YUSEI HOLDINGS LIMITED
友成控股有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 00096)

2015
ANNUAL REPORT

* for identification only

CONTENTS

CORPORATE INFORMATION

REGISTERED OFFICE

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Lin Gang Industrial Zone
Henggengtou Village, Guali Town
Xiaoshan District, Hangzhou City,
Zhejiang Province,
The PRC

BUSINESS ADDRESS IN HONG KONG

Unit 1, 9/F
Fortune Commercial Building
362 Sha Tsui Road
Tsuen Wan
N.T. Hong Kong

COMPANY SECRETARY

Mr. Shum Shing Kei CPA

COMPLIANCE OFFICER

Mr. Xu Yong

AUDIT COMMITTEE

Mr. Lo Ka Wai
Mr. Fan Xiaoping
Mr. Hisaki Takabayashi

REMUNERATION COMMITTEE

Mr. Lo Ka Wai
Mr. Fan Xiaoping
Mr. Hisaki Takabayashi

NOMINATION COMMITTEE

Mr. Lo Ka Wai
Mr. Fan Xiaoping
Mr. Hisaki Takabayashi

AUTHORISED REPRESENTATIVES

Mr. Xu Yong
Mr. Shum Shing Kei

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House,
24 Shedden Road, George Town
KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

96

AUDITOR

SHINEWING (HK) CPA Limited

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
54 Chenghe Street
Xiaoshan
Hangzhou
Zhejiang 311201
The PRC

Agricultural Bank of China
Jianshe Road
Xiaoshan Economy & Technology Development Zone
Zhejiang
311215
The PRC

Shanghai Pudong Development Bank
55 Tiyu Road
Chengxiang Town, Xiaoshan
Zhejiang
311215
The PRC

The Bank of Tokyo-Mitsubishi, UF J Ltd
20/F, AZIA Center
1233 Lujiazui Ring Road
Pudong Shanghai
People's Republic of China

BUSINESS REVIEW

During the year ended 31 December 2015, the Group is principally engaged in the design, development and fabrication of precision plastic injection moulds, and the manufacture of plastic components in the PRC. The Group also provides services for certain assembling and further processing of plastic components for its customers. The Group's customers are mainly the manufacturers of branded home electrical appliances, office equipment and plastic components with production facilities located in the PRC.

FINANCIAL REVIEW

REVENUE

The Group's revenue for the year ended 31 December 2015 increased by 15.6% to approximately RMB1,101,340,000 as compared to that of approximately RMB952,531,000 for the year ended 31 December 2014. Increase in revenue was mainly attributable to (i) strong demand from customers during the year; and (ii) the full year operation of production factories of Wuhu Yusei and Hubei Yusei during the year.

GROSS PROFIT

The Group achieved a gross profit of approximately RMB165,302,000 for the year ended 31 December 2015, representing an increase of approximately 11.7% as compared to that of approximately RMB147,996,000 for the year ended 31 December 2014. During the year, the overall gross profit margin was stable.

DISTRIBUTION COSTS

Distribution costs for the year ended 31 December 2015 increased by approximately 49.5% to approximately RMB35,877,000 as compared to that of approximately RMB23,993,000 for the year ended 31 December 2014. Such increase was mainly attributable to (i) the increase in revenue, (ii) the purchase of additional packing materials in response to the customers' needs and (iii) increase in transportation costs.

NET FOREIGN EXCHANGE GAIN

Net foreign exchange gain for the year mainly represented the gain arising from increased foreign currency transactions in relation to the USD denominated sales to the customers. During the year, RMB was significantly depreciated against USD which resulted in the foreign exchange gain.

Last year's net foreign exchange gain mainly represented the gain arising from exchange rate translation of Japanese Yen ("JPY") denominated obligations under finance leases and bank borrowings at the end of the reporting period as a result of the depreciation of the Japanese Yen against RMB.

ADMINISTRATIVE EXPENSES

Administrative expenses for the year ended 31 December 2015 decreased approximately by 6.1% to RMB51,990,000 as compared to that of approximately RMB55,368,000 for the year ended 31 December 2014. Such decrease was mainly attributable to i) decrease in bank charges; and ii) decrease in impairment loss for interest in associates recognised by the Group during the year.

