WHERE TECHNOLOGY MEETS ART

2015 Annual Report

東鵬控股股份有限公司

Dongpeng Holdings Company Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code : **3386**

Contents

Financial Highlights

	2015 RMB'000	2014 RMB'000	Change
Revenue	**4,111,088**	3,893,101	5.6%
Gross Profit	**1,606,549**	1,497,800	7.3%
Gross Profit Margin (%)	**39.1%**	38.5%	0.6 pts
SG&A Expenses/Revenue (%)	**21.9%**	20.2%	1.7 pts
EBITDA Margin (%)	**25.0%**	23.4%	1.6 pts
Net Profit attributable to Owners of the Company	**626,268**	563,711	11.1%
Net Profit Margin (%)	**15.2%**	14.5%	0.7 pts
Basic EPS (RMB cents)	**50**	45	11.1%
Diluted EPS (RMB cents)	**49**	44	11.4%
Annual Dividend per Share (HK cents)	**—**	17	(100)%

- Revenue for the year ended 31 December 2015 amounted to approximately RMB4,111.1 million, representing an increase of 5.6% from approximately RMB3,893.1 million recorded in 2014.
- Gross profit for the year ended 31 December 2015 amounted to approximately RMB1,606.5 million, representing an increase of 7.3% from approximately RMB1,497.8 million recorded in 2014.
- Net profit attributable to owners of the Company for the year ended 31 December 2015 amounted to approximately RMB626.3 million, representing an increase of 11.1% from approximately RMB583.7 million in 2014.
- The board (the "**Board**") of directors (the "**Directors**") of Dongpeng Holding Company Limited (the "**Company**" or "**Dongpeng**", together with its subsidiaries, the "**Group**") proposed no dividends payment for the year end 31 December 2015.

Financial Summary (5 Years)

	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000	**2015** **RMB'000**
Results					
Turnover	1,978,953	2,497,924	3,368,219	3,893,101	**4,111,088**
Cost of goods sold	(1,410,580)	(1,609,554)	(2,119,768)	(2,395,301)	**(2,504,539)**
Gross profit	568,373	888,370	1,248,451	1,497,800	**1,606,549**
Other income	18,303	42,924	82,758	195,015	**230,970**
Other gains and losses	(9,564)	(6,540)	(24,522)	(24,718)	**2,249**
Selling and distribution costs	(255,915)	(440,127)	(423,965)	(505,723)	**(620,173)**
Administrative expenses	(95,243)	(189,634)	(215,218)	(281,224)	**(279,958)**
Share-based payment expenses	—	—	(16,971)	(40,323)	**(5,017)**
Other expenses	(11,917)	(25,560)	(74,352)	(82,344)	**(76,484)**
Share of loss of a joint venture	—	—	—	—	**—**
Change in fair value of redeemable convertible preferred shares	—	—	(35,955)	—	**—**
Share of loss of associates	—	—	—	(35,924)	**(3,846)**
Finance costs	(16,372)	(29,235)	(38,043)	(35,924)	**(22,341)**
Profit before taxation	197,665	240,198	502,183	722,559	**831,949**
Taxation	(49,723)	(67,358)	(157,007)	(158,072)	**(213,503)**
Profit for the year	147,942	172,840	345,176	564,487	**618,446**
Assets and liabilities					
Non-current assets	825,111	1,093,958	1,546,945	1,794,758	**1,976,965**
Current assets	1,528,310	1,827,006	2,267,050	2,407,068	**3,131,001**
Total assets	2,353,421	2,920,964	3,813,995	4,201,826	**5,107,966**
Current liabilities	1,987,135	2,543,499	1,712,128	1,581,223	**2,043,846**
Non-current liabilities	132,240	115,539	154,485	132,008	**120,876**
Total liabilities	2,119,375	2,659,038	1,866,613	1,713,231	**2,164,722**
Net assets	234,046	261,926	1,947,382	2,488,395	**2,943,244**

The results and summary of assets and liabilities for each of the three years ended 31 December 2012 which were extracted from the Company's prospectus dated 18 November 2013 (the "**Prospectus**") have been prepared on a combined basis to present the results of the Group as if the Group structure, at the time when the Group Reorganisation was completed on 29 January 2013, has been in existence throughout those years.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. He Xinming *(Chairman of the Board)*
Mr. Chen Kunlie
Mr. Bao Jianyong

Non-executive Directors

Mr. Su Sen
Mr. Sun Qian
Ms. Sun Limei

Independent Non-executive Directors

Mr. Yin Hong
Ms. Hsieh H., Lily
Mr. Wu Haibing

JOINT COMPANY SECRETARIES

Mr. Bao Jianyong
Ms. Yuen Wing Yan, Winnie

AUTHORISED REPRESENTATIVES

Mr. Bao Jianyong
Ms. Yuen Wing Yan, Winnie

AUDIT COMMITTEE

Mr. Wu Haibing *(Chairman)*
Ms. Hsieh H., Lily
Mr. Su Sen

REMUNERATION COMMITTEE

Ms. Hsieh H., Lily *(Chairman)*
Mr. Yin Hong
Mr. He Xinming

NOMINATION COMMITTEE

Mr. He Xinming *(Chairman)*
Mr. Yin Hong
Mr. Wu Haibing

COMPLIANCE COMMITTEE

Mr. Bao Jianyong *(Chairman)*
Mr. Wu Haibing
Mr. Su Sen

AUDITORS

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

REGISTERED OFFICE

Floor 4, Willow House
Cricket Square
P.O. Box 2804
Grand Cayman KY1-1112
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 8 Jiangwan Third Road
Chancheng District
Foshan, Guangdong
PRC

PLACE OF BUSINESS IN HONG KONG

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKS

Industrial and Commercial Bank of China Ltd
Shiwan Branch
13 Jiangwan Third Road
Chancheng district
Foshan, Guangdong
PRC

Bank of China Limited
Shiwan Branch
7 Central Second Road
Shiwan, Chancheng district
Foshan, Guangdong
PRC

LEGAL ADVISORS

As to Hong Kong Law
Wilson Sonsini Goodrich & Rosati
Suite 1509, 15/F, Jardine House
1 Connaught Place, Central
Hong Kong

COMPLIANCE ADVISOR

Quam Capital Limited
18/F China Building
29 Queen's Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Trust (Cayman) Ltd
Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG SHARE REGISTRAR

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

STOCK CODE

Stock code: 3386
Board Lot: 1,000

WEBSITE

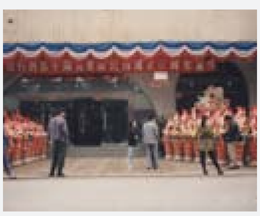
www.dongpeng.net

DONGPENG
THE BEAUTY OF THE WORLD
东鹏·世界之美

DONGPENG 东鹏瓷砖

A SMALL STEP FORWARD FOR DONGPENG CERAMICS IS A GIANT LEAP FOR THE WHOLE INDUSTRY.

90's
The exterior of Dongpeng Ceramic Central Factory



1994
The 3rd anniversary of the establishment of Shiwan Dongpeng Ceramic Group (石灣東平陶瓷集團)

1997
The official establishment of Dongpeng Ceramic Group, and the inauguration of the exhibition hall of the headquarters in the same year

2005
The exterior of Dongpeng Building (東鵬大廈)

2013
Dongpeng Holdings was successfully listed in Hong Kong on 9 December

DONGPENG CERAMICS: PERSISTANCE IN CREATION

1998 Perlato Svevo

Perlato Svevo is the first series of products put into production under the Dongpeng brand and is the starting point for Dongpeng to develop towards a "well-known brand for building ceramics in China". Perlato Svevo has achieved instant fame upon its launch. This has established the leading position of Dongpeng in the field of research and development, thereby setting off a consumption wave of using yellow ceramic tiles throughout the country.

2006 Carrara Stone

In 2006, Dongpeng took the lead in launching "Carrara Stone" which inherits the bloodline of famous stones in Italy. Carrara Stone exists specially for distinguished villas, restoring natural Carrara stones in Italy. While only three master similar technology in the world, Dongpeng is the only one in China.

2008 Navona Stone

In 2008, the Navona hole-free travertine was successfully launched. This was a legend, which witnessed the revolutionary change of ceramic tiles from without holes to with holes and then from with holes to without holes. Navona was honoured by the Ceramic Weekly of the United States as the "vitrified tile that resembles stone most in the world".

2009 Pininfarina

In 2009, it was designed by Pininfarina of Italy, the official design firm for Ferrari, and inherits the genuine bloodline of Italy. The product incorporates the updated elements of arts, technology and fashion and opens a new era of rustic tiles. Both Obama and Putin have chosen the series.

2011 Crystal Porcelain

In 2011, it was created by integrating crystal and ceramics seamlessly using the "crystal·porcelain composite" technology. With the luxury temperament of polished tiles, it has the real texture of rustic tiles and the bright and clean texture of glazed tiles. By launching the fourth product category in the industry, Dongpeng leads the industry trend again

2015 Beauty of the World

In 2015, Dongpeng gathered the power of original creation with the stunning launch of the "Beauty of the World" pure original product series, depicting the grand beauty of the boundless world with the four chapters of "Beauty of Tao", "Beauty of the Sky", "Beauty of Water" and "Beauty of Human".

PERSISTANCE IN CREATION

> We believe that the Group's solid operational systems and its direct access to the capital market, will accelerate the Group's business expansion, and better prepare the Group for future market consolidation and generate higher returns for the Shareholders.

He Xinming
Chairman

Chairman's Statement

Dear Shareholders,

On behalf of the Board, I am delighted to present to all shareholders the annual report of the Group for the fiscal year ended 31 December 2015. I would like to express, on behalf of the Board, our appreciation to all shareholders of the Company (the "Shareholders") and all friends who have provided their support on the development of Dongpeng.

In 2015, China's economic growth continues to slow down from previous years. The growth in China's real estate market also remained constrained during the year. Although the real estate market began its recovery from the sharp decline in the second half of 2015, there was stark contrast in the growth and contraction of real estate market in different regions of China. Whereas the tier one cities and southern China experienced both the volume and price increase in commodity house sales, the rest of China, especially the third and fourth tier cities, were overshadowed by high housing inventory and declining housing sales. On the other hand, the growth rate of investment in the real estate development, according to the National Bureau of Statistics of China, dropped to approximately 1.0% in 2015 from approximately 10.5% in 2014. The country's unsold housing inventory hit a historical high of 719 million square meters. As a result, the home decoration and improvement industry continued to operate under a challenging market environment for most of 2015. With weak market demand, most of ceramic tiles and bathroom products manufacturers competed fiercely by cutting down the product selling price and reducing production output. Some mid-to-small sized ceramic tile manufacturers and low-end industry players even went out of business.

Given the difficulties faced by the real estate market and the intense competition within China's home improvement industry, the Group managed to achieve decelerated growth during the year of 2015. The Group's revenue and profit attributable to owners of the Company in 2015 were RMB4,111.1 million and RMB626.3 million, representing an increase of 5.6% and 11.1% over 2014, respectively. The gross profit of the Group in 2015 was RMB1,606.5 million, representing an increase of 7.3% over 2014.

During the year, the Group continued to implement its sales and marketing strategies. Our revenue from corporate sales achieved a substantial increase of 21.5% on a year-on-year basis, due to establishment of the strategic partnership with Suzhou Gold Mantis, CR Home, and etc. The group has also signed an endorsement contract with Tao LIU, a famous artist in mainland China, to create a stronger affinity between the Dongpeng brand and end users.

In order to capitalize the opportunities of the rapid development of online selling platforms, the Group has allocated more resources into the development of on-line sales channel. In 2015, the Group ranked number one on T-mall in terms of ceramic tile sales for ten months after the establishment of the e-commerce business unit, and became the only strategic partner with T-mall Home from the ceramic tile industry. Meanwhile, the Group is collaborating with our distributors to develop the "online to offline" (O2O) business model.

Chairman's Statement

Enhanced operational efficiency and effective cost control continued to be the major drivers for our increased profitability. We completed the construction of five new production lines of ceramic tile and one new production line of bathroom product in 2014. In 2015, these new production lines were fully utilized, bringing down the unit costs due to the improved economy of scale. With the continuing production upgrade and optimizing raw material process, the Group managed to maintain effective cost control.

Looking ahead, we expect the 2016 will continue to be a challenging year for the home decoration market. The Group will continue to implement proven sales strategy and pursue the operational excellence. In addition, the Group will carry out a one-stop home decoration solution to both homeowners and real estate developers under the brand name of Dongpeng Home (東鵬家居), and continue to step up its online sales efforts in response to developing purchasing habits of the younger generation.

Overall, the home improvement and decoration industry is facing many uncertainties such as intense competition, excessive capacity, slowdown of real estate market growth, and tightening government policy over environment protection, etc. The Group believes that as a market leader in the industry, the Group will try its best to tackle those challenges in the coming years, and continue to solidify its leading position in home improvement and decoration market.

The Group has continued to embrace new challenges and deliver commendable financial results in 2016. On behalf of the Board, I would like to express my sincere appreciation to all Shareholders, our highly conscientious and dedicated management team and diligent staff for their continuous devotion and support to the Group.

He Xinming
Chairman of the Board

31 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2015, China's economic growth continues to slow down from previous years. According to the National Bureau of Statistics of China, China's gross domestic product reached RMB67.7 trillion in 2015, representing a growth rate of 6.9% from 2014. While policy makers are able to claim that official GDP growth is still in line with the growth target, monthly indicators – especially in the industrial and investment sector – are disappointed. Industrial production growth has slowed to 6.1%, and fixed asset investment growth has slowed tremendously from previous year.

Besides the continued slow down in China's economic growth, in 2015 China also captured global investors' attention due to extreme volatility in the equity market and a sudden shift in foreign exchange policy. The A-share market experienced a massive boom followed by a significant sell-off. Since end of 2014, the Shanghai Composite Index more than doubled in six months, then gave back most of those gains over the summer despite heavy interventions by the Chinese authorities. Uncertainties kept rising with the sudden depreciation of the RMB in early August 2015. A 3% weakening versus the US dollar in just three days prompted large capital outflows and intervention by the central bank to anchor market expectations. While the direct impact on economic growth from the equity market move and the sudden move of RMB should be limited, the resulting uncertainties and "confidence shock" have likely been weighing on activity growth in recent months.

Since second half of 2014 Chinese government lifted most of its restrictive policies on the real estate market. As a result, the real estate market began its revery from the sharp decline, noticeably in the second half of 2015. According to the National Bureau of Statistics of China, the gross floor area (GFA) of commodity houses sold in 2015 increased 6.5% from previous year. However there was stark contrast in the growth and contraction of real estate market in different regions of China. The annual GFA of commodity houses sold in south and central China increased 21% and 12%, respectively, from a year ago, however the GFA of commodity houses sold actually declined 25% and 4% in northeast and northwest of China, respectively. On the other hand, the growth rate of investment in the real estate development, according to the National Bureau of Statistics of China, dropped to approximately 1.0% in 2015 from approximately 10.5% in 2014. The country's unsold housing inventory hit a historical high of 719 million square meters.

The activities in home decoration and improvement industry usually have several months to over a year's time lag after property purchases. As such, the home decoration and improvement industry continued to operate under a challenging market environment for most of 2015. While mid-to-small sized ceramic tile manufacturers and low-end industry players found themselves in on very difficult situation in recent years, industry leaders such our Group weathered the industry downturn better comparably. With increasing disposable income, the Chinese consumers are upgrading their purchases towards branded and high quality goods. Companies such as ours with superior brand names will continue to gain market share on the back of consumers trading up.

BUSINESS REVIEW

Given the difficulties faced by the real estate market and the intense competition within China's home improvement industry, the Group managed to achive decelerated growth during the year of 2015. The Group's revenue, profit before tax and profit attributable to owners of the Company in 2015 were RMB4,111.1 million, RMB831.9 million and RMB626.3 million, representing an increase of 5.6%, 15.1% and 11.1% over 2014, respectively. Further, the gross profit of the Group in 2015 was recorded at RMB1,606.5 million, representing an increase of 7.3% over 2014, and the overall gross margin increased by 0.6 percentage point to 39.1% for 2015 (2014: 38.5%). This increase in gross margin was primarily attributable to the product mix optimization and production efficiency improvement.

Effective Marketing and Sales Strategies

The Group continued to achieve growth in its sales in 2015, a result of implementing its sales and marketing strategies including improvement in store-level productivity, expansion in sales network coverage and penetration into third and fourth tier cities. As of 31 December 2015, the Group had 3,271 retail outlets selling the Dongpeng brand ceramic tiles (mostly owned by third-party), covering over 600 cities across China. This represents an increase of 1,291 retail outlets from the end of 2014. Among the new retail outlets, 2,135 are "Exclusive Stores" located in major home decoration markets, 319 "Community Stores" with smaller scale located in newly launched apartment buildings, and 817 "Satellite Stores" located in small towns. The group has also signed an endorsement contract with Tao LIU, a famous artist in mainland China, to create a stronger affinity between the Dongpeng brand and end users. With the comprehensive channel coverage and effective marketing campaigns, the Group was able to improve its brand awareness, widen its customer base, and provide tailored customer services.

As of 31 December 2015, the total revenue from corporate sales of the Group has reached approximately RMB559.95 million, a substantial increase of 21.5% on a year-on-year basis, due to establishment of the strategic partnership with Suzhou Gold Mantis, CR Home, and etc.

Development of E-commerce Business

In order to capitalize the opportunities of the rapid development of internet and the growing sophistication of online selling platforms, the Group has allocated more resources into the development of on-line sales channel. In 2015, the Group ranked number one on T-mall in terms of ceramic tile sales for ten months after the establishment of the e-commerce business unit, and became the only strategic partner with T-mall Home from the ceramic tile industry.

As of 31 December 2015, 712 of our distributors have entered into an offline service agreement with us to deliver standardized customer services in their corresponding regions, including sales consultation, product delivery and after-sales services. Besides, the Group has established an O2O experience showroom "Togetu" in its Foshan headquarter and developed online exclusive product lines to prevent potential conflict between our online and offline retailers.

Research and Development

The Group continues to devote significant resources in its technological innovation and, new product design and development. As of 31 December 2015, the Group's research and development team consisted of 388 professional staff.

With the collaboration of international product designers and advanced chemical suppliers, the Group has continuously developed and brought to market popular new products, which continuously influence industry trends in China. Meanwhile, the Group's research and development team maintains close contact with our consumers and the marketing team to respond quickly to changes in consumer demand and product trends. In 2015, we have introduced 42 new product series and obtained 101 patents; including the "Beauty of The World" series ("世界之美"), the "Marble" series ("原石") and the "Europe Impression" Series ("歐洲印象").

Operational Excellence

Enhanced operational efficiency and effective cost control continued to be the major drivers for our increased profitability. Firstly, the Group continued to excel in maintaining strategic relationships with high quality suppliers while obtaining competitive pricing though economy of scale. In addition, we have completed the construction of five new production lines of ceramic tile and one new production line of bathroom product in 2014. In 2015, these new production lines were fully utilized, bringing down the unit costs due to the improved economy of scale. As of 31 December 2015, the total production capacity in ceramic tile reached 60.68 million sqm^2, representing an increase of 15% on a year-on year basis while the utilization rate reached 93.8%. With the continuing production upgrade and optimizing raw material process, the Group managed to maintain effective cost control.

FINANCIAL REVIEW

The key financial indicators of the group are as follows:

	31 December 2015	31 December 2014	Year-on-year change (%)
Income statement items			
(Expressed in RMB'000 unless otherwise stated)			
Sales	**4,111,088**	3,893,101	5.6
Gross profit	**1,606,549**	1,497,800	7.0
Profit attributable to owners of the Company	**626,268**	563,711	11.1
Profit attributable to non-controlling interests	**(7,822)**	776	N/A
EBITDA	**1,026,902**	912,125	12.6
Earnings per share (RMB) (Note 1)			
Basic	**0.50**	0.45	8.9
Diluted	**0.49**	0.44	11.4

			Year-on-year change (pts)
Selected financial ratios			
Gross profit margin (%)	**39.1**	38.5	0.6
Margin of profit attributable to owners of the Company (%)	**15.2**	14.5	0.7
EBITDA margin (%)	**25.0**	23.4	1.6
Return on average equity attributable to owners of the Company (%) (Note 2)	**24.0**	26.7	(2.7)
Gearing ratio (net debt tototal equity) (Note 3) (%)	**net cash**	net cash	N/A

Notes:

(1) Please refer to Note 11 of the financial information for the calculation of earnings per share.

(2) The return on equity attributable to owners of the Company is based on profit attributable to owners of the Company divided by average equity attributable to owners of the Company (computed as the sum of the equity attributable to owners of the Company at the beginning and end of the year, divided by two).

(3) The gearing ratio is based on net debt (aggregate of current and non-current borrowings and current and non-current obligation under a finance lease less cash and cash equivalents) divided by total equity attributable to owners of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

The revenue of the Group increased by 5.6% from RMB3,893.1 million in 2014 to RMB4,111.1 million in 2015, primarily reflecting an increase in the sales of our glazed tile products and bathroom products

Revenue by Product Category

Revenue from glazed tile products increased by 13.0% from RMB1,828.8 million for the year of 2014 to RMB2,067.4 million for the year of 2015. The increase is primarily reflected by (i) an increase of the Group's new product series in the glazed tile category, such as Beauty of the World series (世界之美系列), Europe Impression series (歐洲印象系列) and Balsa Wood series (雅木系列); and (ii) glossy glazed tiles became more popular on the retail market.

Revenue from unglazed tile products decreased by 5.2% from RMB1,518.5 million for the year of 2014 to RMB1,439.1 million for the year of 2015. The decrease is mainly attributable to the decrease in average selling price to corporate customers.

After the Group acquired the bathroom business in May 2013, bathroom product sales keep rising. Revenue from the bathroom product increased by 10.8% from RMB545.8 million for the year of 2014 to RMB604.6 million for the year of 2015.

Revenue by Sales Channels

The Group's ceramic tile revenue from self-owned retail outlets and corporate customers increased by 30.4% and 28.8% from RMB198.0 million and RMB460.9 million for the year of 2014 to RMB258.1 million and RMB593.9 million for the year of 2015, respectively, because of the development of on-line sale channels and continued implementation of sale strategies to gain more corporate customers.

Revenue from distributor channel declined 3.2% mainly due to lower average selling price to distributors to encourage more aggressive promotion at the end market.

Cost of Sales

The Group's cost of sales increased by 2.2% from RMB2,395.3 million for the year of 2014 to RMB2,504.5 million for the year of 2015. The increase primarily reflected an increased sales volume of ceramic tile and bathroom products.

Gross Profit and Gross Margin

As a result of the foregoing, the Group's gross profit increased by 7.3% from RMB1,497.8 million for the year of 2014 to RMB1,606.5 million for the year of 2015. The gross margin increased by 0.6 percentage points from 38.5% for the year of 2014 to 39.1% for the year of 2015. The increase in gross margin was primarily attributable to the product mix optimization and production efficiency improvement.

Gross margin improvement was also a result of lower raw material cost and lower fuel cost.

Other Income

Other income increased by 18.4% from RMB195.0 million for the year of 2014 to RMB231.0 million for the year of 2015. The increase was primarily due to an increase in government grants of RMB50.0 million.

Distribution and Selling Expenses

Distribution and selling expenses primarily consist of transportation expenses, advertising expenses, marketing expenses, travelling expenses, and salaries and wages for our sales employees.

The Group's selling and distribution expenses increased by 22.6% from RMB505.7 million for the year of 2014 to RMB620.2 million for the year of 2015. This increase was mainly due to the increase of staff, transportation and advertisement costs.

Administrative Expenses

The administrative expenses decreased by 0.5% from RMB281.2 million for the year of 2014 to RMB280.0 million for the year of 2015. This decrease was mainly due to the decrease in the third parties' service fee expenses and administrative expenses as a percentage of Group's revenue decrease from 7.2% during the year of 2014 to 6.8% in the year of 2015.

