of deposits for acquisition of property, plant and equipment	**—**	(5,040)
Refund of deposits for acquisition of property, plant and equipment	**6,048**	39,819
Interest received	**758**	1,106
Dividend received	**283**	232
Net cash flows generated from investing activities	**23,990**	28,385

	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank borrowings	**199,325**	301,344
Repayment of bank borrowings	**(222,345)**	(295,130)
Advances from a director	**5,000**	—
Interest paid	**(17,312)**	(23,179)
Net cash flows used in financing activities	**(35,332)**	(16,965)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(45,056)**	23,430
Cash and cash equivalents at beginning of year	**71,319**	48,152
Effect on exchange rate changes	**1,320**	(263)
Cash and cash equivalents at end of year	**27,583**	71,319
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**27,583**	69,940
Cash and bank balances classified as non-current assets held for sale	**—**	1,379
	27,583	71,319

1. GENERAL INFORMATION

The Company is a limited company incorporated in the Cayman Islands on 7 October 2009. The address of its registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business is located at Unit 11A, 6th Floor, Silvercord Tower Two, 30 Canton Road, Tsim Sha Tsui, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and have been suspended for trading since 14 February 2013.

The Company acts as an investment holding company. The Company, through its major subsidiaries, is principally engaged in the design, development, manufacture and sale of (i) polymer processed high strength polyester fabric composite materials and other reinforced composite materials, (ii) conventional materials and (iii) downstream related inflatable and waterproof products targeting the outdoor leisure, recreation and sports consumer market.

In the opinion of the directors (the "Directors") of the Company, as at the date of issue of these consolidated financial statements, Hopeland International Holdings Company Limited ("Hopeland International") is the ultimate holding company and Mr. Lin Shengxiong ("Mr. Lin"), the Chairman and an executive Director, is the ultimate controlling party. Hopeland International does not produce financial statements available for public use.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The Group incurred loss attributable to owners of the Company of RMB692,217,000 and RMB159,227,000 respectively for two consecutive years of year ended 31 December 2015 and 31 December 2014, the Group had net current liabilities of RMB281,694,000 as at 31 December 2015, incurred a negative operating cashflow of RMB33,714,000 for the year ended 31 December 2015 and the Company's shares have been suspended for trading since 14 February 2013. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

These financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of the controlling shareholder, at a level sufficient to finance the working capital requirements of the Group. The controlling shareholder has agreed to provide adequate funds for the Group to meet its liabilities as they fall due. The Directors are therefore of the opinion that it is appropriate to prepare the financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised HKFRSs that are relevant to its operations and effective for its accounting year beginning on 1 January 2015. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, except for the investment properties which have been measured at fair value. They are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of these consolidated financial statements in conformity with HKFRSs requires the use of key assumptions and estimates. It also requires the Directors to exercise its judgments in the process of applying the accounting policies. The areas involving critical judgments and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 5 to these consolidated financial statements.

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

Consolidation

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

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

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

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated exchange fluctuation reserve.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Consolidation *(Continued)*

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

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

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

Foreign currency translation

(a) Functional and presentation currency

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

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

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

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currency translation *(Continued)*

(c) Translation on consolidation

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

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

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

— All resulting exchange differences are recognised in the exchange fluctuation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the exchange fluctuation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

Property, plant and equipment

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.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

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

Buildings	4.5%
Plant and machinery	9% to 18%
Leasehold improvements	30%
Office equipment	18%
Motor vehicles	18%

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

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

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less any impairment losses, and is 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 properties held to earn rentals and/or for capital appreciation including properties under construction for such purposes. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference between the carrying amount and the fair value of this item at the date of transfer is recognised as a revaluation of property, plant and equipment.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 as 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. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses.

Software

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

Patent and trademark

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

Trademark with indefinite useful life is stated at cost less any impairment losses. Impairment is reviewed annually or when there is any indication that the trademark has suffered an impairment loss.

Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset arising from the Group's new product development is recognised only if all of the following conditions are met:

— An asset is created that can be identified (such as software and new processes);

— It is probable that the asset created will generate future economic benefits; and

— The development cost of the asset can be measured reliably.

Internally generated intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Operating leases

The Group as lessee

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

The Group as lessor

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

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

Recognition and derecognition of financial instruments

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

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

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost less impairment losses.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale financial assets are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in profit or loss if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

Impairment losses on unquoted equity instruments that are not carried at fair value because their fair values cannot be reliably measured, or on derivative assets that are linked to and must be settled by delivery of such unquoted equity instruments are not reversed.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the carrying amount of the receivables and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the recoverable amount of the receivables can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

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

Borrowings

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

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

Trade and other payables

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

Equity instruments

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

4. 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 over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual installments.

Non-current assets held for sale

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

Non-current assets or disposal group classified as held for sale are measured at the lower of the assets' or disposal group's previous carrying amount and fair value less costs to sell.

Revenue recognition

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

(a) Revenues from the sales of goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

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

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

(d) Dividend income is recognised when the shareholders' right to receive payment has been established.

Share-based payments transactions

The Group issues equity-settled share-based payments to eligible participants who contribute to the success of the Group's operations. Equity-settled share-based payments are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

Pension schemes

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

The employees of the Group's subsidiaries which operate in Mainland China (the "PRC") are required to participate in a central pension scheme operated by the local municipal governments. Contributions are made by the subsidiaries based on a percentage of the participating employees' salaries and are charged to the 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, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

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

Taxation

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

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

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

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Company whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

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

Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if 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 Company or of a parent of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

(B) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities 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. If the Group is itself such a plan, the sponsoring employers are also 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).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except investments, deferred tax assets, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of assets *(Continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

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

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

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained earnings within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Events after the reporting period

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

5. CRITICAL JUDGMENT AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

(a) Going concern basis

These financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of the controlling shareholder at a level sufficient to finance the working capital requirements of the Group. Details are explained in note 2 to financial statements.

(b) Loan covenants

The Group has breached certain financial covenants in respect of secured bank loans with an outstanding balance of RMB47,000,000 and matured within one year. The directors are of opinion that the breach of covenants will not have significant effect on the financial position of the Group.