Other Expenses

Other expenses decreased by 7.1% from RMB82.3 million for the year of 2014 to RMB76.5 million for the year of 2015. The decrease is primarily due to a one-time donation of RMB10 million in 2014.

Research and Development Expenses

Research and development expenses amounted to RMB52.0 million for the year of 2015, remained similar to the year of 2014 (RMB53.4 million).

Finance Cost

Finance cost decreased by 37.8% from RMB35.9 million for the year of 2014 to RMB22.3 million for the year of 2015. This decrease was mainly due to the decrease of the interest bearing bank borrowings as at 31 December 2015 compared with the balance as at 31 December 2014.

Income Tax Expense

Income tax expenses increased by 35.1% from RMB158.1 million for the year of 2014 to RMB213.5 million for the year of 2015. Our effective tax rate increased from 21.9% for the year of 2014 to 25.7% for the year of 2015 mainly because of the increase in accrual of withholding tax for the dividend to "non-resident" investors in accordance with PRC tax law (Guoshuihan [2008] 112).

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the Year

As a result of the foregoing factors, profit for the period increased by 9.6% from RMB564.5 million for the year of 2014 to RMB618.4 million for the year of 2015. The Group's net profit margin was 14.5% and 15.0% for 2014 and 2015, respectively. The increase in the Group's net profit margin was primarily due to the increase of its gross margin and the decrease of share-based payment expenses and finance expenses.

Profit before Taxation

The profit before tax increased by 15.1% for the year of 2014 from RMB722.6 million to RMB831.9 million for the year of 2015, mainly due to increase in gross profit.

Profit for The Year Attributable to Owners of The Company

Due to the foregoing reasons, profit attributable to owners of the Company increased from RMB563.7 million for the year of 2014 to RMB626.3 million for the year of 2015.

Net Profit Margin

Net profit margin increased by 0.5 percentage point from 14.5% for the year of 2014 to 15.0% for the year of 2015. The increase in net profit margin was mainly attributable to an increase in net profits, an increase in gross profit and a lower finance expense as a percentage of the revenue.

FINANCIAL AND LIQUIDITY POSITION

Trade and Other Receivables

Trade receivables increased from RMB332.4 million as of 31 December 2014 to RMB434.4 million as of 31 December 2015 primarily due to increase in corporate sales. More details about trade and other receivable and the ageing analysis of trade receivable are set out in note 13 of the financial statements.

Inventories

Inventories increased by 3.6% from RMB984.0 million as of 31 December 2014 to RMB1,019.1 million as of 31 December 2015, primarily due to the increase of the bathroom products capacity.

Borrowings

As of 31 December 2015, our Group's total bank borrowings were RMB309.0 million.

The Group's average cost of bank borrowings (calculated by dividing total interest expenses by average bank borrowings during the relevant year) was 4.3% for the year of 2015, versus 6.3% for the year of 2014. All of the bank borrowings are in RMB currency.

Our Group's principal sources for liquidity have been cash generated from operations, bank borrowings and the net proceeds from the IPO. The Company generally used cash from such sources for working capital and capital expenditures.

Gearing Ratio

The gearing ratio is measured by net debt (aggregate of current and non-current borrowings and, current and non-current obligations under a finance lease less cash and cash equivalents) divided by total equity attributable to owners of the Company. For the year of 2015, the Group was at net-cash position, hence the gearing ration is not applicable. For the year of 2014, the Group was at net-cash position, too.

CAPITAL AND CAPITAL COMMITMENT

Capital commitment as at 31 December 2015 amounted to approximately RMB176.3 million (2014: RMB192.4 million), which were mainly related to acquisition of property, plant and equipment.

SIGNIFICANT INVESTMENTS

In 2015, the Group's short-term investment of RMB304.9 million represented a financial product issued by the bank in the PRC, with an expected but not guaranteed return of from 2.3% to 3.1% per annum, subject to the market price of its underlying financial instruments, mainly comprising of bonds debentures. The short-term investment was redeemed in January 2016 at the principal amount together with approximately the expected return. Except as disclosed in this announcement, the Group does not held any other significant investment.

CONTIGENT LIABILITIES

As of 31 December 2015, the Group did not have any material contingent liability.

PLEDGE OF ASSETS/OFF BALANCE SHEET TRANSACTIONS

The following assets were pledged to secure bank borrowings and banking facilities granted to the Group and related parties at the end of the reporting period:

	2015 **RMB'000**	2014 RMB'000
Buildings	**70,252**	119,521
Prepaid lease payments	**141,172**	143,182
Notes receivables	**—**	14,920
Pledged bank deposits	**307,136**	37,085
	518,560	314,708

Except as disclosed in this announcement, the Group has not entered into any off-balance sheet guarantees or other commitments to guarantee the payment obligations of any third parties. It does not have any interest in any unconsolidated entities that provides financing, liquidity, market risk or credit support to it or engages in leasing or hedging or research and development or other services with it.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Below are brief profiles of the current directors of the Company ("**Directors**", each a "**Director**") and senior management of the Group.

DIRECTORS

The Board currently consists of nine Directors, comprising of three executive Directors, three non-executive Directors and three independent non-executive Directors. The following table set forth information regarding the Directors.

Name	Age	Position	Date of Appointment as Director
Executive Directors			
Mr. He Xinming	60	Chairman of the Board and executive Director	12 March 2012
Mr. Chen Kunlie	52	Executive Director	12 March 2012
Mr. Bao Jianyong	45	Executive Director	5 November 2013
Non-executive Directors			
Mr. Su Sen	70	Non-executive Director	12 March 2012
Mr. Sun Qian	42	Non-executive Director	12 March 2012
Ms. Sun Limei	53	Non-executive Director	12 March 2012
Independent non-executive Directors			
Mr. Yin Hong	58	Independent non-executive Director	5 November 2013
Ms. Hsieh H., Lily	61	Independent non-executive Director	5 November 2013
Mr. Wu Haibing	43	Independent non-executive Director	5 November 2013

EXECUTIVE DIRECTORS

Mr. He Xinming (何新明), aged 60, is the chairman of the Board and an executive Director. He is also a director of certain subsidiaries of the Group. He is primarily responsible for the Company's strategic planning, overall management and business development. He was appointed to the Board on 12 March 2012. He has over 30 years of experience in the porcelain and ceramics manufacturing industry. Before founding Foshan Shiwan Dongpeng Ceramic Group Co., Ltd. (佛山市石灣東鵬陶瓷集團有限公司) ("**Dongpeng Group**") in 1997, he was head of Foshan Shiwan Dongpeng Ceramic Central Factory (佛山市石灣東平陶瓷總廠) ("**Shiwan Central Factory**"). Mr. He became chairman of the board of directors and general manager of Dongpeng Group in 1997 and has been leading our Group.

Mr. He received a bachelor's degree in machinery and manufacture (long distance courses) from South China University of Technology (華南理工大學) in 1989. He is a senior engineer (高級工程師), and holds office as the vice president of China Building Ceramic & Sanitary Ware Association (中國建築衛生陶瓷協會), The Seventh Foshan Associations of Enterprises and Entrepreneurs and Foshan Chancheng District General Chamber of Commerce (佛山市禪城區總商會). He is also an honorary chairman of Foshan Ceramics Industry Association (佛山市陶瓷行業協會委員會), a council member of Chinese People's Political Consultative Conference in Foshan (佛山市政協) and a deputy to the Third People's Congress of Chancheng district in Foshan (佛山市禪城區第三屆人民代表大會). Mr. He was also voted "Person of the Year" at the seventh Ranking of Top Cutting-Edge Producers in China's Ceramics Industry (第七屆中國陶瓷行業新銳榜) in 2011 and "Representative Leader in Thirty Years of Reform of China's Construction Materials" by China Building Materials Association (中國建築材料聯合會) in 2009, won award of the year 2014 Guangdong Economic ranking influential man.

Mr. Chen Kunlie (陳昆列), aged 52, is vice president of the Group and an executive Director. He is also a director of certain subsidiaries of the Group. He is primarily responsible for the management of our Group's strategic planning. He was appointed to the Board on 12 March 2012. Joining our Group in 1987, Mr. Chen has more than 20 years of experience in the porcelain and ceramics manufacturing industry. Mr. Chen received a bachelor's degree in ceramics engineering from South China University of Technology in 1987.

Mr. Bao Jianyong (包建永), aged 45, is an executive Director and joint company secretary of the Company. He is also a director of certain subsidiaries of the Group. He is primarily responsible for internal audit. He was appointed to the Board on 5 November 2013. Mr. Bao has more than 15 years of experience in auditing and accounting. He joined Guangdong Dongpeng Ceramics in 1999 as chief financial officer. Prior to that, he worked for Foshan Accounting Firm (佛山會計事務所). Mr. Bao received a bachelor's degree in environmental planning and management from Wuhan University (武漢大學) in 1992, and a master's degree in accounting from Sun Yat-Sen University (中山大學) in 2009.

NON-EXECUTIVE DIRECTORS

Mr. Su Sen (蘇森), aged 70, is a non-executive Director. He is also a director of certain subsidiaries of the Group. He was appointed to the Board on 12 March 2012. Mr. Su has over 30 years of experience in the porcelain and ceramics manufacturing industry. From 1994 to 2006, he was the deputy general manager of the Shiwan Central Factory and Guangdong Dongpeng Ceramics. Before joining our Group, Mr. Su worked for Shiwan Ceramics Craftwork Factory (石灣陶瓷工藝廠) and Shiwan Third Factory of Ceramic Utility Products (石灣日用陶瓷三廠), and was responsible for technology and craftwork of ceramic manufacturing. He started his career as early as 1958.

Mr. Sun Qian (孫謙), aged 42, is a non-executive Director. He was appointed to the Board on 12 March 2012. Mr. Sun is a partner of Sequoia Capital China, where he focuses on consumer and technology related investment. Mr. Sun has been a non-executive director in China Shengmu Organic Milk Limited, a company listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (Stock code: 1432) since March 2014. Mr. Sun was a director of Bona Film Group Limited, a company listed on NASDAQ, from 2007 to 2011 and has become a director of 500.com Limited (principally engaged in online sports lottery services), a company listed on New York Stock Exchange (Stock code: WBAI) since October 2013. Prior to joining Sequoia Capital China in 2006, Mr. Sun worked at General Atlantic from 2003 to 2005, focusing on technology related growth investment in China. He also worked as a management consultant at Monitor Group in Hong Kong from 1997 to 1999. Mr. Sun received a BA degree in applied mathematics from Harvard College in 1997, an MBA from Harvard Business School and a J.D. from Harvard Law School in 2003.

Ms. Sun Limei (孫麗梅), aged 53, is a non-executive Director. She is also a director of certain subsidiaries of the Group. She was appointed to the Board on 12 March 2012. Ms. Sun has more than 10 years of experience in the porcelain and ceramics manufacturing industry. She joined Guangdong Dongpeng Ceramics in 1999 as assistant to the general manager, and served as deputy general manager from 2009 to 2011 and executive vice president from 2011 to 2012. Before joining our Group, Ms. Sun gained significant experience in managing industrial factories while working for Foshan Copper Tube Company (佛山精細銅管公司), Foshan Electricity and Ceramic Factory (佛山電瓷廠), Dalian Magnetic Heads Factory (大連磁頭廠) and Star Light Mold Factory (星光模具廠). She received a bachelor's degree in machinery and manufacture (long distance courses) from South China University of Technology in 1988.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yin Hong (尹虹), aged 58, is an independent non-executive Director. He was appointed to the Board on 5 November 2013. Mr. Yin has been in academic research in the fields of material composition and manufacturing of ceramics for over 30 years and holds editorial positions with various academic journals on ceramics. Mr. Yin is an associate professor in inorganic materials with South China University of Technology. He currently serves as deputy secretary general of China Building Ceramic & Sanitary Ware Association (中國建築衛生陶瓷協會), vice chairman of National Technical Committee on Building and Sanitary Ceramics of Standardization Administration of China (全國建築衛生陶瓷標準化技術委員會), executive chief editor of China Ceramics magazine (中國陶瓷) and deputy director of the editorial boards of Ceramics magazine (陶瓷) and Foshan Ceramics magazine (佛山陶瓷). Mr. Yin served as economics advisor to the governments of Jiajiang county, Sichuan province (四川省夾江縣) and Chaling County, Hunan province (湖南省茶陵縣), as well as a business promotion advisor for Dangyang city, Hubei province (湖北省當陽市). Mr. Yin graduated from Jiangxi Jingdezhen Ceramic Institute (江西景德鎮陶瓷學院) majoring in ceramic engineering in 1979, and received a master's degree and a Ph. D. in inorganic materials with South China University of Technology in 1983 and 1992, respectively. He has been in the academia since 1980s.

Ms. Hsieh H., Lily (謝慧雲), aged 61, is an independent non-executive Director. She was appointed to the Board on 5 November 2013. She has over 30 years of experience in the auditing and accounting in various industries, including food retailing, manufacturing and processing, public utilities and airlines. Ms. Hsieh joined YUM! China in 1996 and was the chief financial officer of YUM! China from 2000 to 2012. Before joining YUM! China, she worked with Kraft Foods (Asia Pacific) Ltd., Pillsbury Canada, and China Airlines. Ms. Hsieh serves as an independent non-executive director of Xiabuxiabu Catering Management (China) Holdings Co., Ltd. (Stock code: 520), a company listed on the Main Board of the Stock Exchange, since November 2014 and has served as a non-executive director of Little Sheep Group Limited (Stock code: 968) from November 2009 until it was delisted from the main board of the Stock Exchange in February 2012. Ms. Hsieh received an MBA from University of Toronto in 1980 and the title of Certified Management Accountant (CMA) in 1985.

Profile of Directors and Senior Management

Mr. Wu Haibing (吳海兵), aged 43, is an independent non-executive Director. He was appointed to the Board on 5 November 2013. Mr. Wu has over 10 years of experience in the financial field, and is currently the chief financial officer of Plateno Hotels Group (formerly "7 Days Group Holdings Limited"), which was privatized and delisted from the New York Stock Exchange on 18 July 2013. Prior to that, Mr. Wu worked for PricewaterhouseCoopers in the United States and later in China from 2000 to 2007, and last held the position of senior manager, responsible for improvement of internal controls, risk management, corporate governance and audit support. Mr. Wu received a bachelor's degree from Shanghai Jiao Tong University (上海交通大學) and an MBA from Michigan State University. Mr. Wu has been an independent director of Country Style Cooking Restaurant Chain Co., Ltd. (NYSE: CCSC), a company listed on the New York Stock Exchange since September 2011.

SENIOR MANAGEMENT

The following table presents certain information concerning the senior management personnel of the Group

Name	Age	Year joined	Position
Mr. Cai Chuyang	52	2002	President
Mr. Zhang Xiongcai	38	2001	Vice President
Mr. Jin Guoting	49	2009	Vice President
Mr. Shao Yu	40	2013	Vice President and Chief Financial Officer
Mr. Shi Yufeng	41	1996	Vice President
Ms. Lin Hong	45	2008	Vice President

Mr. Cai Chuyang (蔡初陽), aged 52, is the president of our Group. He is responsible for our Group's overall business management. He has been serving as our Group's president since July 2012. Mr. Cai has served as various positions, including deputy general manager of Guangdong Dongpeng Holdings and general manager of Dongpeng Sanitary Ware since joining our Group in December 2002. Prior to that, Mr. Cai was the deputy chief of Shiwan District Government of Foshan, Guangdong province (佛山市石灣區政府副區長). Mr. Cai graduated from Foshan Veterinary School (佛山獸醫專科學校) with a junior college degree in farm veterinary.

Mr. Zhang Xiongcai (張兄才), aged 38, is a vice president of our Group. He is primarily responsible for our Group's sales and marketing. Mr. Liang has more than 15 years of experience in the sales and marketing of ceramics product. He has held various management positions with our Group, including general manager of the sales department from 2012 to 2014 and vice president of marketing from 2015 until now. Mr. Zhang joined our Group as salesman for Guangdong Dongpeng Ceramics in 2001. Mr. Zhang received bachelor's degree in business administration from Jiangxi Jingdezhen Ceramic Institute (江西景德鎮陶瓷學院) in 2001.

Mr. Jin Guoting (金國庭), aged 49, is a vice president of our Group. He is primarily responsible for manufacturing, research and development as well as quality control. He has more than 20 years of experience in ceramics manufacturing. Mr. Jin has held several management positions with our Group, as vice president from 2011 to 2012 and as general manager of the manufacture center from February to May in 2011 for Guangdong Dongpeng Ceramics, and as general manager from 2009 to 2011 for Foshan Hua Sheng Chang Ceramics Co., Ltd. Prior to that, Mr. Jin worked for Guangdong Dongpeng Ceramics from May to November in 2009, and held the position as assistant to general manager as well as manager of technology department with Guangdong Xin Run Cheng Ceramics Co., Ltd. (廣東新潤成陶瓷有限公司) from 2001 to 2009. He also worked for Shiwan Central Factory in the early 1990s. Mr. Jin received a master's degree in metalworking and resources from Central South University (中南工業大學) in 1992.

Mr. Shao Yu (邵鈺), aged 40, is a vice president and chief financial officer of our Group. He is primarily responsible for financial and information technology matters. He was appointed the Company's vice president on 8 April 2013. Mr. Shao has over 15 years of experience in financing and accounting fields. Before joining our Group, Mr. Shao was a director, company secretary and assistant general manager of Jiangsu Riying Electronics Co., Ltd. (江蘇日盈電子股份有限公司) from 2011 to 2013. He worked for Procter & Gamble from 2009 to 2011 and was financial controller for the Business Unit of Salon Professional, greater China region. He was an investment banking associate with the New York office of Jefferies & Company in 2008. He was a corporate finance manager at the headquarters of Solectron Corporation in California from 2000 to 2006, and a finance manager of Solectron Technology (Suzhou) Co., Ltd. (旭電(蘇州)科技有限公司) from 1997 to 2000. Mr. Shao received an MBA from the University of Chicago, Booth School of Business in 2008 and a bachelor's degree in finance from Soochow University in 1997.

Mr. Shi Yufeng (施宇峰), aged 41, is a vice president of our Group. He is primarily responsible for production planning, logistics and sales in overseas market. He has over 15 years of experience in ceramics manufacturing. Since joining our Group in 1996, Mr. Shi served as assistant to deputy executive vice president of Guangdong Dongpeng Holdings from February to December in 2012, general manager of the Shandong branch company of Guangdong Dongpeng Ceramics from 2011 to 2012 and general manager of Lixian Xinpeng Ceramics Co., Ltd. ("Lixian Xinpeng") from 2009 to 2011, as well as worked for the equipment department, the first workshop and the fifth workshop of Foshan Shiwan Huatai Ceramics Co., Ltd ("Shiwan Huatai") and the ninth workshop of Shiwan Decorative Tile Factory. Mr. Shi received a bachelor's degree in industrial automation from Nanjing University of Science & Technology (南京理工大學) in 1996.

Ms. Lin Hong (林紅), aged 45, is a vice president of our Group. She is primarily responsible for the management of our administrative and human resources functions. Since joining our Group in 2008, Ms. Lin served as lead executive assistant of the general manager's office from 2008 to 2011. Before joining our Group, Ms. Lin was head of business affairs with the Television Station of Foshan city, Guangdong province, and an editor with the Television Station of Meizhou city, Guangdong province and a program host with the Television Station of Xingning city, Guangdong province. Ms. Lin received a college diploma in political education from Jiaying Teachers College (嘉慶師範專科學校) in 1990.

CORPORATE GOVERNANCE REPORT

Maintaining high standards of business ethics and corporate governance has always been one of the Group's key focuses. The Board and the management of the Company are committed to conducting the Group's businesses in a transparent and responsible manner, and they believe good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, sustainable business growth and enhancing Shareholders' value in the long term.

(A) CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "**Code**") as contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time) (the "**Listing Rules**") as its own code to govern its corporate governance practices.

In the opinion of the Directors, the Company, throughout the year ended 31 December 2015, has adopted, applied and complied with the code provisions contained in the Code.

The Board will continue to review and monitor the practices of the Company with an aim to achieve, maintain and implement a high standard of corporate governance practices.

(B) DIRECTORS' AND SENIOR MANAGEMENT'S SECURITIES TRANSACTIONS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its code of conduct regarding dealings in the securities of the Company by the Directors and the Group's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company's securities.

Upon specific enquiry, all the Directors confirm that they have complied with the Model Code throughout the year ended 31 December 2015. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the year.

(C) THE BOARD OF DIRECTORS

Board Members

As at 31 December 2015, the Board consisted of 9 Directors: including three executive Directors, three non-executive Directors and three independent non-executive Directors. Members of the Board include:

Executive Directors
Mr. He Xinming *(Chairman of the Board)*
Mr. Chen Kunlie
Mr. Bao Jianyong

Non-executive Directors
Mr. Su Sen
Mr. Sun Qian
Ms. Sun Limei

Independent Non-executive Directors
Mr. Yin Hong
Ms. Hsieh H., Lily
Mr. Wu Haibing

Save as disclosed in the section headed "Profile of Directors and Senior Management" of this annual report, the Directors and senior management have no other financial, business, family or other material/relevant relationships with one another.

During the financial year ended 31 December 2015, the Company has at all times complied with the requirement of Rule 3.10A of the Listing Rules, which requires an issuer's board of directors to have at least one third of its members being independent non-executive Directors. In addition, the Company has duly complied with Rule 3.10(2) of the Listing Rules, which requires at least one of the independent non-executive directors to have appropriate professional qualifications or accounting or related financial management expertise. Mr. Wu Haibing, chairman of the audit committee of the Company (the "Audit Committee") and being one of the independent non-executive Directors, possesses over 10 years of experience in the financial field. Together with another two independent non-executive Directors, Mr. Yin Hong and Ms. Hsieh H., Lily, all of whom have wide exposure and experience in the fields of finance and business management, provide the Group with diversified expertise and experience. Their views and participation in Board and Board committee meetings bring independent judgment and advice on issues relating to the Group's strategies, performance, conflicts of interest, management process and to ensure that the interests of all Shareholders are taken into account.

The Board considers that the balance between executive and non-executive Directors is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of Shareholders and the Group as a whole. The composition of the Board reflects the necessary balance of skills and experience appropriate for the requirements of the business development of the Group and for effective leadership. The Board has separate and independent access to the senior management and the joint company secretaries at all times.

Directors must dedicate sufficient time and attention to the Group's affairs. To this end, the Company requests all Directors to disclose to the Company annually the number and the nature of offices held in public companies or organizations and other significant commitments with an indication of the time involved.

The Company has received from the independent non-executive Directors their respective confirmation of independence pursuant to Rule 3.13 of the Listing Rule and the Board considers that all independent non-executive Directors are independent. The Board believes that the present structure of the Board can ensure the independence and objectivity of the Board and provide an effective system of checks and balance to safeguard the interests of the Shareholders and the Company.

All Directors, including independent non-executive Directors, are clearly identified as such in all corporate communications containing the names of the Directors. A list of roles and functions of Directors is published on the websites of the Company and the Stock Exchange, and the Company will keep updating the list whenever necessary. The Company has arranged appropriate directors and officer's liability insurance cover in respect of legal action against the Directors.

Appointment, Re-election and Removal of Directors

Each of the Directors has entered into a service contract or a letter of appointment with the Company for a specific term. The initial term of office for each of the Directors is a term of three years from their respective appointment date and is subject to retirement by rotation at an annual general meeting (the "**AGM**") at least once every three years.

According to the articles of association of the Company (the "**Articles**"), one-third of the Directors for the time being (if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each AGM provided that every director shall be subject to retirement by rotation at least once every three years. The retiring Director shall be eligible for re-election at the relevant AGM. In addition, the Articles provide that any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his/her appointment, whereas any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM. The Director appointed by the Board as aforesaid shall be eligible for re-election at the relevant general meeting.