(c) Legal titles of certain land and buildings

As stated in note 20 to the consolidated financial statements, the titles of certain buildings were not issued to the Group as at 31 December 2015. Despite the fact that the Group has not obtained the relevant legal titles, the directors determine to recognise those buildings as property, plant and equipment on the grounds that they expect the transfer of legal titles in future should have no major difficulties and the Group is in substance controlling those buildings.

Key sources of estimation uncertainty

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

(a) Impairment loss for bad and doubtful debts

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

(b) Impairment of inventories

The Group determines the impairment for obsolescence of inventories with reference to aged inventory analyses and projections of expected future saleability of goods. Based on this review, impairment of inventories will be made when the carrying amounts of inventories are higher than their estimated net realisable values. Due to changes in market conditions, actual saleability of goods may be different from estimation and profit or loss could be affected by differences in this estimation.

5. CRITICAL JUDGMENT AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(c) Useful lives of property, plant and equipment

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

(d) Impairment of property, plant and equipment and prepaid land lease payment

The Group appointed an independent professional valuer to assess the fair values of property, plant and equipment and prepaid land lease payment. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions. Based on this valuation, impairment of property, plant and equipment and prepaid land lease payment has been made since the carrying amounts of certain property, plant and equipment and prepaid land lease payment are higher than their fair values.

(e) Non-current assets held for sale

During the year ended 31 December 2015, the Group reclassified its property, plant and equipment associated with prepaid land lease payments to non-current assets held for sale in accordance with HKFRS 5, "Non-current Assets Held for Sale and Discontinued Operations". Assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Details are disclosed in note 30.

6. FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise interest-bearing bank loans, and cash and cash equivalents. The main purpose of these financial instruments is to raise funding 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 foreign currency risk, interest rate risk, credit risk and liquidity risk. The board reviews and agrees on policies for managing each of these risks and they are summarised below:

Foreign currency risk

Foreign currency risk means the risk of fluctuations in the fair value or future cash flows of financial instruments which arise from changes in exchange rates. The Group's business are mainly located in the Mainland China and are mainly transacted and settled in Renminbi, so the Group has minimal exposure to foreign currency risk.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's interest-bearing loans. The interest rates and terms of repayment of interest-bearing loans are disclosed in note 33 to the financial statements.

At 31 December 2015, if interest rates at that date had been 100 basis points lower with all other variables held constant, consolidated loss after tax for the year would have been RMB1,407,000 (2014: RMB2,160,000) higher, arising mainly as a result of lower interest expense on bank and other borrowings. If interest rates had been 100 basis points higher, with all other variables held constant, consolidated loss after tax for the year would have been RMB1,407,000 (2014: RMB2,160,000) lower, arising mainly as a result of higher interest expense on bank and other borrowings.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and the Group's credit risk is primarily attributable to the trade and other receivables and deposits with financial institutions. The Group has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

(i) Trade and other receivables

The Group has established a credit policy under which credit evaluations are performed on all customers requiring credit. Trade receivables are due within 3 months from the date of billing. Debtors with balances that are more than 3 months are requested to settle all outstanding balance before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. At 31 December 2015, the Group has certain concentration of credit risk of approximately RMB19,298,000 (2014: approximately RMB57,747,000) out of the total trade receivables of approximately RMB89,699,000 (2014: approximately RMB268,221,000) as at 31 December 2015, which was arising from the Group's largest debtor.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 27.

(ii) Deposits with financial institutions

The Group limits its exposure to credit risk by placing deposits with financial institutions that meet the established credit rating or other criteria. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

As at 31 December 2015, the Group has no concentration of credit risk (2014: Nil) of total cash and cash equivalents.

6. FINANCIAL RISK MANAGEMENT *(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 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 payment, was as follows:

At 31 December 2015

	Within one year or on demand RMB'000	**In the second year RMB'000**	**In the third to fifth years, inclusive RMB'000**	**Beyond five years RMB'000**	**Total RMB'000**
Trade and bills payables	**239,244**	**—**	**—**	**—**	**239,244**
Other payables and accruals	**90,012**	**—**	**—**	**—**	**90,012**
Due to a director	**5,000**	**—**	**—**	**—**	**5,000**
Principal portion of borrowings	**209,980**	**40,000**	**—**	**—**	**249,980**
Interest portion of borrowings	**7,543**	**1,327**	**—**	**—**	**8,870**
	551,779	**41,327**	**—**	**—**	**593,106**

At 31 December 2014

	Within one year or on demand RMB'000	In the second year RMB'000	In the third to fifth years, inclusive RMB'000	Beyond five years RMB'000	Total RMB'000
Trade and bills payables	328,101	—	—	—	328,101
Other payables and accruals	129,629	—	—	—	129,629
Principal portion of borrowings	213,000	20,000	40,000	—	273,000
Interest portion of borrowings	12,099	3,590	1,740	—	17,429
	682,829	23,590	41,740	—	748,159

6. FINANCIAL RISK MANAGEMENT *(Continued)*

Categories of financial instruments

	2015 RMB'000	2014 RMB'000
Financial assets:		
Available-for-sale financial assets	**4,140**	4,140
Loans and receivables:		
Trade receivables	**89,699**	271,469
Financial assets included in prepayments, deposits and other receivables	**24,218**	91,569
Pledged deposits	**42,750**	73,615
Cash and cash equivalents	**27,583**	71,319
	188,390	512,112
Financial liabilities:		
Financial liabilities at amortised cost:		
Trade and bills payables	**239,244**	328,101
Financial liabilities included in other payables and accruals	**90,012**	129,629
Due to a director	**5,000**	—
Borrowings	**249,980**	273,000
	584,236	730,730

Fair value

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

7. FAIR VALUE MEASUREMENTS

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 following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy at 31 December 2015:

	Fair value measurement using:			**Total**
	Level 1	**Level 2**	**Level 3**	**2015**
Description	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Recurring fair value measurements:				
Investment properties				
Industrial Complex situated at No. 63 Huli Yuan, Tongan District, Xiamen City, Fujian Province, PRC	**–**	**–**	**17,100**	**17,100**
	–	**–**	**17,100**	**17,100**

7. FAIR VALUE MEASUREMENTS *(Continued)*

(b) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurement at 31 December 2015:

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors of the Company determines the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the group engages third party qualified valuers to perform the valuation. The directors work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model and to understand the cause of fluctuations in the fair value of the assets and liabilities.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognized professional qualifications and recent experience to perform the valuations.