Shareholders may, by ordinary resolution passed at general meeting convened and held in accordance with the Articles, remove a Director at any time before the expiration of his/her period of office notwithstanding anything to the contrary in the Articles or in any agreement between the Company and such Director (but without prejudice to any claim for damages for any breach of such agreement).

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Directors' Continuing Professional Development

Directors must keep abreast of their collective responsibilities. All Board members received an induction package covering the regulatory obligations of a director of a listed company. The Company will also provide or arrange briefings and trainings to develop and refresh the Directors' knowledge and skills. The Company continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory and statutory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices.

Directors and senior management members have received training regarding a wide spectrum of areas relating to directors' duties and corporate governance in 2015. The Company believes that such training would keep them abreast of relevant legal requirements and good corporate governance practices.

In particular, on 31 July 2015 and 26 November 2015, directors and senior management members attended training conducted by the Hong Kong legal advisors to the Company, which covered inter alia the following topics under the Listing Rules:

- connected transactions; and
- inside dealing.

Internally, the Company's senior management, including our executive Directors, will implement a training plan and conduct training sessions for our key staff members on a continuing basis.

The Directors are required to submit to the Company details of training sessions they received in each financial year for the Company's maintenance of proper training records of the Directors. According to the training records currently maintained by the Company, the training received by each of the directors in 2015 is summarized as follows:

	Training Topic	
	Connected transactions (31 July 2015)	**Insider dealing (26 November 2015)**
Mr. He Xinming	√	√
Mr. Chen Kunlie	√	√
Mr. Bao Jianyong	√	√
Mr. Su Sen	√	—
Mr. Sun Qian	—	√
Ms. Sun Limei	√	√
Mr. Yin Hong	—	√
Ms. Hsieh H., Lily	√	√
Mr. Wu Haibing	—	√

Board and Board Committee Meetings

Under code provision A.1.1 of the Code, the Board should meet regularly and Board meetings should be held at least four times a year at approximately quarterly intervals and under code provision A.2.7 of the Code, the chairman of the Board should at least annually hold meeting with the non-executive directors (including independent non-executive directors) without the executive directors present.

During the financial year ended 31 December 2015, four Board meetings were held for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and polices of the Company. The Director's attendance at the above Board meeting is set out in the section headed "Attendance at Board and Board Committee Meetings" below.

The chairman of the Board has held one meeting with the non-executive Directors (including the independent non-executive Directors) without the executive Directors present during this year.

During the financial year ended 31 December 2015, the Board considers that all meetings have been legally and properly convened in compliance with the relevant laws and regulations (including the Listing Rules and the Articles). With the assistance of the joint company secretaries, the chairman of the Board takes the lead to ensure that Board meetings and Board committee meetings are convened in accordance with the requirements set out in the Articles, the terms of reference of the respective Board committees and the Listing Rules.

A tentative schedule for regular Board meetings for 2016 has been provided to the Directors. At least 14 days' notice for all regular Board meetings will be given to all Directors and all Directors must be given the opportunity to include items or businesses for discussion in the agenda. For all other Board meetings, reasonable notice will be given. Relevant agenda and accompanying Board papers will be sent to all Directors at least three days in advance of every regular Board meeting.

All matters and decisions reached, including any concerns raised by Directors or dissenting views expressed, will be recorded in minutes of Board meetings or other Board committees meetings in sufficient details. Draft and final versions of minutes of Board/Board committee meetings will be sent to all Directors/Board committee members for comment and records respectively, within reasonable time after the respective meetings are held. In addition, minutes of all Board meeting or Board committee meetings are available for inspection at any reasonable time on reasonable notice by any Director.

Upon making reasonable request to the Company, Board members have the right to seek independent professional advice or services at the Company's expense to assist them to perform their duties to the Company.

Should a potential conflict of interest involving substantial Shareholder(s) or Director(s) arise and the Board considers the matter to be material, the Company will hold a physical Board meeting to discuss and consider the matter, instead of passing a written resolution. Independent non-executive Directors who, and whose associates, have no material interest in the transaction should be required to be present at that Board meeting.

Attendance at Board and Board Committee Meetings

Attendance of each Director at all the Board meetings and Board committee meetings during the financial year ended 31 December 2015 is as follows. An Extraordinary General Meeting and an Annual General Meeting have been held by the Company on 31 March 2015 and 23 June 2015 respectively.

Name of director	Board meeting	Audit Committee meeting	Nomination Committee meeting	Remuneration Committee meeting	Compliance Committee meeting	Annual General meeting	Extraordinary General Meeting
Executive Directors							
Mr. He Xinming	5/5	N/A	1/1	1/1	N/A	1/1	1/1
Mr. Chen Kunlie	5/5	N/A	N/A	N/A	N/A	1/1	1/1
Mr. Bao Jianyong	5/5	N/A	N/A	N/A	4/4	1/1	1/1
Non-executive Directors							
Mr. Su Sen	5/5	1/1	N/A	N/A	4/4	1/1	1/1
Mr. Sun Qian	5/5	N/A	N/A	N/A	N/A	0/1	0/1
Ms. Sun Limei	5/5	N/A	N/A	N/A	N/A	1/1	0/1
Independent non-executive Directors							
Mr. Yin Hong	3/5	N/A	1/1	1/1	N/A	0/1	1/1
Ms. Hsieh H., Lily	3/5	1/1	N/A	1/1	N/A	1/1	0/1
Mr. Wu Haibing	4/5	1/1	1/1	N/A	4/4	0/1	0/1

(D) CHAIRMAN AND CHIEF EXECUTIVE

Code provision A.2.1 of the Code provides that the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive should be clearly established and set out in writing.

To ensure a balance of power and authority, the Company has appointed Mr. He Xingming as the chairman of the Board and Mr. Cai Chuyang as the president of the Group. Mr. He is an executive Director, and Mr. Cai Chuyang is a senior management of the Company.

Mr. He, as the chairman of the Board, provides leadership for the Board and is responsible for the effective running of the Board. He works with the senior management to ensure that all key and appropriate issues are discussed timely, and that the Directors receive, in a timely manner, adequate information which is accurate, clear, complete and reliable. Mr. He is also responsible for ensuring that good corporate governance practices and procedures are established, encouraging all Directors to make full and active contribution to the Board's affairs, taking the lead to ensure that the Board acts in the interests of the Company and its Shareholders, and ensuring that appropriate steps are taken to provide effective communication with the Shareholders.

A culture of openness and constructive relations among Directors are promoted within the Board, facilitating effective contribution of non-executive Directors ensuring constructive relations between executive and non-executive Directors. The president of the Group is responsible for the management of the day-to-day operations and the implementation of the approved strategies of the Group.

(E) BOARD COMMITTEES

Functions and Duties of the Board

The Board supervises the management of business and affairs of the Company. The primary duties of the Board include:

(a) overall management of the business and strategic development;

(b) deciding business plans and investment plans;

(c) monitoring the ongoing operation of the Company and to ensure that it is managed in the best interests of the Shareholders as a whole while taking into account the interests of other stakeholders;

(d) convening general meetings and reporting to the Shareholders; and

(e) exercising other powers, functions and duties conferred by Shareholders in general meetings.

The Board delegates the authority and responsibility of daily operations, business strategies and day to day management of the Company to the president of the Group and the senior management.

The Board is also responsible for performing the corporate governance duties as set out in code provision D.3.1 of the Code including:

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct applicable to Directors, senior management and employees of the Company; and

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

Delegation by the Board

To assist the Board in execution of its duties and facilitate effective management, certain functions of the Board have been delegated by the Board to various Board committees, including Audit Committee, remuneration committee (the "**Remuneration Committee**"), nomination committee (the "**Nomination Committee**") and compliance committee (the "**Compliance Committee**"), and the senior management. All Board committees perform their distinct roles in accordance with their respective terms of reference which are available to public on the websites of the Company and the Stock Exchange.

The senior management, under the leadership of the president of the Group, is delegated by the Board with the authority and responsibility for the daily operations and management of the Group. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions to be entered into by the Company.

Audit Committee

The Company established an Audit Committee on 5 November 2013 with written terms of reference in compliance with rule 3.21 and 3.22 of the Listing Rules and code provision C.3.3 of the Code. The Audit Committee has three members, namely Mr. Wu Haibing, Ms. Hsieh H., Lily and Mr. Su Sen. Mr. Wu Haibing, the Company's independent non-executive Director, has been appointed as the chairman of the Audit Committee, and he possesses the appropriate professional qualifications required under the Listing Rules.

The primary responsibilities of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group, oversee the audit process and perform other duties and responsibilities as assigned by the Board. The Audit Committee has access to independent professional advice, if required, and is provided with sufficient resources to perform its duties.

During the financial year ended 31 December 2015, the Audit Committee has held two meetings, during which the following works were performed:

- Discussion with the external auditors about the scope of work and fee in respect of their audit work for the year ended 31 December 2015.
- Review the Group's financial results for the year ended 31 December 2015, significant issues on financial reporting and internal control and appointment of external auditors.

The attendance of the Audit Committee members at the above meeting is set out in the section headed "Attendance at Board and Board Committee Meetings" above.

The Audit Committee also met the external auditors twice without the presence of the Executive Directors.

Remuneration Committee

The Company established the Remuneration Committee on 5 November 2013 with written terms of reference in compliance with Rule 3.25 and 3.26 of the Listing Rules and code provision B.1.2 of the Code. The Remuneration Committee has three members, namely Ms. Hsieh H., Lily, Mr. Yin Hong and Mr. He Xinming. Ms. Hsieh H., Lily, the Company's independent non-executive Director, has been appointed as the chairman of the Remuneration Committee. The Remuneration Committee has access to independent professional advice, if required, and is provided with sufficient resources to perform its duties.

The primary duties of the Remuneration Committee are to review, determine and make recommendations to the Board on the policy and structure of the remuneration (including bonuses and other compensation) payable to the Company's Directors and senior management and make recommendations on employee benefit arrangements.

The Remuneration Committee met once to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the Executive Directors and senior management and other related matter.

During the financial year ended 31 December 2015, the Remuneration Committee has held one meeting. The attendance of the Remuneration Committee members is set out in the section headed "Attendance at Board and Board Committee Meetings" above.

Pursuant to code provision B.1.5 of the Code, the annual remuneration of the members of the senior management by band for the year ended 31 December 2015 is set out below:

Remuneration band (RMB)	**Number of individual**
1,500,001 – 2,000,000	2
1,000,001 – 1,500,000	2
0 – 1,000,000	2
	6

Details of the remuneration of each Director for the year ended 31 December 2015 are set out in Note 13 to the financial statements of this annual report.

Nomination Committee

The Company established a Nomination Committee on 5 November 2013 with written terms of reference in compliance with code provision A.5.1 and A.5.2 of the Code. The Nomination Committee consists of three members, namely Mr. He Xinming, Mr. Yin Hong and Mr. Wu Haibing. Mr. He Xinming, the Company's executive Director and chairman of the Board, has been appointed as the chairman of the Nomination Committee. The Nomination Committee has access to independent professional advice, if required, and is provided with sufficient resources to perform its duties.

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board annually and make recommendations on any proposed changes to the Board compositions to complement the Company's corporate strategy. The Nomination Committee is also responsible for indentifying suitably qualified individuals and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning of Directors. Furthermore, it also assesses the independence of the independent non-executive Directors.

During the financial year ended 31 December 2015, the Nomination Committee has held one meeting to review the structure, size and composition of the Board and the independence of the Independent Non-executive Directors, and to consider the qualifications of the retiring directors standing for election at the Annual General Meeting. The attendance of the Nomination Committee members is set out in the section headed "Attendance at Board and Board Committee Meetings" above.

The Board adopted the board diversity policy (the "**Board Diversity Policy**") on 27 March 2014 setting out the approach to diversity on the Board. It is believed that a truly diversed Board will include and make good use of differences in the skills, regional and industrial experience, background, race, gender and other qualities of members of the Board. These differences will be taken into account in determining the optimum composition of the Board. The Board Diversity Policy shall be reviewed by the Nomination Committee annually, as appropriate, to ensure its effectiveness.

Compliance Committee

The Company established a Compliance Committee on 5 November 2013. The Compliance Committee consists of three members, namely Mr. Bao Jianyong, Mr. Wu Haibing and Mr. Su Sen. Mr. Bao Jianyong, the Company's executive Director and joint company secretary, has been appointed as the chairman of the Compliance Committee. The primary duties of the Compliance Committee are to plan for the Company's legal and compliance matters, to oversee legal and compliance training, to observe and monitor important legal and compliance documents and to correct inadequacies in compliance.

During the financial year ended 31 December 2015, the Compliance Committee has held four meetings. The attendance of the Compliance Committee is set out in the section headed "Attendance at Board and Board Committee Meetings" above.

(F) COMPLIANCE ADVISOR

The Company has appointed Quam Capital Limited as its compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise the Company under the following circumstances:

- the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

- where the Company proposes to use the proceeds of the IPO in a manner different from that detailed in the supplemental prospectus issued by the Company on 28 November 2013 (the "**Supplemental Prospectus**") or where the Company's business activities, developments or results deviate from any forecast, estimate, or other information as set out in the Supplemental Prospectus; and
- where the Stock Exchange makes an inquiry of the Company under Rule 13.10 of the Listing Rules.

The term of the appointment has commenced on the Listing Date and will end on the date on which the Company distributes the annual report in respect of the financial results for the first full financial year commencing after the Listing Date in accordance with Rule 13.46 of the Listing Rules.

(G) AUDITORS' REMUNERATION

For the year ended 31 December 2015, the remuneration paid or payable to Deloitte Touche Tohmatsu and other auditors in respect of audit and non-audit services provided is set out below:

Services Rendered	Remuneration Paid/Payable (RMB'000)
Audit service	2,050
Non-audit service	0
Total	2,050

The Audit Committee has expressed its views to the Board that the level of fees paid/payable to the Company's external auditor for annual audit and non-audit services is reasonable. There has been no major disagreement between the auditors and the management of the Company during the financial year ended 31 December 2015.

The Audit Committee is responsible to make recommendation to the Board as to the appointment, reappointment and removal of the external auditors. There is no disagreement between the Board and the Audit Committee regarding the re-appointment of Deloitte Touche Tohmatsu as the Company's external auditor for the financial year ending 31 December 2016 which is subject to the approval by the Shareholders at the forthcoming 2016 AGM.

(H) DIRECTORS' RESPONSIBILIITY FOR FINANCIAL REPORTING IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the Group's accounts and other financial disclosures required under the Listing Rules, meanwhile, the senior management should provide relevant and sufficient information and explanation to the Board to enable it to make informed assessment of the financial and other decisions.

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

The statement of the independent auditors of the Company in respect of their reporting responsibilities on the Company's financial statements for the year ended 31 December 2015 is set out in the "Independent Auditors' Report" contained in this annual report.

(I) INTERNAL CONTROL

The Board is responsible for maintaining effective internal controls and conducting regular review on the effectiveness of the internal control system of the Company. Procedures have been designed for safeguarding assets against unauthorized use or disposition, maintaining of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensuring compliance of applicable laws, rules and regulations. However, the system can only provide reasonable but not absolute assurance against misstatements or losses.

The Board is also responsible for presenting a balanced and clear assessment of the Group's performance and prospects. Management of the Company provides all relevant information to the Board, giving its members sufficient explanation and information that it needs to discharge its responsibilities.

During the year under review, The Audit Committee and the Board conducted a review of the effectiveness of the internal control system of the Company, respectively including the adequacy of resources, staff qualifications and experiences, training programs and budget of the Company's accounting and financial reporting function. The Board considers that there are no significant defects in the Company's internal control systems in terms of completeness, reasonableness and effectiveness.

(J) JOINT COMPANY SECRETARIES

The Company has appointed Mr. Bao Jianyong ("**Mr. Bao**") and Ms. Yuen Wing Yan, Winnie ("**Ms. Yuen**") as its joint company secretaries. Ms. Yuen has confirmed that for the year under review, she has taken no less than 20 hours of relevant professional training.

Mr. Bao is an employee of the Company. He is also an executive Director. Mr. Bao has day-to-day knowledge of the Company's affairs. He reports to the chairman of the Board and the Board. Both joint company secretaries are responsible for providing advice to the Board on corporate governance matters.

Ms. Yuen of Tricor Services Limited, an external service provider, has been engaged by the Company as its joint company secretary. Its primary contact person at the Company is Mr. Bao, the executive Director and joint company secretary of the Company.

(K) SHAREHOLDERS' RIGHT

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at Shareholders' meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company (www.dongpeng.net) and Stock Exchange after each Shareholders' meeting. The Articles allow a Shareholder entitled to attend and vote at a general meeting to appoint a proxy, who need not be a Shareholder, to attend the meeting and vote thereat on his/her/its behalf.

Pursuant to the Articles, any 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 carrying the right of voting at general meetings of the Company shall have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

There is no provision allowing Shareholders to move new resolutions at general meetings under the Cayman Islands Companies Law or the Articles. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

With respect to the Shareholders' right in proposing persons for election as Directors, please refer to the procedures available on the website of the Company.

Shareholders and potential investors are welcomed to communicate with the Company by email: enquiry@dongpeng.net. Shareholders may also put forward their written enquiries to the Board at No. 8 Jiangwan Third Road, Chancheng District, Foshan, Guangdong, PRC (Attention: the Board of Directors).

(L) INVESTOR RELATIONS

The Company believes that effective and proper investor relations play a vital role in creating Shareholders' value, enhancing the corporate transparency as well as establishing market confidence. The Company discloses information in compliance with the Listing Rules, and publishes periodic reports and announcements to the public in accordance with the relevant laws and regulations. The primary focus of the Company is to ensure information disclosure is timely, fair, accurate and complete, thereby enabling Shareholders, investors as well as the public to make rational and informed decisions. Updated key information and business development of the Group are also available on the Company's website to enable Shareholders and investors to have timely access to information about the Group.

The Company also endeavours to maintain an on-going dialogue with Shareholders and in particular, through general meetings which provides a forum for Shareholders to raise comments and exchange views with the Board. At the AGM, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their queries.

The Company will continue to take measures to ensure effective Shareholders' communication and transparency.

There has been no change in the Articles during the year ended 31 December 2015. An up to date version of the Articles is also available on the websites of the Stock Exchange and the Company.

DIRECTORS' REPORT

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Company was incorporated in the Cayman Islands on 12 March 2012 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company is an investment holding company, and its subsidiaries established in the PRC are primarily engaged in the designing, developing, producing, marketing and sale of ceramic tile products and bathroom products under the "Dongpeng" brand.

The activities and particulars of the Company's subsidiaries are shown under Note 42 to the financial statements of this annual report. An analysis of the Group's revenue and operating profit for the year by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report and Note 7 to the financial statements of this annual report.

BUSINESS REVIEW

A review of the Group's business during the year, which includes a discussion of the principal risks and uncertainties facing by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the year, and an indication of likely future developments in the Group's business, could be found in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" in this annual report. In addition, a discussion on relationships with its key stakeholders is included in the sections headed "Management Discussion and Analysis" and "Corporate Governance Report" in this annual report. The review forms part of this directors' report.

RESULTS

The consolidated results of the Group for the year ended 31 December 2015 are set out on page 67 of this annual report.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from 28 June 2016 to 30 June 2016 both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM to be held on 30 June 2016, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 27 June 2016.

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 3 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 17 to the financial statements of this annual report.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in Note 32 to the financial statements of this annual report.

RESERVES

Details of the movement in the reserves of the Group and of the Company during the year are set out in Note 44 to the financial statements of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company's distributable reserves were RMB1,363.6 million.

BANKING FACILITIES AND OTHER BORROWINGS

Details of the borrowings are set out in the section headed "Management Discussion and Analysis" in this annual report and Note 30 to the financial statements of this annual report.

The Directors are not aware of any circumstances which would give rise to disclosure obligation pursuant to the requirements under Rule 13.18 of the Listing Rules as at 31 December 2015.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

PRE-EMPTIVE RIGHTS

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

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 section 470 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) when the Report of the Board of the Directors prepared by the Directors is approved in accordance with section 391(1) (a) of the Companies Ordinance.

DIRECTORS

The Directors as at the date of this annual report are:

Executive Directors

Mr. He Xinming (何新明) *(Chairman of the Board)*
Mr. Chen Kunlie (陳昆列)
Mr. Bao Jianyong (包建永) *(Joint company secretary)*

Non-executive Directors

Mr. Su Sen (蘇森)
Mr. Sun Qian (孫謙)
Ms. Sun Limei (孫麗梅)

Independent Non-executive Directors

Mr. Yin Hong (尹虹)
Ms. Hsieh H., Lily (謝慧雲)
Mr. Wu Haibing (吳海兵)

Pursuant to the provisions in the Articles and the wishes of the Directors, Mr. Yin Hong (尹虹), Ms. Hsieh H., Lily (謝慧雲) and Mr. Wu Haibing (吳海兵) will retire at the forthcoming 2016 AGM. All of the above retiring Directors, being eligible, will offer themselves for re-election at the 2016 AGM.

Ms. Sun Limei (孫麗梅), a non-executive Director, will resign before the forthcoming 2016 AGM due to personal reasons. The Board proposes to appoint Ms. He Ying (何穎) as executive Director, and she will offer herself for election at the forthcoming 2016 AGM.

The Company's circular to be despatched to Shareholders will contain detailed information of the Directors standing for election and re-election.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANGEMENT

Biographical details of the Directors and the senior management of the Group as at the date of this annual report are set out in the section headed "Profile of Directors and Senior Management" in this annual report.

DIRECTORS' SERVICE CONTRACTS

The executive Directors have entered into service contracts with the Company for a term from 5 November 2013 to the date of holdings the Company's 2016 AGM. The Company further issued a letter of appointment to each of the non-executive Directors and independent non-executive Directors on 5 November 2013 for a term of three years from their respective appointment dates. The term of office of the Directors is subject to termination, and termination notice can be served by either the Director(s) or the Company. The appointment may be renewed in accordance to the Articles and the applicable rules.

Save as disclosed above, none of the Directors (including those Directors proposed for election or re-election at the forthcoming 2016 AGM) has a service contract with the Company or any of its subsidiaries which is not determinable by the Company or its subsidiaries, as applicable, within one year without payment of compensation, other than statutory compensation.

CONTRACT WITH DIRECTORS AND CONTROLLING SHAREHODERS

No contract of significance (as defined under Notes 15.2 and 15.3 of Appendix 16 to the Listing Rules) has been entered into between the Company or any of its subsidiaries and a controlling Shareholder or any of its subsidiaries during the year ended 31 December 2015.

No contract of significance (as defined under Notes 15.2 and 15.3 of Appendix 16 to the Listing Rules) which the Company or any of its subsidiaries was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The emoluments of the Directors and senior management of the Group are decided by the Board with reference to the recommendation given by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

The remuneration (including fees, salaries and other benefits, retirement benefit scheme) and share-based compensation paid to the Company's Directors in aggregate for the years ended 31 December 2014 and 2015 were approximately RMB15,015,000 and RMB5,535,000, respectively.

The remuneration (including salaries and other benefits, retirement benefit scheme) and share-based incentive paid to our Group's five highest paid individuals (excluding the directors listed above) in aggregate for the years ended 31 December 2014 and 2015 were approximately RMB11,516,000 and RMB3,406,000, respectively.

For the year ended 31 December 2015, no emoluments were paid by our Group to any director of the Company or any of the five highest paid individuals as an inducement to join or upon joining our Group or as compensation for loss of office. None of the directors has waived any emoluments for the year ended 31 December 2015.

Details of the Directors' emoluments and emoluments of the five highest paid individuals in the Group are set out in Note 13 and Note 14 to the financial statements of this annual report.

The Company has also adopted the Pre-IPO Share Option Scheme and the Share Option Scheme as incentive for Directors and eligible employees. Details of the said schemes are set out under the section headed "Pre-IPO Share Option Scheme and Share Option Scheme" in this annual report and in Note 33 to the financial statements of this annual report.

Except as disclosed above, no other payments have been made or are payable, for the year ended 31 December 2015, by our Group to or on behalf of any of the Directors.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

During the year, none of the Directors nor the controlling Shareholders of the Company or their respective associates (as defined in the Listing Rules) had any interest in a business that competed or might compete or was likely to compete, either directly or indirectly, with the business of the Group.

On 5 November 2013, Mr. He Xinming, Mr. Chen Kunlie, Mr. Su Sen, Mr. He Xinzhong, Mr. Chen Yezhi, Mr. Ou Haoquan, Mr. Luo Siwei and Mr. Zhong Baomin (collectively referred to as the "**Covenanters**") and the Company (for itself and as trustee for each of its subsidiaries) entered into a deed of non-competition (the "**Non-competition Deed**"), pursuant to which each of the covenanters has irrevocably, jointly and severally given certain non-competition undertakings to the Company (for itself and as trustee for each of its subsidiaries). Details of the Non-Competition Deed are set out in the section headed "Relationship with Our Controlling Shareholders – Non-competition Undertaking" of the Prospectus.

The covenanters declared that they have complied with the Non-competition Deed. The independent non-executive Directors have conducted such review for the year ended 31 December 2015 and also reviewed the relevant undertakings and have not noticed any non-compliance incident.

MANAGEMENT CONTRACTS

Other than the Directors' service contracts and appointment letters, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence as at the end of the year or at any time during 2015.

LOAN OR GUARANTEE FOR LOAN GRANTED TO THE DIRECTORS

During the year, the Group had not made any loan or provided any guarantee for any loan, directly or indirectly, to the Directors, senior management, its ultimate controlling Shareholders or their respective connected persons.

PRE-IPO SHARE OPTION SCHEME AND SHARE OPTION SCHEME

Pre-IPO Share Option Scheme

The Company conditionally approved and adopted the pre-IPO share option scheme (the "**Pre-IPO Share Option Scheme**") pursuant to the resolutions of the Shareholders passed on 31 October 2013. An extraordinary general meeting was held on 31 March 2015 to approve the amendments to the terms of options granted under the Pre-IPO Share Option Scheme.

The options have been conditionally granted based on the performance of the grantees who have made important contributions or are important to the long term growth and profitability of the Group. The purpose of the Pre-IPO Share Option Scheme is to attract, retain and motivate employees and Directors, and to provide a means of compensating them through the grant of options for their contribution to the growth and profits of the Group, and to allow such employees and Directors to participate in the growth and profitability of the Group.

The offer (the "**Offer**") of the options under the Pre-IPO Share Option Scheme have been accepted, granted and to have taken effect when the duplicate letter dated 31 October 2013 comprising acceptance of the Offer was duly signed by each grantee, with the number of Shares in respect of which such offer is accepted clearly stated therein, together with a remittance in favor of our Company of HK$1.00 by way of consideration for the grant thereof was received by our Company on or before 8 November 2013.

A total of 13 grantees, including three executive Directors, and five members of the senior management (excluding Directors) of the Group have been conditionally granted options under the Pre-IPO Share Option Scheme.

As at the date of this annual report, options to subscribe to an aggregate of 47,500,000 shares representing approximately 3.67% of the enlarged issued share capital of the Company immediately upon completion of the IPO (assuming that all options granted under the Pre-IPO Share Option Scheme are exercised) have been conditionally granted by the Company under the Pre-IPO Share Option Scheme. No further options will be granted under the Pre-IPO Share Option Scheme on or after 9 December 2013 when the Company's securities started to be listed on The Stock Exchange of Hong Kong Limited. The options granted have a 10-year exercise period.

The options under the Pre-IPO Share Option Scheme shall be vested on the following dates (each a ''Vesting Date'' and collectively, the ''Vesting Dates'') and subject to the following conditions. Further, notwithstanding the failure to meet any particular target for revenue under the Vesting conditions below, if the corresponding profit for the year exceeds the stipulated target profit for the year by 3%, 50% of the options granted to the relevant grantee(s) for the corresponding period shall be vested in relation to him/her on such corresponding Vesting Date. The remaining 50% of the options not granted to the relevant grantee(s) for the corresponding period shall lapse.

The principal terms of the Pre-IPO Share Option Scheme are substantially the same as the terms of the Share Option Scheme (as defined below) except that:

(a) the subscription price per Share of the options granted under the Pre-IPO Share Option Scheme has been set at HK$0.01;

(b) save the Options which have been granted before the Listing Date, no further options would be granted under the Pre-IPO Share Option Scheme on or after the Listing Date; and

(c) each Option granted under the Pre-IPO Share Option Scheme is exercisable subject to the vesting conditions set out in the vesting schedule which are summarized below.

The Options shall be vested on the following dates (each a "Vesting Dates", and collectively the "Vesting Dates") and subject to the following conditions:

Vesting Dates	Percentage of an option vested	Conditions for vesting
1. The first month of the Listing Date or April 1, 2014, whichever is later	25%	In relation to our executive Directors, our chief financial officer and the Group's president: (a) Our Company records a Revenue of at least RMB3,270 million in 2013; and (b) Our Company records a Profit for the Year of at least RMB345 million in 2013. In relation to the senior management members of our ceramic tiles segment, excluding the Group's president: (a) Our ceramic tiles segment records a Revenue of at least RMB2,960 million in 2013; and (b) Our ceramic tiles segment records a Profit for the Year of at least RMB324 million in 2013. In relation to the senior management members of our bathroom products segment: (a) Our bathroom products segment records a Revenue of at least RMB360 million in 2013; and (b) Our bathroom products segment records a Profit for the Year of at least RMB0.2 million in 2013.

Vesting Dates	Percentage of an option vested	Conditions for vesting
2. The first anniversary of the Listing Date or April 1, 2015, whichever is later	25%	In relation to our executive Directors, our chief financial officer and the Group's president: (a) Our Company records (i) a 24% increase in its Revenue in 2014 as compared to 2013, or (ii) a Revenue of at least RMB4,050 million in 2014; and (b) Our Company records (i) a 36% increase in its Profit for the Year in 2014 as compared to 2013, or (ii) a Profit for the Year of at least RMB470 million in 2014. In relation to the senior management members of our ceramic tiles segment, excluding the Group's president: (a) Our ceramic tiles segment records (i) a 17% increase in its Revenue in 2014 as compared to 2013, or (ii) a Revenue of at least RMB3,460 million in 2014; and (b) Our ceramic tiles segment records (i) a 34% increase in its Profit for the Year in 2014 as compared to 2013, or (ii) a Profit for the Year of at least RMB440 million in 2014. In relation to the senior management members of our bathroom products segment: (a) Our bathroom products segment records (i) a 86% increase its Revenue in 2014 as compared to 2013, or (ii) a Revenue of at least RMB670 million in 2014; and (b) Our bathroom products segment records (i) a 81% increase in its Profit in 2014 as compared to 2013, or (ii) a Profit for the Year of at least RMB38 million in 2014.

Vesting Dates	Percentage of an option vested	Conditions for vesting
3. The second anniversary of the Listing Date or April 1, 2016, whichever is later	25%	In relation to our executive Directors, our chief financial officer and the Group's president: (a) Our Company records (i) a 19% increase in its Revenue in 2015 as compared to 2014 or (ii) a Revenue of at least RMB4,850 million in 2015; and (b) Our Company records (i) a 20% increase in its Profit for the Year in 2015 as compared to 2014, or (ii) a Profit for the Year of at least RMB570 million in 2015. In relation to the senior management members of our ceramic tiles segment, excluding the Group's president: (a) Our ceramic tiles segment records (i) a 17% increase in its Revenue in 2015 as compared to 2014, or (ii) a Revenue of at least RMB4,060 million in 2015; and (b) Our ceramic tiles segment records (i) a 15% increase in its Profit for the Year in 2015 as compared to 2014, or (ii) a Profit for the Year of at least RMB500 million in 2015. In relation to the senior management members of our bathroom products segment: (a) Our bathroom products segment records (i) a 30% increase its Revenue in 2015 as compared to 2014, or (ii) a Revenue of at least RMB870 million in 2015; and (b) Our bathroom products segment records (i) a 92% increase in its Profit in 2015 as compared to 2014, or (ii) a Profit for the Year of at least RMB73 million in 2015.

Vesting Dates	Percentage of an option vested	Conditions for vesting
4. The third anniversary of the Listing Date or April 1, 2017, whichever is later	25%	In relation to our executive Directors, our chief financial officer and the Group's president: (a) Our Company records (i) a 19% increase in its Revenue in 2016 as compared to 2015, or (ii) a Revenue of at least RMB5,790 million in 2016; and (b) Our Company records (i) a 20% increase in its Profit for the Year in 2016 as compared to 2015, or (ii) a Profit for the Year of at least RMB685 million in 2016. In relation to the senior management members of our ceramic tiles segment, excluding the Group's president: (a) Our ceramic tiles segment records (i) a 17% increase in its Revenue in 2016 as compared to 2015, or (ii) a Revenue of at least RMB4,740 million in 2016; and (b) Our ceramic tiles segment records (i) a 18% increase in its Profit for the Year in 2016 as compared to 2015, or (ii) a Profit for the Year of at least RMB586 million in 2016. In relation to the senior management members of our bathroom products segment: (a) Our bathroom products segment records (i) a 29% increase its Revenue in 2016 as compared to 2015, or (ii) a Revenue of at least RMB1,120 million in 2016; and (b) Our bathroom products segment records (i) a 36% increase in its Profit in 2016 as compared to 2015, or (ii) a Profit for the Year of at least RMB100 million in 2016.

For the purpose of determining whether the conditions mentioned above are fulfilled:

"Revenue"	shall mean the revenue recorded in the audited consolidated financial statements of the Company for the relevant year.
"Profit for the Year"	shall mean the profit for the year recorded in the audited consolidated financial statements of the Company for the relevant year provided that (i) any and all expenses or costs to our Company as a result, arising from or in connection with this scheme, or the grant, vesting or exercise of any option under this scheme, (ii) all the costs and expenses relating to the Listing, and (iii) the change in fair value of the redeemable convertible preferred shares issued by the Company to Sequoia shall be excluded and disregarded for the purpose of calculation of the profit for year.

Any resolution of the Board on whether the above-mentioned conditions for vesting is fulfilled for each respective Vesting Date, shall be conclusive. Any proportion of any option under the Pre-IPO Share Option Scheme which has already vested on any prior Vesting Date(s) shall continue to be vested and shall be exercisable by the relevant grantee of such option. In the event that our Company fails to fulfill any of the conditions for vesting any proportion of an option granted under the Pre-IPO Share Option Scheme, such proportion of the relevant option due to be vested on the relevant Vesting Date had the conditions been fulfilled, shall neither be vested nor be exercisable on such Vesting Date and shall lapse automatically on the relevant Vesting Date.

The exercise price shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option), but in any case the exercise price shall not be less than the higher of (a) the closing price of the Shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a Business Day, (b) the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five (5) Business Days immediately preceding the date of grant, and (c) the nominal value of a Share.

Movements of the share options granted under the Pre-IPO Share Option Scheme for the six months ended 31 December 2015 are as follows:

Name of Grantee	Date of grant and exercisable period	Number of shares subject to share options: Outstanding as at 1 January 2015	Granted during the period	Lapsed or cancelled during the period	Exercised during the period	Outstanding as at 31 December 2015	Exercise price per share (HK$)
Directors of our Company							
He Xinming	31 October 2013 for 10 years subject to vesting schedule as set out in the grant letter	5,625,000	—	937,500	937,500	3,750,000	0.01
Chen Kunlie	same as above	2,250,000	—	375,000	375,000	1,500,000	0.01
Bao Jianyong	same as above	2,250,000	—	375,000	375,000	1,500,000	0.01
Senior Management of our Group Note							
Cai Chuyang	31 October 2013 for 10 years subject to vesting schedule as set out in the grant letter	4,687,500	—	781,250	781,250	3,125,000	0.01
Shao Yu	same as above	3,937,500	—	656,250	656,250	2,625,000	0.01
Liang Huicai	same as above	2,250,000	—	375,000	375,000	1,500,000	0.01
Lin Hong	same as above	2,250,000	—	375,000	375,000	1,500,000	0.01
Shi Yufeng	same as above	2,250,000	—	375,000	375,000	1,500,000	0.01
Jin Guoting	same as above	2,250,000	—	375,000	375,000	1,500,000	0.01
Other Employees of our Group Note							
Wan Zhengyu	31 October 2013 for 10 years subject to vesting schedule as set out in the grant letter	2,250,000	—	2,250,000	—	—	0.01
Yang Lixin	same as above	2,250,000	—	750,000	—	1,500,000	0.01
Chen Junfeng	same as above	1,125,000	—	375,000	—	750,000	0.01
Lin Chifeng	same as above	1,125,000	—	375,000	—	750,000	0.01
Feng Chu	same as above	1,125,000	—	375,000	—	750,000	0.01
Total		**35,625,000**	**—**	**8,750,000**	**4,625,000**	**22,250,000**	

Note: Among such persons, Yang Lixin, Cai Chuyang and Feng Chu are also directors of the Company's subsidiaries.

As at 31 December 2015, a total of 22,250,000 shares (representing approximately 1.76% of the Company's existing issued shares) may be issued by the Company if all share options which had been granted under the Pre-IPO Share Option Scheme have been exercised.

Save and except as set out above, no other options have been granted or agreed to be granted by our Company under the Pre-IPO Share Option Scheme. The Directors and directors of the Company's subsidiaries who have been granted options under the Pre-IPO Share Option Scheme, have undertaken to the Company that they will not exercise the options granted to them under the Pre-IPO Share Option Scheme if as a result of which the Company would not be able to comply with the public float requirements of the Listing Rules.

The Pre-IPO Share Option Scheme does not fall within the ambit of, and are not subject to, the regulations under Chapter 17 of the Listing Rules. Details of the impact of options granted under the Pre-IPO Share Options Scheme on the financial statements since the date of grant and the subsequent financial periods are set out under Note 33 to the financial statements of this interim report.

Share Option Scheme

On 5 November 2013, the Company adopted a share option scheme, which falls within the ambit of, and are subject to, the regulations under chapter 17 of the Listing Rules (the "**Share Option Scheme**"). The purpose of the Share Option Scheme is to attract, retain and motivate employees, Directors and such as participants, and to provide a means of compensating them through the grant of options for their contribution to the growth and profits of the Group, and to allow such employees, Directors and other persons to participate in the growth and profitability of the Group.

The total number of shares issued and to be issued upon the exercise of the options granted to or to be granted to each eligible person under the Share Option Scheme (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the shares of the Company in issue.

An offer of the grant of an option shall be deemed to have been accepted and the option to which such offer relates shall be deemed to have been granted and to have taken effect when the duplicate letter comprising acceptance of offer duly signed by the Participant with the number of Shares in respect of which such offer is accepted clearly stated therein, together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof is received by the Company.

The exercise price shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option), but in any case the exercise price shall not be less than the higher of (a) the closing price of the Shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a Business Day, (b) the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five (5) Business Days immediately preceding the date of grant, and (c) the nominal value of a Share.

The Share Option Scheme will remain in force for a period of 10 years from 5 November 2013 and the options granted thereat shall have a 10-year exercise period. Options may be vested over such period(s) as determined by the Board in its absolute discretion subject to compliance with the requirements under any applicable laws, regulations or rules.

No share options have been granted by the Company under the Share Option Scheme since its adoption and up to the date of this interim report.

A summary of the terms of the Share Option Scheme, including the information as required to be disclosed in this annual report pursuant to Rule 17.09 of the Listing Rules, has been set out in the section headed "E. Share Option Scheme" in Appendix IV of the Prospectus.

INTEREST OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As of 31 December 2015, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**"), which (a) were notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were recorded in the register required to be kept pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were notified to the Company and the Stock Exchange pursuant to the Model Code, are as follows:

1. Long Position in Shares of the Company

Name of Director/ Chief Executive	Capacity/Nature of Interest	Number of Shares	Approximate percentage of the Company's issued share capital as of 31 December 2015
Mr. He Xinming(1)	Beneficial owner; Interest of a controlled corporation	395,330,963	31.28%
Mr. Chen Kunlie(2)	Beneficial owner; Interest of a controlled corporation	161,888,325	12.81%
Mr. Su Sen(3)	Interest of a controlled corporation	33,074,966	2.61%
Mr. Bao Jianyong(4)	Beneficial owner; Interests of a controlled corporation	46,361,268	3.66%
Mr. Cai Chuyang	Beneficial owner	1,624,750	0.12%

2. *Long Position in the Underlying Shares*

Name of Director/ Chief Executive	Capacity	Nature of Interest	Number of underlying Shares	Approximate percentage of the Company's issued share capital as of 31 December 2015
Mr. He Xinming(5)	Beneficial owner	Long position	3,750,000	0.29%
Mr. Chen Kunlie(5)	Beneficial owner	Long position	1,500,000	0.11%
Mr. Bao Jianyong(5)	Beneficial owner	Long position	1,500,000	0.11%
Mr. Cai Chuyang(5)	Beneficial owner	Long position	3,125,000	0.24%

Notes:

(1) Shares owned by Mr. He Xinming consist of (i) 392,518,463 Shares held by Profit Strong Investment Limited ("**Profit Strong**"), a company wholly owned by Mr. He Xinming, and (ii) 2,812,500 Shares beneficially owned by Mr. He Xinming.

(2) Shares owned by Mr. Chen Kunlie consist of (i) 160,763,325 Shares held by Superb Idea Investments Limited ("**Superb Idea**"), a company wholly owned by Mr. Chen Kunlie, and (ii) 1,125,000 Shares beneficially owned by Mr. Chen Kunlie.

(3) Shares owned by Mr. Su Sen consist of 33,074,966 Shares held by Cosmo Ray Investments Limited ("**Cosmo Ray**"), a company wholly owned by Mr. Su Sen.

(4) Shares owned by Mr. Bao Jianyong consist of (i) 45,025,268 Shares held by Rich Blossom Investments Limited ("**Rich Blossom**") in which Mr. Bao Jianyong is deemed to be interested since he holds approximately 31.82% of the equity interest of Rich Blossom and (ii) 1,336,000 Shares beneficially owned by Mr. Bao Jianyong.

(5) Mr. He Xinming, Mr. Chen Kunlie, Mr. Bao Jianyong and Mr. Cai Chuyang are interested in the underlying shares of the Company by virtue of the options granted to them under the Pre-IPO Share Option Scheme of the Company.

3. *Long position in the shares of associated corporations*

Name of Director	Name of associated corporations	Nature of Interest	Number of Shares	Approximate percentage of Interest as of 31 December 2015
Mr. He Xinming[(1), (2)]	Qingyuan Nafuna Ceramics Co., Ltd ("**Qingyuan Nafuna**")	Interests in controlled corporation	N/A	9.65%
	Foshan Dongpeng Development Co., Ltd ("**Foshan Dongpeng Development**")	Interests in controlled corporation	N/A	7.69%
Mr. Chen Kunlie[(1), (2)]	Qingyuan Nafuna	Interests in controlled corporation	N/A	9.65%
	Foshan Dongpeng Development	Interests in controlled corporation	N/A	7.69%
Mr. Bao Jianyong[(1), (2)]	Qingyuan Nafuna	Interests in controlled corporation	N/A	9.65%
	Foshan Dongpeng Development	Interests in controlled corporation	N/A	7.69%
Mr. Su Sen[(1), (2)]	Qingyuan Nafuna	Interests in controlled corporation	N/A	9.65%
	Foshan Dongpeng Development	Interests in controlled corporation	N/A	7.69%

Notes:

(1) Mr. He Xinming, Mr. Chen Kunlie, Mr. Bao Jianyong and Mr. Su Sen own an aggregate of 77.81% equity interests in Foshan Yuanheng, which in turn owns 9.65% equity interest in Qingyuan Nafuna, a majority-owned subsidiary of our Company, and are therefore deemed to be indirectly interested in 9.65% equity interest in Qingyuan Nafuna.

(2) Mr. He Xinming, Mr. Chen Kunlie, Mr. Bao Jianyong and Mr. Su Sen own an aggregate of 77.81% equity interests in Foshan Yuanheng, which in turn owns 7.69% equity interest in Foshan Dongpeng Development, a majority-owned subsidiary of our Company, and are therefore deemed to be indirectly interested in 7.69% equity interest in Foshan Dongpeng Development.

Save as disclosed above and to the best knowledge of the Directors, as of the date hereof, none of the Directors and the chief executive has any interests and/or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

The register of substantial Shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, as of the date hereof, the following Shareholders had notified the Company of its interests and/or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long positions in the Shares and underlying Shares

Name	Nature of interests	Number of Shares held	Approximate percentage of the Company's issued share capital as of 31 December 2015
Mr. He Xinming[(1)]	Beneficial owner; interest of a controlled corporation	395,330,963	31.28%
Profit Strong[(1)]	Beneficial owner	392,518,463	31.06%
Ms. Zhong Qinhua[(2)]	Interest of spouse	395,330,963	31.28%
Mr. Chen Kunlie[(3)]	Beneficial owner; interest of a controlled corporation	161,888,325	12.81%
Superb Idea[(3)]	Beneficial owner	160,763,325	12.72%
Ms. Chen Haihong[(4)]	Interest of spouse	161,888,325	12.81%
High Ride	Beneficial owner	188,617,978	14.92%
Sequoia[(5)]	Beneficial owner	97,552,800	7.72%
FIL Limited	Investment manager	79,754,000	6.31%

Notes:

(1) Shares in which Mr. He Xinming is interested consist of (i) 392,518,463 Shares held by Profit Strong, a company wholly owned by Mr. He Xinming and (ii) 2,812,500 Shares beneficially owned by Mr. He Xinming. Mr. He Xinming is also the sole director of Profit Strong.

(2) Ms. Zhong Qinhua is the spouse of Mr. He Xinming. Under the SFO, Ms. Zhong Qinhua is deemed to be interested in the same number of Shares in which Mr. He Xinming is interested.

(3) Shares in which Mr. Chen Kunlie is interested consist of (i) 160,763,325 Shares held by Superb Idea, a company wholly owned by Mr. Chen Kunlie and (ii)1,125,000 Shares beneficially owned by Mr. Chen Kunlie. Mr. Chen Kunlie is also the sole director of Superb Idea.

(4) Ms. Chen Haihong is the spouse of Mr. Chen Kunlie. Under the SFO, Ms. Chen Haihong is deemed to be interested in the same number of Shares in which Mr. Chen Kunlie is interested.

(5) Sequoia refers to Sequoia Capital China Growth Fund I, L.P., Sequoia Capital China Growth Partners Fund I, L.P., and Sequoia Capital China GF Principals Fund I, L,P, which hold approximately 6.73%, 0.16% and 0.82%, respectively, of the outstanding shares.

Substantial Shareholders of Other Member of the Group

Name	Name of other member of our Group	Percentage of interest
Mr. Jiang Yuehua	Foshan Gaoming Wenchang Furniture Co., Ltd.	20%
Mr. Tang Bo	Foshan Gaoming Wenchang Furniture Co., Ltd.	10%
Innoci International L.L.C	Guangzhou Yinai Products Co., Ltd.	38%
Mr. Ren Baicheng	Innoci Germany GmbH	38%
Mr. Li Tao	Duilong Deqing Green Home Technology Co., Ltd.	29.5%
Mr. Yang Baochao	Duilong Deqing Green Home Technology Co., Ltd.	10.5%
Mr. Pan Weiguo	Duilong Deqing Green Home Technology Co., Ltd.	5%

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the Pre-IPO Share Option Scheme and the Share Option Scheme, at no time during the year under review was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities including debentures of the Company or any other body corporate.