Key unobservable inputs used in level 3 fair value measurements are mainly:

— price per square meter (estimated based on market comparables with adjustment on various factors)

Level 3 fair value measurements

Description	**Valuation technique**	**Significant Unobservable inputs**	**Effect on fair value for increase of inputs**	**Fair value 2015 RMB'000**
Investment properties: An Industrial Complex situated at No. 63 Huli Yuan, Tongan District, Xiamen City, Fujian Province, PRC	Direct Comparison Approach	Price per square meter RMB2,060	Increase	17,100

8. SEGMENT INFORMATION

There is only one operating segment which is principally engaged in the design, development, manufacture and sale of (i) polymer processed high strength polyester fabric composite materials and other reinforced composite materials, (ii) conventional materials and (iii) downstream related inflatable and waterproof products targeting the outdoor leisure, recreation and sports consumer market.

Geographical information

	Revenue from external customers		Non-current assets	
	Year ended 31 December		As at 31 December	
	2015 RMB'000	2014 RMB'000	**2015 RMB'000**	2014 RMB'000
PRC	**263,125**	562,527	**510,617**	933,090
United States ("US")	**50,086**	25,831	**—**	—
Others	**153,320**	94,500	**18**	—
	466,531	682,858	**510,635**	933,090

In presenting the geographical information, the revenue information is based on the locations of the customers while the non-current assets information is based on the location of assets and excludes financial instruments and deferred tax assets. No revenue from transactions with a single country other than PRC and US (2014: PRC) amounted to 10% or more of the Group's total sales for the year (2014: Nil).

Information about major customers

No revenue from transactions with a single customer amounted to 10% or more of the Group's total sales for the year (2014: Nil).

9. REVENUE

The Group's revenue which represents sales of goods to customers is as follows:

	2015 RMB'000	2014 RMB'000
Sales of goods	**466,531**	682,858

10. OTHER INCOME AND GAINS

	2015 RMB'000	2014 RMB'000
Bank interest income	**758**	1,106
Government subsidies (note)	**3,126**	4,088
Gain on disposals of property, plant and equipment	**235**	—
Gross rental income	**449**	48
Dividend income from available-for-sale investment	**283**	232
Sundry income	**2,658**	2,295
	7,509	7,769

Note: Government subsidies are received and used for development of new products and implementation of environmental protection development programmes. These government subsidies are not attributable to any non-current assets and there were no other specific conditions attached to the subsidies. Therefore, the Group recognised the subsidies upon receipt during the years ended 31 December 2015 and 2014.

11. GAIN ON DISPOSAL OF A SUBSIDIARY

During the year, the Group had completed the disposal of the 51% equity interest in Hubei Sijia Outdoor Products Co., Ltd #(湖北思嘉戶外用品有限公司)("Hubei Sijia Outdoor"), an indirect non-wholly owned subsidiary at a consideration of RMB18,000,000. A gain on disposal of approximately RMB1,506,000 was recognised during the year ended 31 December 2015, being calculated as follows:

	2015 RMB'000
Net assets of Hubei Sijia Outdoor at the date of disposal of were as follows:	
Property, plant and equipment	80,435
Prepaid land lease payment	4,729
Deposits paid for acquisition of property, plant and equipment	2,821
Inventories	13,040
Trade receivables	170
Other receivables	12,785
Cash and cash equivalents	1,244
Trade payables	(3,614)
Other payables	(43,517)
Amount due to group companies	(35,222)
Tax payable	(11)
	32,860
Non-controlling interest	(16,366)
	16,494
Gain on disposal	1,506
Total consideration	18,000
Net cash inflow arising on disposal:	
Consideration	18,000
Consideration receivable	(1,800)
Cash and cash equivalents of the subsidiary disposal of	(1,244)
	14,956

The English names are for identification only

12. LOSS ON DISSOLUTION OF A SUBSIDIARY

During the year, the Directors resolved to dissolve Xiamen Grandsoo Electronic Trading Co., Ltd.# (廈門浩源電子商貿有限公司) ("Xiamen Electronic") and Shanghai Gangji International Chemical Co., Ltd.# (上海港際化學有限公司) ("Shanghai Gangji"), indirect wholly-owned subsidiaries of the Company. During the year, the deregistration of these two subsidiary companies were completed and a loss on dissolution of approximately RMB1,983,000 was recognised for the year ended 31 December 2015, as follows:

	Xiamen Electronic 2015 RMB'000	**Shanghai Gangji 2015 RMB'000**	**Total 2015 RMB'000**
Net assets at the date of disposal of were as follows:			
Trade receivables	**–**	**1,983**	**1,983**
Loss on dissolution	**–**	**(1,983)**	**(1,983)**
Total consideration	**–**	**–**	**–**

The English names are for identification only

13. FINANCE COSTS

	2015 RMB'000	2014 RMB'000
Interest on bank loans wholly repayable within five years	**17,312**	23,179
Less: interests capitalised	**–**	(6,636)
	17,312	16,543

14. LOSS BEFORE TAX

The Group's loss before tax is stated after charging/(crediting):

	2015 **RMB'000**	2014 RMB'000
Cost of inventories sold*	**461,071**	634,746
Depreciation of property, plant and equipment	**67,371**	71,623
Amortisation of prepaid land lease payments	**937**	941
Amortisation of intangible assets	**844**	1,140
(Gain)/ Loss on disposals of property, plant and equipment	**(235)**	6,455
Staff costs (including directors' remuneration):		
Wages and salaries	**20,996**	38,411
Retirement benefits scheme contributions	**1,635**	2,481
Staff welfare expenses	**911**	1,397
	23,542	42,289
Operating lease charges on land and buildings	**2,099**	2,259
Research and development costs	**51,040**	37,548
Exchange (gain)/losses, net	**(1,467)**	222
Impairment of property, plant and equipment	**323,146**	40,251
Impairment of prepaid land lease payments	**5,784**	—
Impairment of deposits paid for acquisition of property, plant and equipment	**—**	1,110
Impairment of trade receivables	**193,339**	5,680
Impairment of other receivables	**7,125**	—
Impairment of advances to suppliers	**51,402**	—
Impairment of inventories	**2,193**	27,781
Auditors' remuneration	**1,655**	2,744

* Cost of inventories sold includes RMB64,851,000 (2014: RMB89,913,000) relating to staff costs, depreciation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

15. INCOME TAX EXPENSE

	2015 RMB'000	2014 RMB'000
Current tax — the PRC		
Charge for the year	**2,547**	3,435
Under provision in prior year	**—**	3,358
Deferred tax (note 25)	**4,761**	3,752
	7,308	10,545

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands or the British Virgin Islands.