MAJOR SUPPLIERS AND CUSTOMERS

In the year under review, the Group's largest supplier accounted for 4.78% of the Group's total purchase. The Group's five largest suppliers accounted for 14.46% of the Group's total purchase.

In the year under review, the Group's largest customer accounted for 1.91% of the Group's total sales. The Group's five largest customers accounted for 7.19% of the Group's total sales. Save as disclosed above, none of the Directors or any of their associates (as defined under the Listing Rules) or any Shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest suppliers or the Group's five largest customers.

EMPLOYEES

As of 31 December 2015, the Group had a total of approximately 8,929 full-time employees, as compared to 9,043 employees as at 31 December 2014. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination. Remuneration of the Group's employees includes basic salaries, allowances, cash bonus, share-based incentive and other employee benefits.

The emolument policy for the employees of the Group is set up by the Board on the basis of their merit, qualification and competence.

The emoluments of the Directors and senior management of the Group are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

Details of the Directors' emoluments and emoluments of the five highest paid individual in the Group are set out in Note 13 and Note 14 to the financial statements of this annual report.

The Company has also adopted the Pre-IPO Share Option Scheme and the Share Option Scheme as incentive for Directors and eligible employees. Details of the schemes are set out under the section headed "Pre-IPO Share Option Scheme and Share Option Scheme" of this annual report and in Note 33 to the financial statements of this annual report.

RETIREMENT BENEFITS SCHEME

The Group does not have any employee who is required to participate in the Mandatory Provident Fund in Hong Kong. The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The employees of the PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefits scheme is to make the required contributions under the scheme.

CONTINUING CONNECTED TRANSACTION

The Group has entered into a number of transactions in relation to various lease agreements with (i) Hunan Jinpeng New Building Materials Co., Ltd. (湖南金鵬新型建材有限公司) ("**Hunan Jinpeng**"); (ii) Shandong Jialiya Ceramic Co., Ltd. (山東嘉麗雅陶瓷股份有限公司) ("**Shandong Jialiya**"); and (iii) Guangdong Dongpeng Ceramics (the "**Continuing Connected Transactions**"). Each of Hunan Jinpeng, Shandong Jialiya and Guangdong Dongpeng Ceramics is controlled, directly and indirectly, by Mr. He Xinming and Mr. Chen Kunlie. As a result, upon listing of the Shares (the "**Listing**") on the main board of the Stock Exchange, they became connected persons of the Company under the Listing Rules. These transactions on an aggregate basis, constitute continuing connected transactions that are subject to announcement, reporting and annual review requirements.

Details of the Continuing Connected Transactions are disclosed in the section "Continuing Connected Transactions" of the Prospectus. As these transactions will continue after the Listing on a recurring basis, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted a waiver from strict compliance with the announcement requirements under Rule 14A.42(3) of the Listing Rules in respect of each of the continuing connected transactions contemplated under the Continuing Connected Transactions.

The respective terms under the Continuing Connected Transactions are set out below:

No.	Lessor	Lessee	Purpose of lease	Term	Aggregate Amount	Annual cap
1.	Hunan Jinpeng	Lixian Xinpeng	Rental expenses paid to Hunan Jinpeng for letting of premises and production lines located at No.59 Dayan Road, Qiao Jiao He, Linan Town, Li County, Changde City, Hunaqn Province, PRC	1 January 2013 to 31 December 2015	RMB11,576,000	RMB11,576,000
2.	Shandong Jialiya	Zibo Kapuer	Rental expenses paid to Shandong Jialiya for letting of premises and production lines located at Jinma Village, Shuangyang Town, Zibo City, Shangdong Province, PRC	1 July 2013 to 31 December 2015	RMB12,000,000	RMB12,000,000
3.	Guandong Dongpeng Ceramics	i. Foshan Dongpeng Ceramics Co., Ltd.; ii. Fosha Dongpeng Development and iii. Guangdong Yuhe	Rental expenses paid to Guangdong Dongpeng Ceramics for letting of premises located at No.8 Jiangwan Third Road, Chancheng District, Foshan City, Guangdong Province, PRC	1 January 2013 to 31 December 2015	RMB4,640,000	RMB4,700,000

The independent non-executive Directors and Audit Committee have reviewed the Continuing Connected Transactions for the year ended 31 December 2015 and have confirmed that these Continuing Connected Transactions are:

1. in the interest of the Group to have the Continuing Connected Transactions;
2. entered into in the ordinary and usual course of business of the Group;
3. entered into on normal commercial terms;
4. in accordance with the terms of respective agreements governing the transactions that are fair and reasonable and in the interests of the Company and the Shareholders of the Company as a whole; and
5. the annual cap for the transactions under the Continuing Connected Transactions is fair and reasonable and in the interest of the Shareholders as a whole.

In accordance with the requirement of section 14A.38 of the Listing Rules, the Board has engaged the auditors to perform certain procedures on the Continuing Connected Transactions. The auditors have confirmed that the Continuing Connected Transactions:

1. have received the approval of the Board;
2. have been entered into in accordance with the relevant agreement governing the transactions; and have not exceeded the cap disclosed in the Prospectus.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2015 are set out in Note 38 of the financial statements of this annual report.

For those related party transactions or those continuing related party transactions (as the case may be) falling under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) in Chapter 14A of the Listing Rules, please refer to the details set out in the section headed "Continuing Connected Transactions" of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the best knowledge of the Board, as at the date of this annual report, the Company has maintained the public float as required under the Listing Rules.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance report on pages 26 to 39 of this annual report.

USE OF NET PROCEEDS FROM IPO

The net proceeds from the Company's initial public offering ("**IPO**") amounted to HK$659.9 million (equivalent to approximately RMB520.3 million). Such net proceeds are intended to be applied in accordance with the proposed applications as set out in the section headed "Amendments to the Prospectus – Offering Statistics" in the supplemental prospectus issued by the Company on 28 November 2013.

	Net Proceeds from the Company's IPO			
Purpose	**Percentage to total amount**	**Net Proceeds** RMB'000	**Utilised amount (as at 31 Dec 2015)** RMB'000	**Unutilised amount (as at 31 Dec 2015)** RMB'000
For the expansion and upgrade of production facilities	40%	208,120.0	208,120.0	—
For the distribution network (including opening of additional self-owned retail outlets and product showrooms), the setting up of additional local sales management offices, and the hiring of additional sales and marketing personnel	10%	52,030.0	26,250.0	25,780.0
For research and development, including the opening of a new research and development center (primarily consisting of proceeds used for the construction of the center and the purchase of production and testing equipment for prototypes)	10%	52,030.0	52,030.0	—
For the repayment of loans	10%	52,030.0	52,030.0	—
For mergers and acquisitions to complement our existing product lines and sales channels	25%	130,075.0	75,000.0	55,075.0
Additional working capital and other general corporate purposes	5%	26,015.0	26,015.0	—
Total	100%	520,300.0	439,445.0	80,855.0

EVENTS AFTER THE REPORTING PERIOD

On 30 January 2016, Profit Strong Investments Limited and Max Glory Ltd. (the "Joint Offerors") requested the Board to put forward a proposal to the Shareholders other than the Joint Offerors and certain concert parties of them (the "Scheme Shareholders") for the privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Law of the Cayman Islands involving the cancellation of the shares held by the Scheme Shareholders (the "Scheme Shares") and, in consideration thereof, the payment to the Scheme Shareholders of a cancellation price of HK$4.48 in cash for each Scheme Share, and the withdrawal of the listing of the shares of the Company on the Stock Exchange, subject to satisfaction of certain pre-condition and conditions. For further details and progress of the privatisation of the Company, please refer to the joint announcement made by the Joint Offerors and the Company dated 18 February 2016 and subsequent announcements and circulars published or to be published by the Company and/or the Joint Offerors in due course.

AUDITORS

Deloitte Touche Tohmatsu were appointed as auditors of the Company since Listing and will retire at the forthcoming AGM. A resolution will be proposed at the forthcoming AGM to re-appoint Deloitte Touche Tohmatsu as the auditors of the Company.

The consolidated financial statements of the Group for the year ended 31 December 2015 have been audited by Deloitte Touche Tohmatsu.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is highly aware of the importance of environment protection and has complied with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. During the production process, the Group has implemented environmental protection measures, including procedures related to noise control, energy use control and waste water discharge management. The Group has also encouraged staff to be environmental friendly at work by consuming the electricity and paper according to actual needs, so as to reduce energy consumption and minimize unnecessary waste.

On behalf of the Board
Dongpeng Holdings Company Limited
He Xinming
Chairman

31 March 2016

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
DONGPENG HOLDINGS COMPANY LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Dongpeng Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 67 to 152, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
31 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	7	**4,111,088**	3,893,101
Cost of sales		**(2,504,539)**	(2,395,301)
Gross profit		**1,606,549**	1,497,800
Other income	8	**230,970**	195,015
Other gains and losses	9	**2,249**	(24,718)
Distribution and selling expenses		**(620,173)**	(505,723)
Administrative expenses		**(279,958)**	(281,224)
Share-based payment expenses		**(5,017)**	(40,323)
Other expenses		**(76,484)**	(82,344)
Share of loss of associates	20	**(3,846)**	—
Finance costs	10	**(22,341)**	(35,924)
Profit before tax		**831,949**	722,559
Income tax expense	11	**(213,503)**	(158,072)
Profit and total comprehensive income for the year		**618,446**	564,487
Attributable to:			
Owners of the Company		**626,268**	563,711
Non-controlling interests		**(7,822)**	776
		618,446	564,487
Earnings per share (RMB)			
– Basic	16	**0.50**	0.45
– Diluted	16	**0.49**	0.44

Consolidated Statement of Financial Position

At 31 December 2015

	NOTES	2015 RMB'000	2014 RMB'000
Non-current Assets			
Property, plant and equipment	17	**1,475,684**	1,345,124
Prepaid lease payments	18	**416,197**	374,310
Interests in associates	20	**16,154**	—
Deferred tax assets	31	**39,009**	56,731
Deposits for leasehold land		**—**	10,290
Deposits for acquisition of property, plant and equipment		**25,468**	3,783
Goodwill	21	**3,850**	3,850
Other intangible assets	22	**603**	670
		1,976,965	1,794,758
Current Assets			
Inventories	23	**1,019,084**	983,971
Trade and other receivables	24	**791,634**	648,078
Tax recoverable		**2,207**	9,748
Amounts due from related parties	29	**45,623**	78
Amounts due from shareholders	29	**—**	11
Prepaid lease payments	18	**10,757**	8,708
Short-term investments	25	**304,930**	125,993
Pledged bank deposits	26	**307,136**	37,085
Restricted bank deposits		**—**	205,720
Bank balances and cash	26	**649,630**	387,676
		3,131,001	2,407,068
Current Liabilities			
Trade and other payables	27	**1,657,384**	1,356,508
Amounts due to related parties	29	**26,907**	12,122
Amounts due to non-controlling shareholders of a subsidiary	29	**1,650**	1,650
Obligation under a finance lease	28	**5,561**	4,896
Bank borrowings	30	**309,020**	157,588
Tax liabilities		**43,324**	48,459
		2,043,846	1,581,223
Net Current Assets		**1,087,155**	825,845
Total Assets Less Current Liabilities		**3,064,120**	2,620,603

Consolidated Statement of Financial Position

At 31 December 2015

	NOTES	**2015**	2014
		RMB'000	RMB'000
Non-current Liabilities			
Obligation under a finance lease	28	**19,709**	25,270
Bank borrowings	30	**—**	50,000
Deferred taxation liabilities	31	**101,167**	56,738
		120,876	132,008
Net Assets		**2,943,244**	2,488,595
Capital and Reserves			
Share capital	32	**15**	15
Reserves		**2,836,079**	2,380,639
Equity attributable to owners of the Company		**2,836,094**	2,380,654
Non-controlling interests		**107,150**	107,941
Total Equity		**2,943,244**	2,488,595

The consolidated financial statements on pages 67 to 152 were approved and authorised for issue by the Board of Directors on 31 March 2016 and are signed on its behalf by:

DIRECTOR

DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Share options reserve RMB'000	Statutory surplus reserve RMB'000 (note i)	Foreign currency translation reverse RMB'000	Other reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2014	15	682,803	16,971	125,927	—	715,043	305,745	1,846,504	100,878	1,947,382
Profit and total comprehensive income for the year	—	—	—	—	—	—	563,711	563,711	776	564,487
Transfer to statutory surplus reserve	—	—	—	58,507	—	—	(58,507)	—	—	—
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	6,287	6,287
Dividend	—	(69,979)	—	—	—	—	—	(69,979)	—	(69,979)
Issue of shares under share option scheme	—	26,804	(26,709)	—	—	—	—	95	—	95
Recognition of equity-settled share-based payments	—	—	40,323	—	—	—	—	40,323	—	40,323
At 31 December 2014	15	639,628	30,585	184,434	—	715,043	810,949	2,380,654	107,941	2,488,595
Profit and total comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**—**	**626,268**	**626,268**	**(7,822)**	**618,446**
Transfer to statutory surplus reserve	**—**	**—**	**—**	**67,157**	**—**	**—**	**(67,157)**	**—**	**—**	**—**
Other comprehensive income (expense) for the year	**—**	**—**	**—**	**—**	**(12)**	**—**	**—**	**(12)**	**—**	**(12)**
Dividend (note 15)	**—**	**(169,428)**	**—**	**—**	**—**	**—**	**—**	**(169,428)**	**—**	**(169,428)**
Issue of shares under share option scheme	**—**	**10,439**	**(10,402)**	**—**	**—**	**—**	**—**	**37**	**—**	**37**
Capital injection from non-controlling shareholders	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**589**	**589**
Acquisition Non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**(6,442)**	**(6,442)**	**6,442**	**—**
Recognition of equity-settled share-based payments	**—**	**—**	**5,017**	**—**	**—**	**—**	**—**	**5,017**	**—**	**5,017**
At 31 December 2015	**15**	**480,639**	**25,200**	**251,591**	**(12)**	**715,043**	**1,363,618**	**2,836,094**	**107,150**	**2,943,244**

Notes:

(i) In accordance with the relevant PRC laws and regulations and the Articles of Association of the relevant companies, the People's Republic of China ("PRC") subsidiaries are required to appropriate 10% of their profit after taxation as reported in their statutory financial statements prepared under the PRC generally accepted accounting principles to the statutory surplus reserve. The appropriation to the statutory surplus reserve may cease if the balance of the statutory surplus reserve has reached 50% of the registered capital of the relevant companies.

The statutory surplus reserve can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of a capitalisation issue. However, when converting the statutory surplus reserve of PRC subsidiaries into capital, the remaining balance of such reserve must not be less than 25% of the registered capital of the relevant companies.

Under the Companies Law of the Cayman Islands (2009 Revision), the share premium of the Company may be applied for redemption or purchase of any shares of the Company, payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, payment of its debts as they fall due in the ordinary course of business. During 2015 and 2014, dividend were funded out of its share premium.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**831,949**	722,559
Adjustments for:		
Interest income	**(34,197)**	(38,168)
Finance costs	**22,341**	35,924
Share of loss of associates	**3,846**	—
Depreciation of property, plant and equipment	**163,493**	145,161
Allowance for doubtful receivables	**5,461**	17,720
Allowance for obsolete inventories	**(12,511)**	4,027
Share-based payment expenses	**5,017**	40,323
Amortisation of prepaid lease payments	**9,119**	8,481
Amortisation of other intangible assets	**67**	—
Net loss on disposal of property, plant and equipment	**558**	714
Effect of foreign exchange rate changes	**(232)**	(799)
Operating cash flows before movements in working capital	**994,911**	935,942
Increase in inventories	**(22,602)**	(114,318)
Increase in trade and other receivables	**(199,567)**	(176,658)
(Increase) decrease in amounts due from related parties	**(5,378)**	8
Increase in trade and other payables	**270,253**	7,247
Increase (decrease) in amounts due to related parties	**7,028**	(16,466)
Net cash generated from operations	**1,044,645**	635,755
Income tax paid	**(148,946)**	(172,475)
Interest paid	**(18,107)**	(35,924)
NET CASH FROM OPERATING ACTIVITIES	**877,592**	427,356
INVESTING ACTIVITIES		
Interest received	**29,434**	38,168
Proceeds from disposal of property, plant and equipment	**5,806**	5,218
Payments for property, plant and equipment	**(295,713)**	(294,903)
Payments for prepaid lease payments	**(42,765)**	(8,590)
Purchase of short-term investments	**(12,887,012)**	(13,477,722)
Advances to related parties	**(40,000)**	—
Advances to shareholder of associates	**(40,000)**	—
Disposal of short term investments	**12,708,075**	13,364,729
Repayments from related parties	**—**	(242)
Acquisition of investment in associates	**(20,000)**	—
Withdrawal of pledged bank deposits	**96,998**	436,024
Withdrawal of Restricted bank deposits	**619,050**	1,180,890
Placement of pledged bank deposits	**(367,049)**	(460,781)
Placement of Restricted bank deposits	**(413,330)**	(1,386,610)
Net cash inflow on acquisition of subsidiaries (note 39)	**—**	643
NET CASH USED IN INVESTING ACTIVITIES	**(646,506)**	(603,176)

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	2015	2014
	RMB'000	RMB'000
FINANCING ACTIVITIES		
New bank borrowings raised	**678,578**	737,027
Repayments of bank borrowings	**(482,000)**	(895,501)
Repayments of obligations under a finance lease	**(4,896)**	(4,595)
Capital injection from non-controlling shareholders	**589**	—
Proceeds from shareholders	**11**	—
Advances from related parties	**7,757**	9,910
Dividend paid	**(169,428)**	(87,633)
Proceeds from issuance of shares under share option scheme	**37**	95
NET CASH FROM (USED) FINANCING ACTIVITIES	**30,648**	(240,697)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**261,734**	(416,517)
Effect of foreign exchange rate changes	**220**	799
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**387,676**	803,394
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**649,630**	387,676

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 12 March 2012 under the Companies Law, CAP 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 December 2013. Its parent and ultimate holding company is Profit Strong Investments Limited, a company incorporated in the British Virgin Islands ("BVI"). The addresses of the registered office of the Company is Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands, the address of the Company is 20/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong, and the principal place of business and head office is located in No. 8 Jiangwan Third Road, Chancheng district, Foshan, Guangdong, the People's Republic of China ("PRC").

The principal activity of the Company is investment holding company. Details of the principal activities of its subsidiaries are set out in note 42.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 - 2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 - 2013 cycle

In the opinion of the Company's directors, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") *(continued)*

New and revised HKFRSs in issue but not yet effective

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

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

1 Effective for annual periods beginning on or after 1 January 2018.

2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

3 Effective for annual periods beginning on or after 1 January 2016.

4 Effective for annual periods beginning on or after a date to be determined.

HKFRS 9 Financial Instruments

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") *(continued)*

Key requirements of HKFRS 9:

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

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

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

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") *(continued)*

Key requirements of HKFRS 9: *(continued)*

- Except for the potential early recognition of credit losses based on the expected loss model in relation to the Group's financial assets measured at amortised costs, the directors of the Company anticipate that the application of HKFRS 9 in the future may not have other material impact on amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments at 31 December 2015.

HKFRS 15 Revenue from Contracts with Customers

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

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

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

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15. The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") *(continued)*

HKFRS 15 Revenue from Contracts with Customers *(continued)*

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

Except as described above, the directors of the Company consider that the application of the other new HKFRSs and amendments is unlikely to have a material impact on the Group's financial position and performance as well as disclosure.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

— deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 *Employee Benefit respectively*;

— liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

— assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates (continued)

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

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

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

Sales of goods that result in award credits for distributors are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods supplied and the award credits granted. The consideration allocated to the award credits is measured by reference to the fair value of the awards for which they could be redeemed and accounted for as deferred income. Such consideration is not recognised as revenue at the time of the initial sale transaction — but is deferred and recognised as revenue when the award credits are redeemed and the Group's obligations have been fulfilled.

Service income is recognised when services are provided.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

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

Property, plant and equipment

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

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

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

Prepaid lease payments

Payments for obtaining land use rights are accounted for as prepaid lease payments and are charged to profit or loss on a straight-line basis over the lease terms as stated in the relevant land use rights certificates granted for usage by the Group in the PRC. Prepaid lease payments which are to be charged to profit or loss in the next twelve months are classified as current assets.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Internally-generated intangible assets - research and development expenditure

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

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

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

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets *(continued)*

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Leasing

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

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). 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. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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 for which the estimates of future cash flows have not been adjusted.

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

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

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

Borrowing costs

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

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

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

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Retirement benefit costs

Payments to state-managed retirement benefit schemes which are defined contribution plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 33.

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 equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve).

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation

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

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

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

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

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

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

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

Financial instruments

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

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

Transaction costs that are directly attributable to acquisition or issue of financial assets and financial liabilities measured at fair value through profit or loss are recognised immediately in profit or loss. All regular way purchases or sales of financial assets are recognised or derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets

The Group's financial assets are all classified into one of the two categories, including financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial assets *(continued)*

Financial assets at fair value through profit or loss

Financial assets classified as financial assets at FVTPL include short term investments.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "other gains" line item in the consolidated statement of profit or loss and other comprehensive income. The dividend or interest earned on the financial assets is included in the "other income" line item in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in note 6.

Loans and receivables

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

Impairment of loans and receivables

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

Objective evidence of impairment could include:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial assets (continued)

Impairment of loans and receivables (continued)

An impairment loss is recognised in profit or loss where there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the loans and receivables' original effective interest rate.

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

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

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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

Financial liabilities (including trade and other payables, amounts due to related parties, amounts due to shareholders, amounts due to non-controlling shareholders of a subsidiary and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Effective interest method

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

Interest expense is recognised on an effective interest basis other than those financial liabilities classified as at fair value through profit or loss, of which the interest expense is included in net gains or losses.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on past experience, expectations of the future and other information that are considered to be relevant. Actual results may differ from these estimates.

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

The following are 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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Useful lives of property, plant and equipment

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

As at 31 December 2015, the carrying amount of property, plant and equipment is RMB1,475,684,000 (2014: RMB1,345,124,000).

Deferred tax asset

Deferred tax assets relating to certain temporary differences and tax losses are recognised when the directors of the Company considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

The realisability of the deferred tax assets mainly depends on whether sufficient future profits will be available in the future. The directors of the Company determines the deferred tax assets based on the enacted or substantially enacted tax rates and the best estimate of profit projections of the Group for coming years during which the deferred tax assets are expected to be utilised. The directors of the Company reviews the assumptions and profit projections on a regular basis. In cases where the actual future profits generated are more or less than expected, an additional recognition or a reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a recognition or reversal takes place.

As at 31 December 2015, the carrying amount of deferred tax assets is RMB39,009,000 (2014: RMB56,731,000).

Valuation of inventories

The directors estimate the net realisable value of inventories based primarily on the latest market prices and current market conditions. The Group carries out an inventory review at the end of each reporting period and makes allowance on obsolete and slow moving items to write off or write down inventories to their net realisable values. Where the expectation on the net realisable value is lower than the cost, an additional write-off or write-down may arise.

As at 31 December 2015, the allowance for obsolete inventories is RMB84,673,000 (2014: RMB97,409,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill as at 31 December 2015 was RMB3.9 million (31 December 2014: RMB3.9 million). No impairment loss recognised during the reporting period.

Impairment of trade and other receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2015, the allowance for trade receivables is RMB42,483,000 (2014: RMB39,875,000) and for other receivable is RMB4,301,000 (2014: RMB8,057,000).

As at 31 December 2015, the carrying amount of other receivables is RMB56,496,000 (2014: RMB10,131,000).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debts, which includes bank borrowings as disclosed in note 30, net of cash and cash equivalents, short term investment and pledged bank deposits, and equity attributable to owners of the Company, comprising paid-in/share capital and reserves.