Pursuant to the relevant tax law of the Hong Kong Special Administrative Region, Hong Kong profits tax has been provided at the rate of 16.5% for the year ended 31 December 2015 on the estimated assessable profits arising in Hong Kong during the period. No provision for Hong Kong profits tax has been made as the Group has no assessable profits arising in Hong Kong for each of the years ended 31 December 2015 and 2014.

Pursuant to the approval of the tax bureau, in accordance with the Corporate Income Tax Law of the PRC, Fujian Sijia Industrial Material Co., Ltd.[#] (福建思嘉環保材料科技有限公司) ("Fujian Sijia"), subject to the tax rates being a high-tech enterprise, was levied at the tax rate of 15% for the year (2014: 15%) according to the New Corporate Income Tax Law. Other subsidiaries are subject to a corporate income tax rate of 25% during the year according to the PRC Corporate Income Tax Law (2014: 25%).

The English name is for identification only

15. INCOME TAX EXPENSE *(Continued)*

The reconciliation between the income tax expense and the loss before tax is as follows:

	2015 **RMB'000**	2014 RMB'000
Loss before tax	**(685,136)**	(149,028)
Tax at the applicable tax rate of 25% (2014: 25%)	**(171,284)**	(37,257)
Lower tax rate for specific province or enacted by local authority	**65,113**	11,937
Effect of income not taxable and expenses not deductible	**111,885**	861
Under-provision in prior years	**–**	3,358
Tax effect of temporary differences not recognised	**–**	362
Tax effect of tax losses not recognised	**5,960**	31,284
Tax effect of utilisation of tax losses not previously recognised	**(4,366)**	–
	7,308	10,545

16. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

The emoluments of each Director and senior management were as follows:

	For the year ended 31 December 2015				
	Fees RMB'000	Salaries, allowances and benefits in-kind RMB'000	Share-benefit payments RMB'000	Retirement benefit scheme contributions RMB'000	Total remuneration RMB'000
Executive directors					
Mr. Lin Shengxiong	500	351	–	18	869
Mr. Zhang Hongwang	400	221	–	14	635
Mr. Huang Wanneng	300	403	–	32	735
	1,200	975	–	64	2,239
Independent non-executive directors					
Mr. Chong Chi Wah	475	–	–	–	475
Mr. Wu Jianhua	257	–	–	–	257
Mr. Cai Weican	155	–	–	–	155
	887	–	–	–	887
Subtotal for Directors' emoluments	2,087	975	–	64	3,126
Senior management	–	2,204	–	171	2,375
Total	2,087	3,179	–	235	5,501

16. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

	For the year ended 31 December 2014				
	Fees RMB'000	Salaries, allowances and benefits in-kind RMB'000	Share-benefit payments RMB'000	Retirement benefit scheme contributions RMB'000	Total remuneration RMB'000
Executive directors					
Mr. Lin Shengxiong	475	19	–	3	497
Mr. Zhang Hongwang	380	64	–	3	447
Mr. Huang Wanneng	285	93	–	3	381
	1,140	176	–	9	1,325
Independent non-executive directors					
Mr. Chong Chi Wah	345	–	–	–	345
Mr. Wu Jianhua	131	–	–	–	131
Mr. Cai Weican	61	–	–	–	61
	537	–	–	–	537
Subtotal for Directors' emoluments	1,677	176	–	9	1,862
Senior management	–	1,290	–	74	1,364
Total	1,677	1,466	–	83	3,226

17. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals in the Group during the year included 4 (2014: 4) directors, details of whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 1 (2014: 1) highest paid individual are set out as below:

	2015	2014
	RMB'000	RMB'000
Basic salaries and allowances	**335**	665
Share-based payments	**—**	—
Retirement benefit scheme contributions	**9**	11
	344	676

The emoluments of the 1 individuals (2014: 1) fall within the following band:

	Number of individuals	
	2015	2014
HK$0 — HK$1,000,000	**1**	1

During the years ended 31 December 2015 and 2014, no emoluments were paid or payable to the five highest paid individuals (including Directors and other employees) as an inducement to join the Group or as a compensation for loss of office.

18. DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: Nil).

19. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately RMB692,217,000 (2014: approximately RMB159,227,000) and the weighted average number of approximately 852,612,000 ordinary shares (2014: approximately 852,612,000 ordinary shares) in issue during the year.

Diluted loss per share

Diluted loss per share for the years ended 31 December 2015 and 2014 is the same as the basic loss per share as the Company did not have any dilutive potential ordinary shares during the years.

20. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Leasehold improvements RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost							
At 1 January 2014	425,366	686,087	4,509	6,751	6,804	241,261	1,370,778
Additions	–	3,928	–	137	1,201	83,393	88,659
Disposals	(4,595)	(9,453)	(568)	(153)	(1,235)	(3)	(16,007)
Transfers	137,876	46,755	–	16	–	(184,647)	–
Transfer to non-current assets held for sale	–	(2,479)	–	(117)	(95)	(77,284)	(79,975)
At 31 December 2014 and 1 January 2015	558,647	724,838	3,941	6,634	6,675	62,720	1,363,455
Additions	–	3,725	–	176	89	5,400	9,390
Disposals	–	(110,668)	–	(1,416)	(296)	(100)	(112,480)
Disposals of subsidiary	–	–	–	–	–	(2,030)	(2,030)
Fair value gains on revaluation	10,844	–	–	–	–	–	10,844
Transfer to investment properties	(19,583)	–	–	–	–	–	(19,583)
Transfer to non-current assets held for sale	(7,040)	–	–	–	–	(64,109)	(71,149)
At 31 December 2015	542,868	617,895	3,941	5,394	6,468	1,881	1,178,447
Accumulated depreciation and impairment							
At 1 January 2014	33,834	338,872	3,800	3,043	4,005	–	383,554
Charge for the year	18,943	50,527	–	1,421	732	–	71,623
Disposals	(503)	(4,346)	(568)	(132)	(651)	–	(6,200)
Impairment	–	39,510	–	–	–	741	40,251
Transfer to non-current assets held for sale	–	(1,429)	–	(71)	(70)	–	(1,570)
At 31 December 2014 and 1 January 2015	52,274	423,134	3,232	4,261	4,016	741	487,658
Charge for the year	24,529	40,693	709	867	573	–	67,371
Disposals	–	(106,414)	–	(1,128)	(240)	–	(107,782)
Impairment	117,874	161,551	–	88	–	43,633	323,146
Transfer to investment properties	(3,402)	–	–	–	–	–	(3,402)
Transfer to non-current assets held for sale	(4,147)	–	–	–	–	(43,633)	(47,780)
At 31 December 2015	187,128	518,964	3,941	4,088	4,349	741	719,211
Carrying amounts							
At 31 December 2015	355,740	98,931	–	1,306	2,119	1,140	459,236
At 31 December 2014	506,373	301,704	709	2,373	2,659	61,979	875,797

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

At 31 December 2015, certain buildings and plant and machinery of the Group with an aggregate net carrying amount of approximately RMB236,789,000 (2014: RMB226,584,000), were pledged to secure bank loan facilities granted to the Group (note 33).

At 31 December 2014, certificates of ownership in respect of certain buildings of the Group in the PRC with an aggregate net carrying amount of approximately RMB6,513,000, had not been issued by the relevant PRC authorities. These property is transferred to non-current assets held for sale in 2015 and the Group is in the process of obtaining the relevant certificates of ownership.

The Group carried out reviews of the recoverable amount of certain property, plant and equipment in 2015, having regard to its ongoing growth, the change of product mix and the market conditions of the Group's products. The reviews led to the recognition of an impairment loss of approximately RMB276,210,000, which has been recognized in profit or loss for the property, plant and equipment which has an aggregate carrying amounts at the end of the reporting period of approximately RMB466,642,000. The recoverable amount of the relevant assets of approximately RMB190,432,000 has been determined on the basis of their fair value less costs of disposal measured by reference to market evidence of recent transactions for similar plant and machinery (level 2 fair value measurements) and depreciated replacement cost (level 3 fair value measurements) by Crowe Horwath (HK) Consulting & Valuation Limited ("Crowe Horwath"), an independent firm of professional valuers.

In addition, the Group carried out reviews of the recoverable amount of other property, plant and machinery in 2015 as a result of the deterioration of the markets of the Group's products. Certain property, plant and equipment has been set aside and did not involve in the production at 31 December 2015. The reviews led to the recognition of an impairment loss of approximately RMB46,936,000 (2014: RMB40,251,000), which has been recognized in profit or loss. In the opinion of the directors, the recoverable amount of the relevant assets has been determined on the basis of their fair value less costs of disposal measured by reference to market evidence of recent transactions for similar plant and machinery (level 2 fair value measurements).

21. PREPAID LAND LEASE PAYMENTS

	2015 **RMB'000**	2014 RMB'000
Carrying amount at 1 January	**28,837**	34,290
Additions	**2,616**	—
Amortisation during the year	**(937)**	(941)
Impairment recognized during the year	**(5,784)**	—
Transfer to investment properties	**(919)**	—
Transfer to non-current assets held for sale	**(5,068)**	(4,512)
Carrying amount at 31 December	**18,745**	28,837
Current portion included in prepayments, deposits and other receivables	**(481)**	(774)
Non-current portion	**18,264**	28,063

The Group's leasehold lands situated in the PRC.

At 31 December 2015, certain of the Group's leasehold lands with an aggregate carrying amount of approximately RMB18,745,000 (2014: RMB20,328,000) were pledged to secure bank loan facilities granted to the Group (note 33).

22. INVESTMENT PROPERTIES

	2015 RMB'000	2014 RMB'000
At the beginning of year	**—**	—
Transfer from property, plant and equipment	**16,181**	—
Transfer from prepaid land lease payments	**919**	—
At the end of year	**17,100**	—

The fair value of the Group's investment properties (and the associated prepaid lease payments) at 31 December 2015 was approximately RMB17,100,000 and the fair value has been arrived at based on a valuation carried out by Crowe Horwath, an independent valuer that not connected with the Group.

At 31 December 2015, the carrying amount of investment properties of approximately RMB17,100,000 were secured for bank facilities granted to the Group (note 33).

23. INTANGIBLE ASSETS

	Software RMB'000	**Patent** RMB'000	**Trademark** RMB'000	**Total** RMB'000
Cost				
At 1 January 2014	7,437	50	—	7,487
Addition	—	—	550	550
At 31 December 2014 and 31 December 2015	7,437	50	550	8,037
Accumulated amortisation				
At 1 January 2014	4,105	50	—	4,155
Charge for the year	1,140	—	—	1,140
At 31 December 2014	5,245	50	—	5,295
Charge for the year	844	—	—	844
At 31 December 2015	6,089	50	—	6,139
Carrying amounts				
At 31 December 2015	1,348	—	550	1,898
At 31 December 2014	2,192	—	550	2,742

24. AVAILABLE-FOR-SALE INVESTMENT

	2015 RMB'000	2014 RMB'000
Unlisted equity investment, at cost — the PRC	**4,140**	4,140

At 31 December 2015, the unlisted equity investment with a carrying amount of RMB4,140,000 (2014: RMB4,140,000) was stated at cost less impairment because it does not have a quoted market price in an active market and their fair values cannot be measured reliably. The Group does not intend to dispose of it in the near future.