The directors of the Company review the capital structure periodically. The Group considers the cost of capital and risks associated with the capital, and will balance its overall capital structure through payment of dividends, issuance of new shares as well as the raising of new debts.

6. FINANCIAL INSTRUMENTS

a. *Categories of financial instruments*

	2015	2014
	RMB'000	RMB'000
Financial liabilitites		
Amortised cost	**1,672,401**	1,310,201
Obligation under a finance lease	**25,270**	30,166
Financial assets		
Loans and receivables (including cash and cash equivalents)	**1,633,463**	956,857
Financial assets at fair value through profit or loss	**304,930**	125,993

b. *Financial risk management objectives and policies*

The Group's major financial instruments include trade and other receivables, short-term investment, amounts due from related parties, amounts due from shareholders, pledged bank deposits, restriced bank deposits, bank balances and cash, trade and other payables, amounts due to related parties, amounts due to shareholders, amounts due to non-controlling shareholders of a subsidiary, obligation under a finance lease and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Save as the short-term investment disclosed in note 25, which is invested for the purpose of better utilisation of temporary idle cash, the Group does not enter into any trade financial instruments, including derivative financial instruments, for hedging or speculative purpose. There has been no significant change to the Group's exposure to financial risks or the manner in which it manages and measures the Group's financial risks.

Market risk

Interest rate risk

The Group is exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and financial liabilities, mainly interest bearing bank balances and bank borrowings at variable interest rates. Fixed rate bank borrowings, finance lease obligations and pledged bank deposits expose the Group to fair value interest rate risk. The Group currently does not have an interest rate hedging policy. However, the management will consider hedging significant interest rate risk should the need arise. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the interest rates offered by the People's Bank of China ("PBOC") from its RMB denominated borrowings.

6. FINANCIAL INSTRUMENTS *(continued)*

b. *Financial risk management objectives and policies* *(continued)*

Market risk *(continued)*

Interest rate risk (continued)

The sensitivity analysis below has been determined based on the exposure to interest rates for variable rate bank borrowings at the end of the reporting period and assumed that the amount of liabilities outstanding at the end of the reporting period was outstanding for the whole year.

The sensitivity analysis does not include the effect of variable rate bank balances as, in the opinion of the directors, the effect of a reasonable possible change in the interest rate of bank balances is insignificant.

If interest rates had been 50 basis points (2014: 50 basis points) higher/lower and all other variables were held constant, the Group's profit for the year would be decreased by RMB1,213,000 (2014: RMB645,000).

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

6. FINANCIAL INSTRUMENTS *(continued)*

b. *Financial risk management objectives and policies* *(continued)*

Currency risk

The Group collects most of its revenue in RMB and incurs most of the expenditures in RMB.

The Group undertakes certain sale and purchase transactions denominated in foreign currencies, which expose the Group to foreign currency risk. The Group is mainly exposed to currency risk of United States dollar ("USD"), EURO and Hong Kong dollar ("HKD") against RMB. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

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

	2015 **RMB'000**	2014 RMB'000
Assets		
USD	**48,726**	42,228
HKD	**320**	1,454
EURO	**209,876**	2,622

	2015 **RMB'000**	2014 RMB'000
Liabilitites		
USD	**—**	16,272

6. FINANCIAL INSTRUMENTS *(continued)*

b. *Financial risk management objectives and policies* *(continued)*

Currency risk *(continued)*

The Group's foreign currency denominated monetary assets include bank balances amounting to RMB4,464,000 (2014: RMB9,518,000) and pledged bank deposits (ST) amounting to RMB209,775,000 (2014: Nil), amounts due from shareholders of Nil (2014: RMB11,000), trade receivables amounting to RMB44,457,000 (2014: RMB36,562,000), other receivables amounting to RMB226,206 (2014:Nil) and the monetary liabilities include trade payables amounting to Nil (2014: RMB16,272,000).

The following table details the Group's sensitivity to a 5% (2014: 5%) increase and decrease in RMB against relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2014: 5%) change in foreign currency rates. 5% (2014: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. A positive (negative) number below indicates an increase (decrease) in profit for the year where RMB strengthens 5% against the relevant currencies. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit for the year.

	2015	2014
	RMB'000	RMB'000
USD		
Decrease in profit for the year	**(2,029)**	(2,194)
HKD		
Decrease in profit for the year	**(16)**	(73)
EURO		
Decrease in profit for the year	**(7,871)**	(98)

6. FINANCIAL INSTRUMENTS *(continued)*

b. *Financial risk management objectives and policies* *(continued)*

Credit risk

As at 31 December 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

The directors of the Company consider that the credit risk exposure of the Group is low as the Group normally requires advance or immediate payment when goods are delivered except for (i) sales to certain property developers which are allowed a credit period of 90 days to 180 days or some may be allowed to pay in full upon completion of construction projects or some may have 5% to 10% retention money due at the end of warranty period of one to two years and (ii) sale to certain distributors with a maximum credit period of 90 days and interest bearing. The directors of the Company nonetheless review the recoverable amount of each individual debt regularly, to ensure that adequate impairment losses are recognised for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on bills receivables are insignificant because all bills receivables are bank acceptance bills issued by state-owned banks and aged within 180 days at the end of the reporting period.

The credit risk on amounts due from related parties and amounts due from related parties is insignificant after considering the financial strength of these related entities.

The Group has concentration of credit risk on trade receivables from property developers. As at 31 December 2015, approximately 68% (2014: 66%) of the total trade receivables are due from property developers. In order to minimise the credit risk, the directors of the Company have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the management nonetheless reviews the recoverable amount of each individual debt regularly. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on the Group's liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

6. FINANCIAL INSTRUMENTS *(continued)*

b. *Financial risk management objectives and policies* *(continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

As at 31 December 2015, the Group had available unutilised banking facilities of approximately RMB497,523,000 (2014: RMB686,797,000).

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average interest rate	Repayable on demand RMB'000	1 month or less RMB'000	1 month to 3 months RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
At 31 December 2015									
Non-derivative financial liabilities									
Trade and other payables	N/A	38,438	441,287	342,840	512,259	—	—	1,334,824	1,334,824
Obligation under a finance lease	6.55%	—	601	1,804	4,811	22,370	—	29,586	25,270
Amounts due to related parties	N/A	26,907	—	—	—	—	—	26,907	26,907
Amounts due non-controlling shareholders of a subsidiary	N/A	1,650	—	—	—	—	—	1,650	1,650
Bank borrowings-variable rate	4.31%	—	145	290	20,365	—	—	20,800	20,000
Bank borrowings-fixed rate	4.35%	—	56,636	40,774	195,957	—	—	293,367	289,020
		66,995	498,669	385,708	733,392	22,370	—	1,707,134	1,697,671

6. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

	Weighted average interest rate	Repayable on demand RMB'000	1 month or less RMB'000	1 month to 3 months RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
At 31 December 2014									
Non-derivative financial liabilities									
Trade and other payables	N/A	37,040	373,882	328,757	349,162	—	—	1,088,841	1,088,841
Obligation under a finance lease	6.55%	—	573	1,718	4,581	29,585	—	36,457	30,166
Amounts due to related parties	N/A	12,122	—	—	—	—	—	12,122	12,122
Amounts due non-controlling shareholders of a subsidiary	N/A	1,650	—	—	—	—	—	1,650	1,650
Bank borrowings-variable rate	7.21%	—	600	1,201	1,801	60,907	—	64,509	50,000
Bank borrowings-fixed rate	5.95%	—	88,611	40,314	840	30,019	—	159,784	157,588
At 31 December 2014									
		50,812	463,666	371,990	356,384	120,511	—	1,363,363	1,340,367

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

c. Fair value

The short-term investments (note 25) is measured at fair value at the end of each reporting period. The fair value of short-investment was RMB304,930,000 as at 31 December 2015 which is determined with reference to discounted cash flow model, which is based on the expected return of the investment by reference to similar products in the market. The fair value measurement is classified under Level 2 of the fair value hierarchy.

The fair values of financial assets and financial liabilities not measured at fair value on a recurring basis are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in manufacturing and sales of ceramics tile and bathroom products.

The Group determines its operating segments based on internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e. the chief executive) in order to allocate resources to the segment and to assess its performance.

The Group is organised into business units based on their products, based on which information is prepared and reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of performance. The Group's operating and reportable segments under HKFRS 8 are identified as two main operations:

- Ceramic tile products: this segment produces and sells ceramic tile and related products.
- Bathroom products: this segment produces and sells bathroom and related products.

(a) Segment results

The following is an analysis of the Group's revenue and results by operating and reportable segments.

For the year ended 31 December 2015

	Ceramic tile products RMB'000	Bathroom products RMB'000	Total RMB'000
SEGMENT REVENUE			
External sales	**3,506,509**	**604,579**	**4,111,088**
Inter-segment sales	**3,004**	**50,011**	**53,015**
Segment revenue	**3,509,513**	**654,590**	**4,164,103**
Eliminations			**(53,015)**
Group revenue			**4,111,088**
SEGMENT RESULT	**1,467,757**	**138,792**	**1,606,549**
Eliminations			**—**
			1,606,549
Unallocated income			**230,970**
Unallocated expenses			
Other gains and losses			**2,249**
Distribution and selling expenses			**(620,173)**
Administrative expenses			**(279,958)**
Share-based payment expenses			**(5,017)**
Other expenses			**(76,484)**
Share of loss of associates			**(3,846)**
Finance costs			**(22,341)**
Profit before tax			**831,949**

7. REVENUE AND SEGMENT INFORMATION *(continued)*

(a) *Segment results* *(continued)*

For the year ended 31 December 2015 *(continued)*

Other segment information included in the measurement of segment results:

	Ceramic tile products RMB'000	**Bathroom products RMB'000**	**Total RMB'000**
Depreciation	**102,900**	**12,572**	**115,472**
Allowance for obsolete inventories	**(14,816)**	**2,305**	**(12,511)**

For the year ended 31 December 2014

	Ceramic tile products RMB'000	Bathroom products RMB'000	Total RMB'000
SEGMENT REVENUE			
External sales	3,347,282	545,819	3,893,101
Inter-segment sales	—	36,431	36,431
Segment revenue	3,347,282	582,250	3,929,532
Eliminations			(36,431)
Group revenue			3,893,101
SEGMENT RESULT	1,352,799	145,001	1,497,800
Eliminations			—
			1,497,800
Unallocated income			195,015
Unallocated expenses			
Other gains and losses			(24,718)
Distribution and selling expenses			(505,723)
Administrative expenses			(281,224)
Share-based payment expenses			(40,323)
Other expenses			(82,344)
Finance costs			(35,924)
Profit before tax			722,559

7. REVENUE AND SEGMENT INFORMATION *(continued)*

(a) Segment results *(continued)*

For the year ended 31 December 2014 *(continued)*

Other segment information included in the measurement of segment results:

	Ceramic tile products RMB'000	Bathroom products RMB'000	Total RMB'000
Depreciation	89,945	12,534	102,479
Allowance for obsolete inventories	4,752	(725)	4,027

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment result represents the gross profit earned by each reportable segment. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

(b) Revenue from major products and services

The following is an analysis of the Group's revenue from its major products:

	2015 RMB'000	2014 RMB'000
Unglazed tiles	**1,439,078**	1,518,532
Glazed tiles	**2,067,431**	1,828,750
Bathroom products	**604,579**	545,819
	4,111,088	3,893,101

7. REVENUE AND SEGMENT INFORMATION *(continued)*

(c) Geographic information

The Group's operations and non-current assets are all derived and located in the PRC.

	2015 **RMB'000**	2014 RMB'000
Revenue from external customers based on the location of customers:		
PRC	**3,865,874**	3,603,868
The United States of America	**119,633**	126,973
Mexico	**41,796**	33,944
Other countries	**83,785**	128,316
	4,111,088	3,893,101

(d) Information about major customers

No major customer contributed over 10% of the total revenue of the Group for the year ended 31 December 2014 and 2015.

(e) Segment assets and liabilities

Information of the operating and reportable segments of the Group reported to the chief operating decision maker for the purposes of resource allocation and performance assessment does not include any assets and liabilities. Accordingly, no segment assets and liabilities are presented.

8. OTHER INCOME

	2015 RMB'000	2014 RMB'000
Bank interest income	**29,684**	30,476
Interest income on credit sales (note i)	**4,513**	7,692
Processing income	**13,187**	15,019
Sales of advertising brochures	**4,882**	6,838
Conference charge	**3,412**	3,225
Government grants (note ii)	**162,680**	112,802
Sales of scrap materials	**5,469**	136
Penalty income from distributor	**2,882**	13,390
Sundry income	**4,261**	5,437
Total	**230,970**	195,015

Notes:

(i) The Group normally requires advance or immediate payment when goods are delivered. Credit sales were granted to distributors on request basis and interests at 10% (2014: from 8% to 10%) per annum were charged.

(ii) The government grants mainly represent incentive subsidies received from PRC government for business development. There are no specific conditions attached to the grants.

9. OTHER GAINS AND LOSSES

	2015 RMB'000	2014 RMB'000
Net loss on disposal of property, plant and equipment	**558**	714
Allowance for doubtful receivables	**5,461**	17,720
Net foreign exchange loss	**(8,268)**	6,284
Total	**(2,249)**	24,718

10. FINANCE COSTS

	2015	2014
	RMB'000	RMB'000
Interest on:		
Bank borrowings wholly repayable within five years	**20,366**	33,647
Finance lease	**1,975**	2,277
	22,341	35,924

11. INCOME TAX EXPENSE

	2015	2014
	RMB'000	RMB'000
Current tax		
PRC Enterprise Income Tax ("EIT")	**147,967**	132,856
Under (over) provision in respect of prior years	**3,385**	(515)
	151,352	132,341
Deferred tax (note 31)	**62,151**	25,731
	213,503	158,072

The PRC EIT is calculated at the applicable rates in accordance with the relevant laws and regulations in the PRC.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

In accordance with PRC tax (Guoshuihan [2008] 112) effective from 1 January 2008, PRC withholding income tax rate of 10% is applicable to dividends to "non-resident" investors who do not have an establishment or place of business in the PRC.

Seven subsidiaries of the Group, Linzhi Yuhe Commerce and Trading Co., Ltd. ("Linzhi Yuhe"), Duilong Green Home Technology Co., Ltd. ("Deqing Green Home"), Duilong Deqing Heying Commerce and Trading Co., Ltd. ("Deqing Heying"), Duilong Deqing Yuwei Commerce and Trading Co., Ltd. ("Deqing Yuwei"), Foshan Dongpeng Sanitary Ware Co., Ltd. ("Dongpeng Sanitary Ware"), Lixian Xinpeng Ceramics Co., Ltd. ("Lixian Xinpeng") and Fengcheng Dongpeng Ceramics Co., Ltd. ("Fengcheng Dongpeng") enjoyed preferential enterprise income tax rates which are lower than the standard tax rate as approved by the relevant tax authorities in the PRC as set out below.

Pursuant to Zang Zheng Fa No. 51 (2014) Notice in relation to Taxation Policies in support of enterprises located in Tibet (《西藏自治區企業所得稅政策實施方法》) promulgated by the People's Government of Tibet autonomous region, Linzhi Yuhe, Deqing Heying, Deqing Yuwei and Deqing Yuwei, which are registered and located in Tibet, can enjoy a preferential enterprise income tax rate of 9% from 2015 to 2017.

11. INCOME TAX EXPENSE *(continued)*

Dongpeng Sanitary Ware was accredited as a "High and New Technology Enterprise" by relevant authorities in 2012 for a term of three years, and was registered with the local tax authority to be eligible to the reduced 15% preferential enterprise income tax rate from 2012 to 2014. Dongpeng Sanitary Ware intends to become a list of high-tech enterprises through the review in 2015.

Fengcheng Dongpeng was accredited as a "High and New Technology Enterprise" by relevant authorities in 2014 for a term of three years, and was registered with the local tax authority to be eligible to the reduced 15% preferential enterprise income tax rate from 2013 to 2015.

Lixian Xinpeng was accredited as a "High and New Technology Enterprise" by relevant authorities in 2014 for a term of three years, and was registered with the local tax authority to be eligible to the reduced 15% preferential enterprise income tax rate from 2013 to 2015.

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

The income tax expense for the period can be reconciled to the profit before tax per the condensed consolidated statement of profit and loss and other comprehensive income as follows:

	2015 **RMB'000**	2014 RMB'000
Profit before tax	**831,949**	722,559
Tax at the applicable income tax rate of 25%	**207,987**	180,640
Effect of preferential tax rates granted to certain subsidiaries	**(56,229)**	(57,259)
Tax effect of expenses not deductible for tax purpose (Note i)	**188**	10,916
Under (over) provision in respect of prior years	**3,385**	(515)
Tax effect of tax losses not recognised	**16,062**	9,956
Tax effect of deductible temporary differences not recognised	**5,132**	1,258
Deferred withholding tax on undistributed profits of PRC subsidiaries (note 31)	**44,624**	20,737
Utilisation of deductible temporary differences previously not recognised	**(6,381)**	(851)
Tax effect of income tax credit granted to subsidiaries for research and development costs	**(1,265)**	(6,810)
Income tax expense for the year	**213,503**	158,072

Note:

i. The tax effect of expenses not deductible for the year is mainly attributable to the non-deductible staff welfare expenses, share-base payment expenses and non-deductible cost of damaged products.

12. PROFIT FOR THE YEAR

	2015	2014
	RMB'000	RMB'000
Profit for the year has been arrived at after charging:		
Depreciation for property, plant and equipment	**163,493**	145,161
Amortisation for prepaid lease payments	**9,119**	8,481
Auditors' remuneration	**2,507**	2,507
Research and development costs (included in other expenses)	**51,993**	53,446
Cost of inventories recognised as expenses	**2,504,539**	2,395,301
Allowance for obsolete inventories (included in cost of inventories)	**(12,511)**	4,027
Staff costs:		
Directors' remuneration (note 13)	**5,535**	15,015
Employees' salaries	**516,471**	461,772
Employees' welfare benefits	**28,830**	28,265
Share-based payments to employees	**2,386**	28,172
Employees' retirement benefit schemes contributions	**41,506**	30,857
	594,728	564,081
Operating lease payments in respect of		
– land and buildings	**71,443**	66,385
– plant and machinery	**14,940**	21,998

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Details of emoluments paid or payable by the Group to the directors of the Company are as follows:

	Directors' fee RMB'000	Salaries and other benefits RMB'000	Bonus RMB'000	Retirement benefits scheme contributions RMB'000	Share-based payments RMB'000	Total RMB'000
For the year ended 31 December 2015						
Executive directors:						
He Xinming	163	600	170	5	1,461	2,399
Chen Kunlie	122	420	54	15	585	1,196
Bao Jianyong	122	360	54	15	585	1,136
Non-executive directors:						
Sun Qian	122	—	—	—	—	122
Su Sen	122	—	—	—	—	122
Sun Limei	122	—	—	—	—	122
Independent non-executive directors:						
Yin Hong	146	—	—	—	—	146
Hsieh H., Lily	146	—	—	—	—	146
Wu Haibing	146	—	—	—	—	146
	1,211	1,380	278	35	2,631	5,535
Chief executive:						
Cai Chuyang	—	480	120	15	1,218	1,833

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

	Directors' fee RMB'000	Salaries and other benefits RMB'000	Bonus RMB'000	Retirement benefits scheme contributions RMB'000	Share-based payments RMB'000	Total RMB'000
For the year ended 31 December 2014						
Executive directors:						
He Xinming	158	600	170	10	6,751	7,689
Chen Kunlie	118	417	54	15	2,700	3,304
Bao Jianyong	118	360	54	10	2,700	3,242
Non-executive directors:						
Sun Qian	118	—	—	—	—	118
Su Sen	118	—	—	—	—	118
Sun Limei	118	—	—	—	—	118
Independent non-executive directors:						
Yin Hong	142	—	—	—	—	142
Hsieh H., Lily	142	—	—	—	—	142
Wu Haibing	142	—	—	—	—	142
	1,174	1,377	278	35	12,151	15,015
Chief executive:						
Cai Chuyang	—	480	120	15	5,626	6,241

No emoluments were paid by the Company to the directors and chief executive of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. Neither any of the directors nor chief executive of the Company has waived any emoluments during both years.

14. EMPLOYEES' EMOLUMENTS

The five highest paid individuals included three (2014: three) directors, details of whose emoluments are included in note 13. The emoluments of the remaining two (2014: two) highest paid individuals are as follows:

	2015 **RMB'000**	2014 RMB'000
Salaries and other benefits	**960**	960
Bonus	**174**	174
Retirement benefits scheme contribution	**31**	31
Share-based payments	**2,241**	10,351
	3,406	11,516

Their emoluments were within the following bands:

	2015 **No. of** **employees**	2014 No. of employees
HK$1,500,001 to HK$2,000,000	**1**	—
HK$2,000,001 to HK$2,500,000	**1**	—
HK$6,500,001 to HK$7,000,000	**—**	1
HK$7,500,001 to HK$8,000,000	**—**	1

No emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during both years.

15. DIVIDENDS

	2015 RMB'000	2014 RMB'000
Dividend recognised as distributions during the year:		
2014 final, paid-HK$0.17 per share	**169,428**	—
2013 final, paid-HK$0.07 per share	**—**	69,979
	169,428	69,979

During the year, a final dividend of HK$0.17 per share in respect of the year ended 31 December 2014 was declared and paid to the shareholders of the Company. The aggregate amount of the final dividend in respect of the year ended 31 December 2014 was RMB169,428,000.

No dividends were paid, declared or proposed in respect of the year ended of 31 December 2015.

16. EARNINGS PER SHARE

	2015 RMB'000	2014 RMB'000
Profit for the year attributable to owners of the Company	**626,268**	563,711
Earnings for the purpose of basic earnings per share and diluted earnings per share	**626,268**	563,711
Number of shares:	**'000**	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,261,172**	1,253,102
Dilutive potential ordinary shares relating to share options	**14,272**	19,676
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,275,444**	1,272,778

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Furniture and fixtures	Motor vehicles	Equipment and machinery	Leasehold im-provement	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At 31 December 2013	426,941	23,605	18,789	894,971	56,351	174,998	1,595,655
Additions	66,741	9,312	10,459	111,439	11,416	190,913	400,280
Disposals	(178)	(610)	(1,496)	(33,532)	—	—	(35,816)
Acquisition of subsidiaries (note 39)	—	142	180	101	565	—	988
Transfer from construction in progress	127,638	94	—	169,309	—	(297,041)	—
At 31 December 2014	**621,142**	**32,543**	**27,932**	**1,142,288**	**68,332**	**68,870**	**1,961,107**
Additions	**35,001**	**8,875**	**2,853**	**79,097**	**19,948**	**154,643**	**300,417**
Disposals	**(420)**	**(1,088)**	**(1,461)**	**(47,760)**	**(50,000)**	**—**	**(100,729)**
Transfer from construction in progress	**15,257**	**91**	**73**	**9,485**	**—**	**(24,906)**	**—**
At 31 December 2015	**670,980**	**40,421**	**29,397**	**1,183,110**	**38,280**	**198,607**	**2,160,795**
DEPRECIATION							
At 31 December 2013	(55,639)	(9,917)	(8,616)	(383,182)	(43,352)	—	(500,706)
Provided for the year	(28,005)	(7,527)	(3,584)	(93,526)	(12,519)	—	(145,161)
Eliminated on disposals	15	355	925	28,589	—	—	29,884
At 31 December 2014	(83,629)	(17,089)	(11,275)	(448,119)	(55,871)	—	(615,983)
Provided for the year	**(32,083)**	**(8,733)**	**(5,230)**	**(101,350)**	**(16,097)**	**—**	**(163,493)**
Eliminated on disposals	**15**	**870**	**681**	**42,799**	**50,000**	**—**	**94,365**
At 31 December 2015	**(115,697)**	**(24,952)**	**(15,824)**	**(506,670)**	**(21,968)**	**—**	**(685,111)**
CARRYING AMOUNTS							
At 31 December 2015	**555,283**	**15,469**	**13,573**	**676,440**	**16,312**	**198,607**	**1,475,684**
At 31 December 2014	537,513	15,454	16,657	694,169	12,461	68,870	1,345,124

17. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The buildings are situated on land held under medium term leases in the PRC.

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis, taking into account their estimated residual value, over their estimated useful lives as follows:

Buildings	10 ~ 20 years
Furniture and fixtures	3 ~ 5 years
Motor vehicles	4 ~ 5 years
Equipment and machinery	10 years
Leasehold improvement	over the shorter of the term of the lease, or 5 years

The Group has pledged certain buildings, equipment and machinery with a carrying value of RMB70,252,000 (2014: RMB119,521,000) to secure general banking facilities granted to the Group.

Details of property, plant and equipment being pledged are set out in note 34.

Buildings with carrying amount of RMB289,105,000 as at 31 December 2015 (2014: RMB289,319,000), are without property certificates. The Group is in the process of obtaining the property certificates.

The carrying amount of plant and machinery included amounts of RMB18,024,000 (2014: RMB22,939,000) in respect of assets held under a finance lease.

18. PREPAID LEASE PAYMENTS

	2015 **RMB'000**	2014 RMB'000
Leasehold land in the PRC under medium-term lease	**426,954**	383,018
Analysed for reporting purposes as:		
Non-current asset	**416,197**	374,310
Current asset	**10,757**	8,708
	426,954	383,018

The Group has pledged certain prepaid lease payments with a carrying amount of RMB141,172,000 (2014: RMB143,182,000), to secure general banking facilities granted to the Group.

Details of prepaid lease payments being pledged are set out in note 34.

As at 31 December 2015, parcels of land with carrying amount of Nil (2014: RMB576,000) is still in the process of obtaining the land use right certificate.

19. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests at 31 December 2014 and 2015.

Name of subsidiary	Proportion of ownership interests and voting rights held by non-controlling interests 2015	2014	Profit allocated to non-controlling interests 2015 RMB'000	2014 RMB'000	Accumulated non-controlling interests 2015 RMB'000	2014 RMB'000
Qingyuan Nafuna	**9.65%**	9.65%	**2,918**	2,050	**82,010**	79,092
Individually immaterial subsidiaries					**25,140**	28,849
Total non-controlling interests					**107,150**	107,941

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Qingyuan Nafuna

	31/12/2015 RMB'000	31/12/2014 RMB'000
Current assets	**498,867**	382,162
Non-current assets	**740,580**	786,362
Current liabilities	**(389,791)**	(349,104)
Non-current liabilities	**—**	—
Total equity	**849,656**	819,420

19. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS *(continued)*

Qingyuan Nafuna

	2015 RMB'000	2014 RMB'000
Revenue	**968,226**	884,379
Expenses	**(937,990)**	(863,143)
Profit and total comprehensive income for the year	**30,236**	21,236
Net cash inflow from operating activities	**81,890**	119,288
Net cash outflow from investing activities	**(44,007)**	(146,157)
Net cash outflow from financing activities	**(70,000)**	11,147
Net cash outflow	**(32,117)**	(15,722)

During the year ended 31 December 2015, no dividend (2014: Nil) was declared but remained unpaid.

Change in ownership interests in a subsidiary

During the year, the Group acquired additional interests in Dongpeng Furnishing, increasing its equity interests to 100% with nil consideration from non-controlling interest. An amount of RMB6,442,000 being the proportionate share of net liabilities from non-controlling interest has been debited to retained profits.

20. INTERESTS IN ASSOCIATES

	2015 RMB'000	2014 RMB'000
Cost of investment in associate	**20,000**	—
Share of post-acquisition loss	**(3,846)**	—
	16,154	—

20. INTERESTS IN ASSOCIATES *(continued)*

The Group's associate accounted for using the equity method and their details are as follow:

Name of associate	Place of establishment	Registered capital	Effective equity interest attributable to the Group		Principal activities
			2015	2014	
愛蜂巢(蘇州)電子商務有限公司 Aifengchao (Suzhou) e-Commerce Co., Ltd. ("Aifengchao ")	PRC	RMB10,000,000	**20.0%**	—	O2O business

(a) The financial information in respect of the group's associate is set out below. The financial information below represents amounts shown in the associate's financial statements.

The associate is accounted for using the equity method in these consolidated financial statements.

	31/12/2015 **RMB'000**
Current assets	**78,011**
Non-current assets	**95,191**
Current liabilities	**(161,297)**
Non-current liabilities	**—**

20. INTERESTS IN ASSOCIATES *(continued)*

	Peiod from acquisition date (1 October 2015) to 31 December 2015 RMB'000
Revenue	**63,976**
Loss from continuing operations	**(25,233)**
Loss for the period	**(19,232)**
Dividends received from the associate during the period	**—**

(b) Reconciliation of the above financial information to the carrying amount of the interest in the associate recognized in the consolidated financial statements.

	2015 RMB'000
Net assets at December 31 2015	**11,905**
Proportion of the Group's ownership interests	**2,381**
Goodwill	**13,773**
Carrying amount of the Group's interests	**16,154**

21. GOODWILL

	2015	2014
	RMB'000	RMB'000
Goodwill	**3,850**	3,850

Goodwill arose on acquisition of Guangzhou Innoci Sanitary Products Co., Ltd (Guangzhou Innoci).

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

For the purposes of impairment testing, goodwill has been allocated to Guangzhou Innoci as one cash generating unit ("CGU") which represents the lowest level with the Group at which goodwill is monitored for internal management purposes and is not larger than the operating segment of bathroom product. As at 31 December, 2015, the management of the Group determined that there is no impairment of goodwill.

The recoverable amounts of the CGU is determined from value in use calculations. The key assumptions of the value in use are those regarding the discount rates, growth rates and expected changes to selling price and direct costs during the projection period. The directors estimate discount rates using the pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on the industry growth forecasts. Changes in selling price and direct costs are based on past practices and expectations of future changes in the market.

For the purpose of impairment testing, the Group prepares cash flow projection covering a five-year period. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. The cash flows beyond the five-year period are extrapolated using an estimated growth pattern at growth rates between 5% to 10%, and discount rate of 27%. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the past performance and management's expectation for the market development. The directors believe that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the assets of the CGU to exceed the aggregate recoverable amount of the assets of the CGU.

22. OTHER INTANGIBLE ASSETS

	RMB'000
COST	
At date of acquisition and 31 December 2014	670
Additions	—
At 31 December 2015	670
AMORTIZATION	
At date of acquisition and 31 December 2014	—
Amortization	(67)
At 31 December 2015	(67)
CARRYING AMOUNTS	
At 31 December 2015	603
At 31 December 2014	670

Other Intangible assets represented fair value of trademark on acquisition, 10 years useful live is used in calculation of amortisation.

23. INVENTORIES

	2015 **RMB'000**	2014 RMB'000
Raw materials	**203,604**	219,887
Work in progress	**74,290**	56,837
Finished goods	**741,190**	707,247
	1,019,084	983,971

As at 31 December 2015, the allowance for obsolete inventories is RMB84,673,000 (2014: RMB97,409,000).

24. TRADE AND OTHER RECEIVABLES

	2015	2014
	RMB'000	RMB'000
Trade receivables	**434,418**	332,438
Less: allowance for doubtful debts	**(42,483)**	(39,875)
	391,935	292,563
Advances to suppliers	**37,189**	28,498
Deposits to suppliers	**16,870**	16,285
Bills receivables	**160,488**	206,150
Other receivables (note 1)	**60,797**	18,188
Less: allowance for doubtful debts	**(4,301)**	(8,057)
Other tax recoverable	**6,770**	6,737
Prepaid rentals	**3,878**	9,300
Other receivables from property developers	**5,285**	6,878
Value-added tax recoverable	**112,723**	71,536
Total trade and other receivables	**791,634**	648,078

note 1:

Included in other receivables is an amount of RMB40,000,000 due from Mr. Fang, the shareholder of Aifengcao, bear interest at 5% per annum and is repayable on 28 March 2016. This amount is secured by 20% equity interest held by Mr. Fang in Aifengcao to the Group. On 17 March 2016, Mr. Fang and the Group entered into a supplementary agreement which agreed to repaid this outstanding amount into the following installments with an interest rate 12% per annum starting from 28 March 2016:

	RMB'000
Repayment on or before	
31 March 2016	10,000
30 April 2016	20,000
31 May 2016	10,000
	40,000

24. TRADE AND OTHER RECEIVABLES *(continued)*

The Group normally requires advance or immediate payment when goods are delivered except for (i) sales to certain property developers which are allowed a credit period of 90 days to 180 days or some may be allowed to repay in full upon completion of construction projects or some may have 5% to 10% retention money due at the end of warranty period of one to two years and (ii) sale to certain distributors with a maximum credit period of 90 days and interest bearing. As at 31 December 2015, the retention money held by the property developers amounted to RMB17,750,000 (2014: RMB19,816,000). The following is an aged analysis of trade receivables presented based on the invoice date, which approximated the respective revenue recognition date:

	2015	2014
	RMB'000	RMB'000
0 - 30 days	**141,037**	124,380
31 - 90 days	**128,266**	75,197
91 - 180 days	**52,512**	37,610
181 - 365 days	**37,372**	23,261
Over 1 year	**32,748**	32,115
	391,935	292,563

The bills receivables are aged within 180 days and have not yet matured at the year end of December 2015 and 2014 respectively.

Except for the amount due from Mr. Fang as stated in above, the remaining other receivables are unsecured, non-interest bearing and repayable on demand or within one year.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits for each customer.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB103,339,000 (2014: RMB83,033,000) which are past due as at 31 December 2015 for which the Group has not provided for impairment loss as the management does not expect any losses from these customers with good reputation. The Group does not hold any collateral over these balances.

24. TRADE AND OTHER RECEIVABLES *(continued)*

Aging of trade receivables which are past due but not impaired based on payment due dates

	2015 RMB'000	2014 RMB'000
Overdue by:		
0 - 90 days	**46,184**	51,775
91 - 275 days	**33,046**	15,465
Over 275 days	**24,109**	15,793
Total	**103,339**	83,033

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

Movement in the allowance for doubtful debts

	2015 RMB'000	2014 RMB'000
At beginning of the year	**47,932**	30,760
Impairment losses recognised	**5,461**	17,720
Amounts written off as uncollectible	**(6,609)**	(548)
At end of the year	**46,784**	47,932

The Group first assesses whether objective evidence of impairment exists for trade and other receivables that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed trade and other receivables, whether significant or not, it includes the trade and other receivables in a group with similar credit risk characteristics including industry, geographical location, past-due status and other relevant factors and collectively assesses them for impairment. Trade and other receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB42,483,000 (2014: RMB39,875,000) as at 31 December 2015, which are either overdue for a long period of time or the customers are in severe financial difficulties in repaying the outstanding balances. The Group does not hold any collateral over these balances.

24. TRADE AND OTHER RECEIVABLES *(continued)*

The following were the Group's bills receivables at the end of each reporting period that have been endorsed to the Group's creditors for settlement of payables of the same amount or discounted to banks on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these bills receivables, it continues to recognise the carrying amount of the bills receivables and the related trade payables and has recognised the cash received from banks on the transfer as a secured borrowing (note 30).

These bills receivable are carried at amortised cost in the Group's consolidated statements of financial position.

	2015	2014
	RMB'000	RMB'000
Carrying amount of bills receivables		
– external customers	**65,214**	83,644
– intra-group customers	**—**	16,800
Carrying amount of trade payables	**(54,064)**	(64,856)
Carrying amount of bank borrowings	**(11,150)**	(35,588)

25. SHORT-TERM INVESTMENTS

As at 31 December 2015, the Group's short-term investments mainly represent financial products issued by banks in the PRC, with an expected but not guaranteed return of 2.0-3.1% per annum, depending on the market prices of its underlying financial instruments, mainly comprised of bonds and debentures. The financial products are measured at fair value at the end of the reporting period. The directors of the Company consider the fair value of the financial products approximate to their principal amount as at 31 December 2015. No fair value change is recognised during the year ended 31 December 2015. The short-term investments amounting to RMB304,830,000 were redeemed in January and February 2016 at the principal amount together with return which approximated the expected return and the remaining RMB100,000 has not been redeemed yet.

26. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Bank balances carry interest at market rates ranging from 0.3% to 0.38% (31 December 2014: 0.35%) per annum. The pledged bank deposits carry interest rates ranging from 0.35% to 5.53% (31 December 2014: 0.35%) per annum.

Pledged bank deposits amounting to RMB296,559,000 (2014: RMB20,560,000) have been pledged to secure bills payable. Pledged bank deposits amounting to RMB10,577,000 (2014: RMB16,525,000) as at 31 December 2015 have been pledged to secure deposits for purchase of goods and services.

27. TRADE AND OTHER PAYABLES

	2015	2014
	RMB'000	RMB'000
Trade payables	**740,648**	644,404
Bills payable	**124,660**	16,980
Other payables	**48,347**	37,052
Other tax payables	**76,177**	61,389
Payroll and welfare payables	**66,232**	56,763
Advances from distributors	**142,877**	119,476
Deposits from distributors	**97,526**	85,814
Deferred income	**37,273**	30,039
Payables for acquisition for property, plant and equipment	**225,310**	198,921
Accrued expenses	**98,334**	105,670
	1,657,384	1,356,508

The following is an aging analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2015	2014
	RMB'000	RMB'000
0 - 30 days	**342,735**	377,742
31 - 90 days	**289,493**	216,216
91 - 180 days	**83,366**	41,890
181 - 365 days	**14,534**	1,857
Over 1 year	**10,520**	6,699
	740,648	644,404

The normal credit period on purchases of materials is 90 days to 180 days. The Group has financial risk management policies in place to monitor the settlement of payables.

Bills payable at 31 December 2015 and 2014 were aged within 180 days.

28. OBLIGATION UNDER A FINANCE LEASE

	2015 RMB'000	2014 RMB'000
Analysed for reporting purposes as:		
Current liabilities	**5,561**	4,896
Non-current liabilities	**19,709**	25,270
	25,270	30,166

It is the Group's policy to lease certain of its equipment and machinery under a finance lease. The lease term is 10 years. Interest rate underlying the obligation under finance lease is fixed at 6.55% per annum at the contract date. The lease is on a fixed repayment basis and no arrangement is entered into for contingent rental payments.

	Minimum lease payments		Present value of minimum lease payments	
	2015 RMB'000	2014 RMB'000	**2015 RMB'000**	2014 RMB'000
Amounts payable under finance lease:				
Within one year	**7,216**	6,872	**5,561**	4,896
In more than one year but not exceeding two years	**7,216**	7,216	**5,925**	5,561
In more than two years but not exceeding five years	**15,154**	22,369	**13,784**	19,709
More than five years	**—**	—	**—**	—
	29,586	36,457	**25,270**	30,166
Less: future finance charges	**(4,316)**	(6,291)	**N/A**	N/A
Present value of lease obligation	**25,270**	30,166	**25,270**	30,166
Less: amounts due for settlement within 12 months (shown under current liabilities)			**(5,561)**	(4,896)
Amounts due for settlement after 12 months			**19,709**	25,270

The Group's obligation under a finance lease is secured by the lessor's charge over the leased assets.

29. AMOUNTS DUE FROM/TO RELATED PARTIES AND SHAREHOLDERS

Name of related party	Relationship	Amounts due from related companies	
		2015	2014
		RMB'000	RMB'000
佛山華盛昌陶藝文化傳播有限公司 Foshan Huashengchang Cultural Transmission Co., Ltd.	Controlled by certain members of Controlling Shareholders	**376**	78
愛蜂巢 (蘇州) 電子商務有限公司 Aifengchao	Associates	**45,247**	—
		45,623	78

The amount due from Aifengcao included the trade portion of RMB5,080,000, the principal of RMB40,000,000 and accrued interest of RMB167,000. The principal bears interest at 5% per annum and is repayable on 28 March 2016. The amount is secured by 20% equity interest held by Mr. Fang in Aifengcao to the Group. On 17 March 2016, Aifengcao and the Group entered into a supplementary agreement which agreed to extend the repayment period to 31 December 2016 with an interest rate 12% per annum starting from 28 March 2016.

At 31 December 2015, the trade portion of amounts due from related parties amounting to RMB5,436,000 (2014: RMB78,000).

The normal credit period on trade with related parties is 180 days. The following is an aged analysis of the trade portion of amounts due from related parties presented based on the invoice date, which approximated the respective revenue recognition date at the end of the reporting period:

	2015	2014
	RMB'000	RMB'000
0 - 30 days	**5,436**	78

Aging of trade portion of amounts due from related parties are all within credit term.

The Group has not provided for impairment loss on the amounts due from related parties which are past due after considering the financial strength of these related entities.

29. AMOUNTS DUE FROM/TO RELATED PARTIES AND SHAREHOLDERS *(continued)*

The following are the maximum amounts outstanding on the amounts due from related parties during the year:

Name of related party	Relationship	Maximum amounts outstanding due from related companies For the year ended 2015 RMB'000	2014 RMB'000
愛蜂巢 (蘇州) 電子商務有限公司 Aifengchao	Associates	**45,247**	—
佛山華盛昌陶藝文化傳播有限公司 Foshan Huashengchang Cultural Transmission Co., Ltd.	Controlled by certain members of shareholders	**1,046**	86

Name of related party	Relationship	Amounts due to related companies At 31 December 2015 RMB'000	2014 RMB'000
廣東東鵬陶瓷股份有限公司 Guangdong Dongpeng Ceramics	Controlled by shareholders	**1,190**	114
東鵬陶瓷(清遠)有限公司 Qingyuan Dongpeng	Controlled by certain members of shareholders	**17,667**	9,910
香港佛來盈發展有限公司 Hong Kong Flying Development Ltd. ("HK Flying")	Controlled by shareholders	**4**	4
佛山華盛昌陶藝文化傳播有限公司 Foshan Huashengchang Cultural Transmission Co., Ltd.	Controlled by certain members of shareholders	**547**	176
山東嘉麗雅陶瓷股份有限公司 Shandong Jialiya Ceramics Co., Ltd.	Controlled by certain members of shareholders	**7,499**	1,918
		26,907	12,122

As at 31 December 2015, the trade portion of amounts due to related parties amounting to RMB9,240,000 (2014: RMB2,212,000). There is no specific credit term granted by the related parties. The non-trade balances are unsecured, interest-free and repayable on demand.

29. AMOUNTS DUE FROM/TO RELATED PARTIES AND SHAREHOLDERS *(continued)*

The following is an aged analysis of trade portion of amounts due to related parties presented based on the invoice date at the end of the reporting period:

	2015 RMB'000	2014 RMB'000
0 - 30 days	**8,689**	1,290
31 - 90 days	**547**	918
91 - 180 days	**—**	—
181 - 365 days	**—**	—
1 - 2 years	**4**	4
	9,240	2,212

	2015 RMB'000	2014 RMB'000
Amounts due to non-controlling shareholders of subsidiaries	**1,650**	1,650
Amounts due from shareholders	**—**	11

Except for the amounts due from Aifengcao, the remaining balances are non-trade, unsecured, interest-free and repayable on demand.

30. BANK BORROWINGS

	2015 RMB'000	2014 RMB'000
Bank borrowings, secured	**309,020**	207,588
Carrying amount repayable:		
Within one year	**309,020**	157,588
More than one year, but not exceeding two years	**—**	—
More than two years but not more than five years	**—**	50,000
	309,020	207,588
Less: Amount due within one year shown under current liabilities	**(309,020)**	(157,588)
	—	50,000

30. BANK BORROWINGS *(continued)*

The range of the effective interest rates on the Group's borrowings is as follows:

	2015	2014
	RMB'000	RMB'000
Fixed-rate borrowings	**3.65% - 5.6%**	5.6%-6.9%
Variable-rate borrowings	**4.35%**	7.21%

At 31 December 2015, variable-rate borrowings amounted to RMB20,000,000 (2014: RMB50,000,000). The borrowings bear interest rates based on benchmark interest rate from the People's Bank of China ("Benchmark Rate") plus, if applicable, a premium and expose the Group to cash flow interest rate risk. At 31 December 2015, fixed-rate borrowings amounted to RMB289,020,000 (2014: RMB157,588,000).

As at 31 December 2015, secured bank borrowings include the discounting of bills receivables from external trade customers amounted to RMB11,150,000 (2014: RMB35,588,000) to banks with recourse.

All bank borrowings are denominated in RMB.

Bank borrowings at the end of each reporting period were secured by the pledge of assets and guarantees as set out in notes 34.

31. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised and movements thereon during the year:

Deferred tax assets	Impairment on inventories and receivables	Tax losses	Deferred income	Options expense	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	31,524	26,436	5,091	—	63,051
Credit (charge) to profit or loss	2,156	(10,383)	1,907	—	(6,320)
At 31 December 2014	33,680	16,053	6,998	—	56,731
Credit (charge) to profit or loss	**(3,020)**	**(15,354)**	**(1,616)**	**2,268**	**(17,722)**
At 31 December 2015	**30,660**	**699**	**5,382**	**2,268**	**39,009**

Deferred tax liabilities	Fair value acquisition of subsidiaries	Accelerated tax depreciation	Undistributed profits of subsidiaries	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	(5,046)	(2,141)	(30,140)	(37,327)
Credit (charge) to profit or loss	128	1,198	(20,737)	(19,411)
At 31 December 2014	(4,918)	(943)	(50,877)	(56,738)
Credit (charge) to profit or loss	**(101)**	**296**	**(44,624)**	**(44,429)**
At 31 December 2015	**(5,019)**	**(647)**	**(95,501)**	**(101,167)**

31. DEFERRED TAXATION *(continued)*

The Group is not subject to PRC dividend withholding tax on the dividends paid prior to the completion of the Corporate Reorganization. Upon the completion of the Corporate Reorganisation, Dongpeng HK (as defined in note 42) became a group entity and the immediate holding company of Foshan Hua Sheng Chang (as defined in note 42). Under the EIT Law of PRC, withholding tax of 10% is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary difference attributable to accumulated profits of the PRC subsidiaries amounting to RMB638,985,000 (2014: RMB483,093,000) at 31 December 2015 as the Group is able to control the timing of the reversal of the temporary difference and the directors of the Company have resolved that such profits are retained for business development purposes and shall not be subject to declaration of dividend. Accordingly, it is probable that the temporary differences will not reverse in the foreseeable future. Deferred taxation has been provided for in respect of temporary differences of accumulated profits of the PRC subsidiaries in full other than described above.

At the end of each reporting period, the Group has the following unrecognised unused tax losses:

	2015 **RMB'000**	2014 RMB'000
Unused tax losses	**136,451**	63,235

No deferred tax asset has been recognised on these tax losses due to the unpredictability of future profit streams. The expiry dates of the above unrecognised tax losses are as follows:

	2015 **RMB'000**	2014 RMB'000
Expiry date		
31 December 2016	**2,171**	2,171
31 December 2017	**5,504**	5,504
31 December 2018	**15,734**	15,734
31 December 2019	**39,826**	39,826
31 December 2020	**73,216**	—
Total	**136,451**	63,235

Other than the above amounts, other unrecognised deductible temporary differences amounting to approximately RMB22,157,000 (2014: RMB27,150,000) as at 31 December 2015 mainly represent certain accrued rental expenses, accrued employees' and directors' emoluments. Due to the uncertainty on the availability of future profits, deferred tax assets are not recognised on these temporary differences. The Group had no other significant unrecognised deferred taxation.