25. DEFERRED TAX

The components of deferred tax assets and liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Tax loss RMB'000	Accrued social fund RMB'000	Accrued sales rebate RMB'000	Unapproved accelerated depreciation and amortisation and impairment RMB'000	Others RMB'000	Total RMB'000
Deferred tax assets						
At 1 January 2014	–	775	1,500	25,674	613	28,562
Deferred tax charged to the consolidated profit or loss during the year (note 15)	–	–	–	(3,342)	(410)	(3,752)
At 31 December 2014 and 1 January 2015	–	775	1,500	22,332	203	24,810
Deferred tax charged to the consolidated profit or loss during the year (note 15)	2,819	–	–	(21,925)	52	(19,054)
At 31 December 2015	**2,819**	**775**	**1,500**	**407**	**255**	**5,756**

25. DEFERRED TAX *(Continued)*

Deferred tax liabilities

	Group Withholding tax on subsidiaries' distributable profits RMB'000	Fair value change of investment properties RMB'000	Total RMB'000
At 1 January 2014 31 December 2014 and 1 January 2015	14,293	–	14,293
Deferred tax charged to the consolidated profit or loss during the year (note 15)	(14,293)	–	(14,293)
Deferred tax charged to the consolidated other comprehensive income after tax during the year	–	2,711	2,711
At 31 December 2015	–	2,711	2,711

Deferred tax assets have not been recognised in respect of the following items:

	2015 RMB'000	2014 RMB'000
Tax losses	**65,257**	62,691

The Group also has tax losses arising in the PRC of approximately RMB76,533,000 (2014: approximately RMB62,691,000) that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the Corporate Income Tax law of the PRC, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprise established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax arrangement between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% so long as Sijia International Holding Limited is the beneficial owner. The Group is therefore liable for withholding taxes on dividend distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008. The Group recognised deferred tax liabilities in respect of accumulated distributable earnings from its subsidiaries established in the PRC since 1 January 2008 to the extent of the earnings expected to be distributed as of 31 December 2011. However, deferred taxation has not been recognised in respect of the temporary differences attributable to the undistributable retained profits earned by the subsidiaries in the PRC amounting to approximately RMB177,900,000 starting from 1 January 2012 to 31 December 2014 as the Directors are of the opinion that the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

25. DEFERRED TAX *(Continued)*

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

26. INVENTORIES

	2015	2014
	RMB'000	RMB'000
Raw materials	**27,867**	42,902
Work in progress	**3,493**	7,535
Finished goods	**29,578**	62,321
	60,938	112,758

27. TRADE RECEIVABLES

The Group's trading terms with customers mainly comprise credit and cash on delivery. The credit terms generally range from 30 to 90 days. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the management.

The aging analysis of trade receivables at the end of the reporting period, based on the date the Group is entitled to receive, and net of allowance, is as follows:

	2015	2014
	RMB'000	RMB'000
Within 3 months	**67,973**	50,084
More than 3 months but within 6 months	**12,935**	24,444
More than 6 months but within 1 year	**7,288**	43,355
More than 1 year	**1,503**	150,338
	89,699	268,221

For the year ended 31 December 2015, an impairment of trade receivables was made of approximately RMB193,339,000 (2014: approximately RMB5,680,000).

27. TRADE RECEIVABLES *(Continued)*

The aging analysis of trade receivables as at the end of the reporting period that are past due but neither individually nor collectively considered to be impaired are as follows:

	2015 **RMB'000**	2014 RMB'000
More than 3 months but within 6 months	**12,935**	24,444
More than 6 months but within 1 year	**7,288**	43,355
More than 1 year	**1,503**	150,338
	21,726	218,137

Receivables that were past due but not impaired relate to a number of independent customers for whom there was no recent history of default.

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 **RMB'000**	2014 RMB'000
Advances to suppliers (note)	**15,432**	83,908
Prepaid sales tax and government surcharges	**6,884**	8,983
Prepaid expense	**766**	1,384
Consideration receivables	**1,800**	—
Other receivables	**6,986**	4,328
	31,868	98,603

Note: The advance is paid to suppliers to secure the supply of raw materials at the end of the reporting period.

29. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2015	2014
	RMB'000	RMB'000
Cash and bank balances	**70,333**	140,015
Less: Pledged deposits	**(42,750)**	(70,075)
Cash and cash equivalents	**27,583**	69,940

At the end of the reporting period, the Group's cash and bank balances denominated in RMB were approximately RMB69,675,000 (2014: approximately RMB137,305,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interests at floating rates based on daily bank deposit rates. Certain deposits are pledged for bills payables which is due within six months. Therefore, pledged deposits are classified as current assets. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

As at 31 December 2015, deposits of RMB42,750,000 (2014: RMB70,075,000) were pledged to secure the banking facilities granted to the Group.

30. NON-CURRENT ASSETS HELD FOR SALE

	Note	2015 RMB'000	2014 RMB'000
The major classes of assets classified as held for sale are as follows:			
Property, plant and equipment	(a)	**23,369**	—
Prepaid land lease payments	(a)	**5,068**	—
Investment in a subsidiary			
— Hubei Sijia Outdoor	(b)	**—**	65,546
		28,437	65,546

(a) During the year and subsequent to the end of reporting period, a subsidiary of the Company entered into Sales and Purchases Agreements, pursuant to which, the Group dispose of certain property, plant and equipment and prepaid land lease payments of a subsidiary at a total consideration of RMB28,437,000. The property, plant and equipment associated with prepaid land lease payments, which are expected to be sold within twelve months, have been classified as non-current asset held for sale and are presented separately in the consolidated statement of financial position.

The proceeds of disposal are expected less than the net book value of the relevant property, plant and equipment and prepaid land lease payments and, accordingly, impairment loss of RMB46,936,000 and RMB5,784,000 has been recognised during the year for property, plant and equipment and prepaid land lease payments respectively.

	2015 RMB'000
Property, plant and equipment	**23,369**
Prepaid land lease payments	**5,068**
	28,437

30. NON-CURRENT ASSETS HELD FOR SALE *(Continued)*

(b) On 4 December 2014, the directors resolved to dispose of the 51% equity interest in a subsidiary at a consideration of RMB18,000,000. At 31 December 2014, the assets and liabilities attributable to the subsidiary, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position.

The proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and, accordingly, no impairment loss has been recognised on the classification of these operations as held for sale.

The major classes of assets and liabilities comprising the disposal group classified as held for sale at 31 December 2014 are as follows:

	2014 RMB'000
Property, plant and equipment	78,405
Prepaid land lease payment	4,729
Deposits paid for acquisition of property, plant and equipment	2,821
Inventories	7,541
Trade receivables	3,248
Other receivables	6,549
Cash and cash equivalents	1,379
Pledged deposits	3,540
Total assets classified as held for sale	108,212
Trade payables	10,095
Other payables	22,560
Interest-bearing bank borrowings	10,000
Tax payable	11
Total liabilities associated with assets classified as held for sale	42,666
Net assets of disposal group after elimination of intra-group current accounts	65,546
Amount due to group companies	(32,222)
Net assets of disposal group before elimination of intra-group current accounts	33,324

31. TRADE AND BILLS PAYABLES

	2015 RMB'000	2014 RMB'000
Trade payables	**96,886**	128,397
Bills payables	**142,358**	199,704
	239,244	328,101

The aging analysis of trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2015 RMB'000	2014 RMB'000
Within 3 months	**122,390**	181,769
More than 3 months but within 6 months	**95,449**	128,749
More than 6 months but within 1 year	**12,647**	10,859
More than 1 year	**8,758**	6,724
	239,244	328,101

32. OTHER PAYABLES AND ACCRUALS

	2015 RMB'000	2014 RMB'000
Advances from customers	**9,146**	21,934
Accrued liabilities	**26,661**	29,042
Payroll payables	**10,230**	9,414
Payable for the acquisition of property, plant and equipment	**25,066**	53,216
Others	**18,909**	16,023
	90,012	129,629

33. INTEREST-BEARING BORROWINGS

	2015			2014		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Bank loans — Secured	**5.35% — 6.96%**	**2016-2017**	**215,680**	6.44%-7.80%	2015-2017	213,000
Bank loans — Unsecured	**5.06% — 5.61%**	**2016**	**30,000**	6.60%	2015	50,000
Other loan — Unsecured	**15.00%**	**2016**	**4,300**	—		—
			249,980			263,000
Repayable:						
Within one year or on demand			**209,980**			203,000
In the second year			**40,000**			20,000
In the third to fifth years, inclusive			**–**			40,000
			249,980			263,000

Notes:

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

(a) mortgages over the Group's buildings and plant and machinery situated in the PRC, which has an aggregate carrying value at the end of the reporting period of approximately RMB236,789,000 (2014: approximately RMB226,584,000); and

(b) mortgages over the Group's leasehold land situated in the PRC, which has an aggregate carrying value at the end of the reporting period of approximately RMB18,745,000 (2014: approximately RMB20,328,000).

(c) mortgages over the Group's investment properties in Mainland China, which has an aggregate carrying value at the end of the reporting period of approximately RMB17,100,000 (2014: Nil).

(ii) The Group has breached certain financial covenants in respect of secured bank loans with an outstanding balance of RMB47,000,000 with maturity of less than one year. The Group is in the process of negotiation with the bank on renewals of those bank loans.

34. DEFERRED INCOME

	2015 RMB'000	2014 RMB'000
Government grants		
As at 1 January	**2,130**	2,490
Released during the year	**(360)**	(360)
As at 31 December	**1,770**	2,130
Current	**360**	360
Non-current	**1,410**	1,770
	1,770	2,130

Government grants received are for the technical development of machinery and equipment. The government grants received are accounted for as deferred income and are released to profit or loss over the expected useful lives of the underlying items of machinery and equipment. There are no unfulfilled conditions or contingencies relating to these grants.

35. DUE TO A DIRECTOR

The amounts due to a director is unsecured, interest-free and has no fixed terms of repayment. The carrying amount of this balance approximates to its fair values.

36. SHARE CAPITAL

	2015 RMB'000	2014 RMB'000
Authorized:		
2,000,000,000 ordinary shares of HK$0.001 each	**1,760**	1,760
Issued and fully paid:		
852,612,470 ordinary shares of HK$0.001 each	**747**	747

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

There is no movement of the number of shares issued and the share capital during the year.

36. SHARE CAPITAL *(Continued)*

Notes:

(i) Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 37 to the financial statements of the annual report.

(ii) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

37. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include executive directors, non-executive directors, including independent non-executive directors, employees, consultants, advisers, customers and any shareholder of any member of the Group. The Scheme became effective on 8 April 2010 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares which may be issued upon exercise of all outstanding options to be granted under the Scheme and any other share option scheme of the Group is an amount equivalent, upon their exercise, to 10% of the shares in issue at the time dealings in the shares first commenced on the Stock Exchange. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting. The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

37. SHARE OPTION SCHEME *(Continued)*

The following share options were outstanding under the Scheme during the year:

	Weighted average exercise price	**Number of options**
	HK$ per share	'000
At 1 January 2014 and 31 December 2014	3.44	50,000
Forfeited		(50,000)
At 31 December 2015		—

No share options were exercised during the year (2014: Nil).

The exercise prices and exercise periods of the share options outstanding as at 31 December 2014 is as follows:

Number of options	**Exercise price**	**Exercise period**
'000	HK$ per share *	
14,000	3.3	22 July 2010 to 21 July 2015
36,000	3.5	30 September 2010 to 29 September 2015
50,000		

* The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

At 31 December 2014, the Company had 50,000,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 50,000,000 additional ordinary shares of the Company and additional share capital of HK$50,000 and share premium of HK$172,150,000 (before issue expenses).

38. RESERVES

(a) Group

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

Nature and purpose of reserves of the Group

Statutory surplus reserve

As stipulated by the relevant law and regulations for foreign investment enterprises in the PRC, the Company's PRC subsidiaries are required to maintain a statutory surplus reserve which is non-distributable. Appropriation to such reserve is made out of net profit after tax expenses as shown in the statutory financial statements of the relevant PRC subsidiaries and after making up prior year cumulative losses. The amounts and allocation basis are decided by the board of directors of the respective subsidiaries annually. The statutory surplus reserve can be applied in conversion into issued capital by means of capitalisation issue.

Exchange fluctuation reserve

The exchange fluctuation reserve comprise all foreign exchange differences arising from the translation of the financial statement of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4.

(b) Company

	Share premium	**Share option reserve**	**Exchange fluctuation reserve**	**Accumulated losses**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	877,157	13,101	(57,578)	(51,082)	781,598
Total comprehensive income/ (expenses) for the year	–	–	1,543	(9,945)	(8,402)
At 31 December 2014	877,157	13,101	(56,035)	(61,027)	773,196
Total comprehensive income/ (expenses) for the year	–	–	24,927	(604,154)	(579,227)
Expire of share options	–	(13,101)	–	13,101	–
At 31 December 2015	877,157	–	(31,108)	(652,080)	193,969

39. COMMITMENTS

(a) Commitments under operating leases

As lessee

The Group leases certain of its office properties and staff accommodations under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years.