32. SHARE CAPITAL

	Number of shares	Amount in US$
Ordinary shares		
Authorised:		
At 31 December 2014 and 31 December 2015 at US$0.000002 each	24,850,000,000	49,700
Issued:		
31 December 2013 at US$0.000002 each	1,246,952,800	2,494
Issue of new shares on 25 June 2014 pursuant to the exercise of share options under Pre-IPO Share Option Scheme adopted on 31 October 2013 by directors	3,375,000	7
Issue of new shares on 25 June 2014 pursuant to the exercise of share options under Pre-IPO Share Option Scheme adopted on 31 October 2013 by employees	8,500,000	17
At 31 December 2014 at US$0.000002 each	1,258,827,800	2,518
	Equivalent to	RMB 15,000
Issue of new shares on 29 June 2015 pursuant to the exercise of share options under Pre-IPO Share Option Scheme adopted on 31 October 2013 by directors	1,687,500	3
Issue of new shares on 29 June 2015 pursuant to the exercise of share options under Pre-IPO Share Option Scheme adopted on 31 October 2013 by employees	2,937,500	6
31 December 2015 at US$0.000002 each	1,263,452,800	2,527
	Equivalent to	RMB 15,000

33. SHARE OPTION SCHEMES

(a) Pre-IPO share option scheme

Pursuant to a resolution passed on 31 October 2013, the Company offered to grant the Options which entitle the holders thereof to subscribe for a total of 47,500,000 Shares of the Company to the Directors and Employees of the Group subject to acceptance of the grantees (the "Grantees"), under the Scheme, the Options would expire on 31 October 2023.

Details of specific categories of options as follows:

Category	Date of grant	Exercisable period	Vesting period	Exercise price
Directors	31/10/2013	1/4/2015 to 30/10/2023	31/10/2013 to 1/4/2015	HK$0.01
	31/10/2013	1/4/2016 to 30/10/2023	31/10/2013 to 1/4/2016	HK$0.01
	31/10/2013	1/4/2017 to 30/10/2023	31/10/2013 to 1/4/2017	HK$0.01
Senior management	31/10/2013	1/4/2015 to 30/10/2023	31/10/2013 to 1/4/2015	HK$0.01
	31/10/2013	1/4/2016 to 30/10/2023	31/10/2013 to 1/4/2016	HK$0.01
	31/10/2013	1/4/2017 to 30/10/2023	31/10/2013 to 1/4/2017	HK$0.01
Employees	31/10/2013	1/4/2015 to 30/10/2023	31/10/2013 to 1/4/2015	HK$0.01
	31/10/2013	1/4/2016 to 30/10/2023	31/10/2013 to 1/4/2016	HK$0.01
	31/10/2013	1/4/2017 to 30/10/2023	31/10/2013 to 1/4/2017	HK$0.01

The share options shall be vested in tranches on various vesting dates, provided that for each tranche, the options shall be vested only in the event that the Company meet both the Revenue and Profit for the stipulated financial year stated under the vesting conditions of the Pre-IPO share option scheme, that is in the event that the Company failed to fulfill any of the vesting conditions for vesting any proportion of a option granted under the Pre-IPO share option scheme, such proportion of relevant option due to be vested on the relevant Vesting Date had the conditions been fulfilled, shall neither be vested nor be exercisable on such Vesting Date and shall lapse on automatically on the relevant Vesting Date.

33. SHARE OPTION SCHEMES *(continued)*

(a) Pre-IPO share option scheme (continued)

The table below discloses movement of the Company's share options held by the Group's directors and employees:

	Number of share options
Outstanding as at 1 January 2015	28,375,000
Exercised during the period	4,625,000
Lapsed during the period	8,000,000
Outstanding as at 31 Decmber 2015	15,750,000

The fair value was calculated using the Binomial model. The inputs into the model were as follows:

Share price at grant date (before share consolidation)	HK$1.4358
Exercise price	HK$0.005
Expected volatility	52.1%
Expected life	10 years
Risk-free rate	2.54%
Expected dividend yield	0%
Sub-optimal exercise factor	2.8

Expected volatility was determined by using the annualised standard deviation of historical share price daily movements of selected comparable companies in the same industry. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised the share-based payments of RMB5,017,000 and RMB40,323,000 for the year ended 31 December 2015 and 2014 respectively in relation to share options granted by the Company.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in the computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

33. SHARE OPTION SCHEMES *(continued)*

(b) Share option scheme

The principal terms of the share option scheme, approved by the shareholders' resolution passed on 5 November 2013, are substantially the same as the terms of the Pre-IPO Share Option Scheme and key items are set out below:

(i) The exercise price of the share options shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option), but in any case the exercise price shall not be less than the higher of (a) the closing price of the Shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a Business Day ("Offer Date"), (b) the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five (5) Business Days immediately preceding the date of grant, and (c) the nominal value of a Share; and

(ii) the maximum number of shares in respect of which options may be granted shall not exceed 10% of the total number of shares in issue at the date of listing of the shares of the Company on the Main Board of the Stock Exchange; and

(iii) the maximum entitlement of each eligible participant in any 12-month period up to the date of offer to grant shall not exceed 1% of the shares in issue as at the date of offer to grant.

As at 31 December 2015, no options have been granted or agreed to be granted pursuant to the share option scheme. The share option scheme will expire on 5 November 2023.

34. PLEDGE OF ASSETS

The following assets were pledged to secure bank borrowings and banking facilities granted to the Group and related parties at the end of the reporting period:

	2015 RMB'000	2014 RMB'000
Buildings	**70,252**	119,521
Prepaid lease payments	**141,172**	143,182
Notes receivables	**—**	14,920
Pledged bank deposits	**307,136**	37,085
	518,560	314,708

As at 31 December 2015, secured bank borrowings include the discounting of bills receivable from external trade customers amounted to RMB11,150,000 (2014: RMB35,588,000) to banks with recourse.

35. OPERATING LEASES

At 31 December 2015, the Group had future minimum lease payments under non-cancellable operating leases in respect of leased properties and plant and equipment as follows:

	2015 RMB'000	2014 RMB'000
Within one year	**65,335**	77,094
In the second to fifth years inclusive	**145,156**	189,909
After five years	**48,286**	36,708
	258,777	303,711

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Operating lease payments represent rentals payable by the Group for certain of its office and warehouse premises and plant and equipment. Leases are negotiated for terms ranging from one to eighteen years. Rentals are fixed at the date of signing of lease agreements.

36. CAPITAL COMMITMENTS

	2015	2014
	RMB'000	RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided	**176,277**	192,426

37. RETIREMENT BENEFIT SCHEMES

The employees of the Group's subsidiaries established in the PRC are members of state-managed retirement benefit schemes operated by the PRC government. The subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specific contributions.

The Group made contributions to the retirement benefits schemes of RMB41,541,000 (2014: RMB30,892,000) during the year.

38. RELATED PARTY TRANSACTIONS

During the year, other than those disclosed in other notes to the consolidated financial statements, the Group entered into the following transactions with related parties:

Name of related party	**Relationship**	**2015** **RMB'000**	2014 RMB'000
Purchases			
佛山華盛昌陶藝文化傳播有限公司 Foshan Huashengchang Cultural Transmission Co., Ltd.	Controlled by certain members of shareholders	**1,576**	1,381
Sales			
佛山華盛昌陶藝文化傳播有限公司 Foshan Huashengchang Cultural Transmission Co., Ltd.	Controlled by certain members of shareholders	**653**	626
愛蜂巢（蘇州）電子商務有限公司 Aifengchao	Associates	**4,415**	—

38. RELATED PARTY TRANSACTIONS *(continued)*

Name of related party	Relationship	2015 RMB'000	2014 RMB'000
Rental expenses			
廣東東鵬陶瓷股份有限公司 Guangdong Dongpeng Ceramics	Controlled by shareholders	**4,650**	4,650
山東嘉麗雅陶瓷股份有限公司 Shandong Jialiya Ceramics Co.,Ltd.	Controlled by certain members of shareholders	**12,000**	12,000
湖南金鵬新型建材有限公司 Hunan Jinpeng New Building Materials Co., Ltd.	Controlled by certain members of shareholders	**11,576**	11,576
佛山中國陶瓷城集團有限公司 Foshan China Ceramic City Co., Ltd	Controlled by certain members of shareholders	**1,524**	—
Interest income			
愛蜂巢 (蘇州) 電子商務有限公司 Aifengchao	Associates	**167**	—

(a) Details of the balances with related parties at the end of the reporting periods are disclosed in the consolidated statement of financial position and the respective notes.

(b) The remuneration paid and payable to key management of the Company which include the directors of the Company and other members of other key management was as follows:

	2015 RMB'000	2014 RMB'000
Directors' fee	**407**	394
Salaries and other benefits	**5,955**	4,536
Bonus	**722**	668
Retirement benefits scheme contribution	**211**	168
Share-based payments	**5,017**	40,323
	12,312	46,089

(c) The Group had used some relevant trademarks owned by Guangdong Dongpeng Ceramics for free during the years ended 31 December 2015 and 2014.

38. RELATED PARTY TRANSACTIONS *(continued)*

(d) At 31 December, 2015, future maximum lease payments to related parties whereby the Group acts as a lessee is as follows:

	2015 **RMB'000**	2014 RMB'000
Shandong Jialiya Ceramics Co., Ltd.		
Within one year	**10,440**	10,440
In the second to fifth years inclusive	**20,880**	—
	31,320	10,440

	2015 **RMB'000**	2014 RMB'000
Hunan Jinpeng New Building Materials Co., Ltd.		
Within one year	**12,155**	11,576
In the second to fifth years inclusive	**37,681**	49,836
After five years	**—**	—
	49,836	61,412

	2015 **RMB'000**	2014 RMB'000
Guangdong Dongpeng Ceramics		
Within one year	**4,650**	4,650
In the second to fifth years inclusive	**9,300**	4,650
	13,950	9,300

	2015 **RMB'000**	2014 RMB'000
Foshan China Ceramic City Co., Ltd.		
Within one year	**693**	—
In the second to fifth years inclusive	**—**	—
	693	—

39. ACQUISITION OF SUBSIDIARIES

On 11 September 2014, the Group acquired 61.75% equity interest in Guangzhou Innoci from a non-related party for a cash consideration of RMB14,000,000. This acquisition has been accounted for using the acquisition method. Guangzhou Innoci is engaged in the design, customization and sale of mid to high-end bathroom products.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	Fair value RMB'000
Property, plant and equipment	988
Other intangible assets	670
Inventories	3,673
Trade and other receivables	2,258
Bank balances and cash	14,643
Trade and other payables	(5,795)
	16,437

The fair value of trade and other receivables at the date of acquisition amounted to RMB2,258,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB2,258,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to Nil. Non-controlling interest are measured at their proportionate share of net assets acquired.

	RMB'000
Goodwill arising on acquisition:	
Consideration transferred	14,000
Add: non-controlling interest	6,287
Less: net assets acquired	(16,437)
	3,850

	RMB'000
Cash inflow arising on the acquisition:	
Cash consideration	(14,000)
Add: bank balances and cash acquired	14,643
	643

39. ACQUISITION OF SUBSIDIARIES *(continued)*

Acquisition-related costs amounting to RMB60,000 have been excluded from the consideration transferred and have been recognised as an expense for the year ended 31 December 2014.

Goodwill arose on the acquisition of Guangzhou Innoci is attributable to its anticipated profitability and the anticipated future operating synergies from the combination.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Included in the profit for the year is a loss of RMB3,011,000, attributable to the additional business generated by Guangzhou Innoci. Revenue for the year includes RMB2,636,000, generated from by Guangzhou Yinai.

Had the acquisition of Guangzhou Yinai been completed on 1 January 2014, total group revenue for the year would have been RMB3,902,840,000, and profit for the year would have been RMB572,112,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2014, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Guangzhou Yinai been acquired at 1 January 2014, the directors have calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

40. MAJOR NON-CASH TRANSACTIONS

At 31 December 2013, bills receivables of RMB47,967,000 had been discounted with recourse to banks. During the year ended 31 December 2014, the banks directly received the contractually entitled cash flows of RMB47,967,000 upon maturity of the discounted bills receivable from the Group's debtors as settlement of the related bank borrowings granted to the Group.

At 31 December 2014, bills receivables of RMB35,588,000 had been discounted with recourse to banks. During the year ended 31 December 2015, the banks directly received the contractually entitled cash flows of RMB35,588,000 upon maturity of the discounted bills receivable from the Group's debtors as settlement of the related bank borrowings granted to the Group.

41. EVENTS AFTER THE END OF THE REPORTING PERIOD

The respective directors of Profit Strong Investments Limited and Max Glory Ltd. (Colleitively Known as "the Joint Offerors"), and the Company jointly announce that on 30 January 2016, the Joint Offerors requested the Board of directors of the Company to put forward a proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Law, subject to satisfaction of the Pre-Condition ("the Scheme"). The Scheme will provide that the Scheme Shares will be cancelled in exchange for HK$4.48 in cash for each Scheme Share. Under the Scheme, the total consideration payable for cancellation of the Scheme Shares will be payable by the Joint Offerors.

42. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of ownership and voting right held by the Company At 31 December 2014	2015	Principal activity
China Home Investment Co., Ltd. (note 1) ("China Home")	British Virgin Islands	US$1	100%	**100%**	Investment holding
Dongpeng International (Hong Kong) Holdings Co., Ltd. ("Dongpeng HK")	Hong Kong	HK$1	100%	**100%**	Investment holding
佛山華盛昌陶瓷有限公司 Foshan Huashengchang Ceramics Co., Ltd. ("Foshan Hua Sheng Chang")	PRC	US$28,100,000	100%	**100%**	Producing and sales of tiles, decorative wall tiles and bathroom products
清遠納福娜陶瓷有限公司 Qingyuan Nafuna Ceramics Co., Ltd. ("Qingyuan Nafuna")	PRC	RMB23,000,000	90.35%	**90.35%**	Producing and sales of ceramic tiles, construction ceramic, and bathroom products
豐城市東鵬陶瓷有限公司 Fengcheng Dongpeng Ceramics Co., Ltd. ("Fengcheng Dongpeng")	PRC	RMB65,000,000	100%	**100%**	Producing and sales of ceramic tile products
澧縣新鵬陶瓷有限公司 Lixian Xinpeng Ceramics Co., Ltd. ("Lixian Xinpeng")	PRC	RMB10,000,000	100%	**100%**	Producing and sales of ceramic products; process of ceramic materials
淄博卡普爾陶瓷有限公司 Zibo Kapuer Ceramics Co., Ltd. ("Zibo Kapuer")	PRC	RMB20,000,000	100%	**100%**	Producing and sales of ceramic tile products
廣州市東鵬陶瓷有限責任公司 Guangzhou Dongpeng Ceramics Co., Ltd. ("Guangzhou Dongpeng")	PRC	RMB3,010,000	100%	**100%**	Sales of ceramic tile and bathroom products
深圳東鵬陶瓷有限公司 Shenzhen Dongpeng Ceramics Co., Ltd. ("Shenzhen Dongpeng")	PRC	RMB500,000	100%	**100%**	Sales of ceramic tile and bathroom products

42. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of ownership and voting right held by the Company At 31 December 2014	2015	Principal activity
上海東鵬陶瓷有限公司 Shanghai Dongpeng Ceramics Co., Ltd. ("Shanghai Dongpeng")	PRC	RMB500,000	100%	**100%**	Sales of ceramic tile and bathroom products
陝西東鵬建材有限公司 Shanxi Dongpeng ConstructionMaterials Co., Ltd. ("Shanxi Dongpeng")	PRC	RMB5,000,000	100%	**100%**	Sales of ceramic tile products, decoration and construction materials and bathroom products
佛山市東鵬陶瓷發展有限公司 Foshan Dongpeng Ceramics Development Co., Ltd. ("Foshan Dongpeng Development")	PRC	RMB13,000,000	92.31%	**92.31%**	Sales of ceramic tile products
湖南東鵬建材貿易有限公司 Hunan Dongpeng Construction Materials Trading Co., Ltd. ("Hunan Dongpeng")	PRC	RMB2,000,000	100%	**100%**	Sales of ceramic tile and bathroom products
林芝裕和商貿有限公司 Linzhi Yuhe Commerce and Trading Co., Ltd. ("Linzhi Yuhe")	PRC	RMB2,000,000	100%	**100%**	Sales of ceramics tile and bathroom products
堆龍德慶裕威商貿有限公司 Duilong Deqing Yuwei Commerce and Trading Co., Ltd. ("Deqing Yuwei")	PRC	RMB1,000,000	100%	**100%**	Sales of ceramics tile and bathroom products
佛山東鵬潔具股份有限公司 Foshan Dongpeng Sanitary Ware Co., Ltd. ("Dongpeng Sanitary Ware")	PRC	RMB58,300,000	100%	**100%**	Producing and sales of bathroom products
堆龍德慶和盈商貿有限公司 Duilong Deqing Heying Commerce and Trading Co., Ltd. ("Deqing Heying")	PRC	RMB2,000,000	100%	**100%**	Sales of ceramics tile and bathroom products

42. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of ownership and voting right held by the Company At 31 December 2014	2015	Principal activity
江西東鵬衛浴有限公司 Jiangxi Dongpeng Bathroom Products Co., Ltd. ("Jiangxi Bathroom Products")	PRC	RMB40,000,000	100%	**100%**	Producing and sales of bathroom products
佛山市順德區東鵬陶瓷銷售有限公司 Foshan Shunde Dongpeng Ceramics Trading Co., Ltd. ("Shunde Dongpeng")	PRC	RMB100,000	100%	**100%**	Sales of ceramic tile and bathroom products
佛山市高明穩暢家具有限公司 Foshan Gaoming Wenchang Furniture Co., Ltd. ("Gaoming Furniture")	PRC	RMB500,000	70%	**70%**	Producing and sales of bathroom products
廣西粵鵬建材有限公司 Guangxi Yuepeng Construction Materials Co., Ltd. ("Guangxi Yuepeng")	PRC	RMB2,000,000	100%	**100%**	Sales of construction and decoration materials, ceramic tile and bathroom products
廣東東鵬控股股份有限公司 Guangdong Dongpeng Holding Co., Ltd. ("Guangdong Dongpeng Holdings")	PRC	RMB180,000,000	100%	**100%**	Sales of ceramic tile and bathroom products; Import and export
佛山市東鵬陶瓷有限公司 Foshan Dongpeng Ceramics Co., Ltd. ("Foshan Dongpeng")	PRC	RMB15,000,000	100%	**100%**	Sales of ceramic tile and bathroom products; Import and export
雲南軒鵬建材有限公司 Yunnan Xuanpeng Construction Materials Co., Ltd. ("Yunnan Xuanpeng")	PRC	RMB2,000,000	100%	**100%**	Sales of construction and decoration materials, ceramic tile and bathroom products

42. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of ownership and voting right held by the Company At 31 December 2014	2015	Principal activity
青島瑞鵬建材有限公司 Qingdao Ruipeng Construction Materials Co., Ltd. ("Qingdao Ruipeng")	PRC	RMB2,000,000	100%	**100%**	Sales of construction and decoration materials, ceramic tile and bathroom products
廣東裕和商貿有限公司 Guangdong Yuhe Commerce and Trading Co., Ltd. ("Guangdong Yuhe")	PRC	RMB20,000,000	100%	**100%**	Trading of ceramic tile and bathroom products
江西豐裕商貿有限公司 Jiangxi Fengyu Commerce and Trading Co., Ltd. ("Jiangxi Fengyu")	PRC	RMB5,000,000	100%	**100%**	Sales of ceramic tile and bathroom products, ceramic materials
重慶石灣東鵬陶瓷有限公司 Chongqing Shiwan Dongpeng Ceramics Co., Ltd. ("Chongqing Dongpeng")	PRC	RMB2,000,000	100%	**100%**	Sales of ceramic tile and bathroom products, ceramic materials
廣東藝耐衛浴用品有限公司 Guangdong Innoci Sanitary Products Co., Ltd. ("Gunagdong Innoci") (note 2)	PRC	RMB2,000,000	61.75%	**61.75%**	Design, customization and sale of mid to high-end bathroom products
廣東東鵬家居有限公司 Guangdong Dongpeng Furnishing Co., Ltd ("Dongpeng Furnishing")	PRC	RMB3,000,000	62%	**100%**	Sales of ceramic tile and bathroom products, ceramic materials, decoration design
江門東鵬智能家居有限公司 Jiangmen Dongpeng Intelligent Furnishing Co., Ltd ("Jiangmen Dongpeng Furnishing")	PRC	RMB12,000,000	100%	**100%**	Producing and sales of bathroom products

42. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of ownership and voting right held by the Company At 31 December 2014	2015	Principal activity
佛山藝耐衛浴用品有限公司 Foshan Innoci Sanitary Products Co., Ltd. ("Foshan Innoci")	PRC	RMB1,000,000	N/A	**100%**	Design, customization and sale of mid to high-end bathroom products
德國藝耐衛浴用品有限公司 Germany Innoci Sanitary Products Co., Ltd. ("Germany Innoci")	PRC	RMB253,426.61	62%	**62%**	Design, customization and sale of mid to high-end bathroom products
佛山市樂淘陶科技有限公司 Foshan Lok Tao Tao Technology Co., Ltd. ("Foshan Lok Tao Tao")	PRC	RMB3,500,000	N/A	**100%**	Sales of ceramic tile and bathroom products, ceramic materials, decoration design
堆龍綠家科技有限公司 Duilong Green Home Technology Co., Ltd. ("Deqing Green Home")	PRC	RMB500,000	N/A	**60%**	Sales of ceramic tile and bathroom products, ceramic materials, decoration design

All subsidiaries' places of operation are located in PRC except for China Home, Dongpeng HK and Germany Innoci which operate in Hong Kong and Germany.

None of the subsidiaries had issued any debt securities at 31 December 2015 and 2014.

Note 1: This subsidiary is directly held by the Company, all other subsidiaries are indirectly held by the Company.

Note 2: Guangdong Innoci formerly named as Guangzhou Innoci.

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2015 RMB'000	2014 RMB'000
Non-current Assets		
Unlisted investment in a subsidiary	**104,123**	142,786
Amount due from a subsidiary	**385,332**	410,633
	489,455	553,419
Current Assets		
Amounts due from shareholders	—	11
Trade and other receivables	**165**	1,528
Restricted Bank Deposits	—	85,720
Bank balances and cash	**1,029**	10,367
	1,194	97,626
Current Liabilities		
Amounts due to subsidiaries	**17,508**	17,508
Other payables	**1,170**	1,371
Tax payable	**1,071**	1,071
	19,749	19,950
Net Current Assets	**(18,555)**	77,676
Total Assets less Current Liabilities	**470,900**	631,095
Net Assets	**470,900**	631,095
Capital and Reserves		
Share capital	**15**	15
Reserves	**470,885**	631,080
Total Equity	**470,900**	631,095

Amount due from a subsidiary is unsecured and interest free. In the opinion of the directors of the Company, the amount due from a subsidiary will not be recovered within twelve months from the end of the reporting period and is therefore classified as non-current. The amount due from a subsidiary is measured at fair value at initial recognition using an effective interest rate of 4.90% (2014: 6.15%) per annum. The difference between the estimated fair value and the amounts advanced to the subsidiary is recognised as investment in the subsidiary.

44. RESERVES

The Company

	Share premium RMB'000	Profit RMB'000	Total RMB'000
At 1 January 2014	682,803	17,677	700,480
Issue of shares under share option scheme	95	—	95
Profit for the year	—	484	484
Dividend	(69,979)	—	(69,979)
At 31 December 2014	612,919	18,161	631,080
Issue of shares under share option scheme	**37**	**—**	**37**
Profit for the year	**—**	**9,196**	**9,196**
Dividend	**(169,428)**	**—**	**(169,428)**
At 31 December 2015	**443,528**	**27,357**	**470,885**