At the end of the reporting period, the Group had the total future minimum lease payments under noncancellable operating leases in respect of land and buildings as follows:

	2015 **RMB'000**	2014 RMB'000
Within one year	**1,548**	534
In the second to fifth years, inclusive	**1,548**	415
	3,096	949

(b) Capital commitments

In addition to the operating lease commitments, the Group had the following capital commitments at the end of the reporting period:

	2015 **RMB'000**	2014 RMB'000
Property, plant and equipment		
Contracted, but not provided for	**12,013**	43,314
Authorised, but not contracted for	**—**	—
	12,013	43,314

40. CONTINGENT LIABILITIES

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

41. PLEDGE OF ASSETS

Details of the Group's interest-bearing bank borrowings and bills payable which are secured by the assets of the Group are included in notes 20, 21 and 29 to these financial statements.

42. RELATED PARTY TRANSACTIONS

(a) Related party transactions

At 31 December 2015, the ultimate shareholder and a family member of the ultimate shareholder have guaranteed bank loans made to the Group totaling approximately RMB168,680,000 (2014: RMB163,000,000).

(b) Outstanding balances with a related party:

	2015 RMB'000	2014 RMB'000
Due to a director		
Mr. Lin Shengxiong	**5,000**	—

(c) Key management compensation

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 16 and all of the highest paid employees as disclosed in note 17, is as follows:

	2015 RMB'000	2014 RMB'000
Short-term employee benefits	**5,266**	3,143
Post-employment benefits	**235**	83
	5,501	3,226

43. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY

Particulars of the Company's major subsidiaries as at 31 December 2015 were as follows:

Company name	Place of incorporation/ registration	Issued and paid-up share capital/ registered share capital	Percentage of equity interests attributable to the Company	Principal activities
Directly held:				
China Grandsoo Holdings Company Limited	British Virgin Islands	US$3	100%	Investment holding
Indirectly held:				
Sijia International Holding Limited	Hong Kong	HK$10,000	100%	Investment holding
Xiamen Grandsoo Industrial & Trade Company Limited (Note i)	PRC	HK$300,000,000	100%	Manufacturing and selling end products
Fujian Sijia Industrial Material Co., Ltd.# (福建思嘉環保材料科技有限公司) (Note ii)	PRC	HK$390,000,000	100%	Manufacturing and selling materials and end products
Sijia New Material (Shanghai) Co., Ltd.# (思嘉環保材料科技(上海)有限公司) (Note i)	PRC	HK$100,000,000/ HK$177,500,000	100%	Manufacturing and selling special functional composites
Fujian Hausa Import and Export Co., Ltd.# (福建浩思進出口貿易有限公司) (Note iii)	PRC	RMB50,000,000	100%	Exporting products and trade agent

The English names are for identification only

Note:

(i) The subsidiary is a wholly foreign-owned enterprise incorporated in the PRC.

(ii) The subsidiary is a non-wholly foreign-owned enterprise incorporated in the PRC.

(iii) The subsidiary is a wholly owned domestic limited company incorporated in the PRC.

43. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY *(Continued)*

The following table shows information of subsidiary that have non-controlling interests ("NCI") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	**Hubei Sijia Outdoor**	
	2015	2014
Principal place of business and country of incorporation	**PRC**	PRC
% of ownership interests and voting rights held by NCI	**0%**	49%
	RMB'000	RMB'000
At 31 December:		
Non-current assets	**–**	85,955
Current assets	**–**	22,257
Current liabilities	**–**	(74,888)
Net assets	**–**	33,324
Accumulated NCI	**–**	16,593
Year ended 31 December:		
Revenue	**(3,806)**	38,514
Loss for the year	**(463)**	(705)
Total comprehensive loss	**(463)**	(705)
Loss allocated to NCI	**(227)**	(346)
Dividends paid to NCI	**–**	–
Net cash generated from operating activities	**8,379**	12,436
Net cash generated from/(used in) investing activities	**1,538**	(3,983)
Net cash used in financing activities	**(10,052)**	(11,469)
Net decrease in cash and cash equivalents	**(135)**	(3,016)

As at 31 December 2014, the bank and cash balances of this subsidiary in the PRC denominated in RMB amounted to approximately RMB1,379,000. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AS AT 31 DECEMBER

	Notes	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment		**18**	—
Investments in subsidiaries		**89,340**	351,000
		89,358	351,000
Current assets			
Due from a subsidiary		**114,890**	431,753
Prepayments, deposits and other receivables		**5**	—
Cash and cash equivalents		**19**	101
		114,914	431,854
Current liabilities			
Other payables and accruals		**9,556**	8,911
		9,556	8,911
Net current assets		**105,358**	422,943
Total assets less current liabilities		**194,716**	773,943
NET ASSETS		**194,716**	773,943
Capital and reserves			
Issued capital	36	**747**	747
Reserves	38	**193,969**	773,196
TOTAL EQUITY		**194,716**	773,943

45. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Board of Directors on 30 March 2016.

FIVE-YEAR FINANCIAL SUMMARY

	Year ended 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**466,531**	682,858	911,550	1,035,130	1,197,085
Gross profit	**5,460**	48,112	110,120	292,197	506,121
(LOSS)/PROFIT BEFORE TAX	**(685,136)**	(149,028)	(28,650)	(341,933)	403,580
(LOSS)/PROFIT FOR THE YEAR	**(692,444)**	(159,573)	(35,626)	(354,661)	327,790
Attributable to:					
Owners of the Company	**(692,217)**	(159,227)	(35,222)	(354,488)	328,277
Non-controlling interests	**(227)**	(346)	(404)	(173)	(487)
	(692,444)	(159,573)	(35,626)	(354,661)	327,790
Basic (loss)/earnings per share (RMB cents)	**(81.19)**	(18.68)	(4.13)	(42.31)	39.61

	As at 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**801,806**	1,689,849	1,908,685	1,759,134	1,731,731
Equity and liabilities					
Total liabilities	**607,090**	795,776	854,776	684,431	273,577
Total equity	**194,716**	894,073	1,053,909	1,074,703	1,458,154