FINANCE COSTS

Finance costs for the year ended 31 December 2015 decreased approximately by 17.9% to RMB17,576,000 as compared to that of approximately RMB21,402,000 for the year ended 31 December 2014. Such decrease was mainly attributable to decrease in bank loans during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to owners of the Company increased by approximately 22.8% from approximately RMB50,339,000 for the year ended 31 December 2014 to approximately RMB61,793,000 for the year ended 31 December 2015.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2015, the equity amounted to approximately RMB378,152,000. Current assets amounted to approximately RMB584,953,000, of which bank balances, deposits and cash and pledged bank deposits totaling approximately RMB59,831,000. The Group had non-current assets of approximately RMB415,559,000 and its current liabilities amounted to approximately RMB583,308,000, comprising mainly its creditors and accrued charges and bank borrowings. As at 31 December 2015, the Group's bank and other loans are denominated in RMB (2014: all denominated in RMB except US$11,408,000 and Japanese Yen 15,476,000) and are matured within one year. Bank and other loans of the Group bore fixed interest at rates ranging from 5.29% to 8.16% per annum in 2015 (2014: fixed interest at rates ranging from 3.10% to 7.69% per annum and floating interest at rate ranging 1.60% to 7.68%). The net asset value per share was RMB1.87. The Group expresses its gearing ratio as a percentage of finance leases and borrowings over total assets. As at 31 December 2015, the Group had a gearing ratio of 24.2% (2014: 26.9%).

SEGMENT INFORMATION

The sole principal activity of the Group is moulding fabrication, manufacturing and trading of moulds and plastic components. All the Group's operations are located and carried out in the PRC. As the Group operated in a single operating segment, no segmental analysis has been presented accordingly.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2015, the total number of the Group's staff was approximately 2,500. The total staff costs (including directors' remuneration) amounted to approximately RMB150,740,000 for the year. The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group provides retirement benefit for its employees in Hong Kong in form of mandatory provident fund and provides similar schemes for its employees in the PRC.

CHARGE ON GROUP ASSETS

As at 31 December 2015, the Group's bank and other loans are secured by land use rights and property, plant and equipment of the Group with an aggregate carrying values of approximately RMB15,226,000 and RMB78,013,000 respectively.

FOREIGN CURRENCY RISK

The Group carries on business in RMB, United States dollars ("US$") and JPY and therefore the Group is exposed to foreign currency risk as the values of these currencies fluctuate in the international market.

The Group's exposure to foreign currency risk is attributable to the trade and receivables, deposits and prepayments; bank balances, deposits and cash; trade and other payables and accrued charges; obligations under finance leases and bank borrowings of the Group which are denominated in foreign currencies of US$ and JPY. The functional currencies of the relevant group entities are RMB and HK$. The Group currently does not have a foreign currency hedging policy in respect of foreign currency exposure. However, the directors monitor the related foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

CAPITAL COMMITMENTS

As at 31 December 2015, the Group had capital expenditure contracted for but not provided in the consolidated financial statements of approximately RMB41,046,000 in respect of acquisition of property, plant and equipment.

OUTLOOK

Management will actively adopted the Group's strategy to leverage on the experience of its management team in the plastic component manufacturing industry and its expertise in mould development to enhance the quality of its products, expand its customer base and strengthen the leading position in the high-end mould industry and its overall core competitiveness in relation to the one-stop services ranging from products development, plastic injection, aluminium-plating and assembling.

As a service provider to the well-known international branded manufacturers, the management believes that the Group possesses the managerial characteristics which our major customers may appreciate, including: (i) high-level demand on the quality of the products, particularly in the automotive parts and components, office automation machines like assembling parts of photocopies and printers must meet a high standard of precision in order to ensure the machine work effectively; (ii) emphasis on production efficiency to shorten the production cycle; and (iii) active participation in production process of the suppliers to ensure the product quality and the mutual communication to improve the suppliers' production efficiency. In addition, to deliver the parts and components of high precision to the customers, the Group put much efforts in acquisition of advanced production machineries which were made by the international well-known branded manufacturers.

For keeping abreast of the current development in the market and the customers' needs, the Group strengthens the communication with customers in USA and Japan. Apart from seconding technicians to Japan for training, the Group employed experienced salesmen and technicians from United Kingdom and Japan to improve the capability of marketing and technical ability.

As regards the quality of the products, the Group had adopted ERP system to facilitate the production flow and monitor the product quality. To response the changing technology in the industry, the Company will continue to acquire and install advanced machinery and equipment and to increase the ability to design and develop precision plastic injection moulds. The Company will rely on the one-stop solution from precision mould, plastic injection, aluminium plating to assembling to improve the sales network to capture opportunities in order to increase market share and to enlarge the customer bases. Nevertheless, the Group is cautious in accepting the new customers and we take into account of all factors in the process, including product pricing and the reputation of the potential customers and so on. For market exploring, the Group will continue to promote its business internationally and during the period, the Group had built up business relationship with several new internationally reputable customers in Europe and America such as Germany, France and Brazil, and serves them with high-quality moulds.

In view of the huge potential market in China, especially following the development of automobile industry in China and coping with the customers' demands, Wuhu Yusei and Hubei Yusei put into production during the year.

In addition, for the future business development, the Group recently purchase a piece of land of area 58,353 square meters in Hubei Province and anticipate that it may start construction of factories in second half of 2016. To cope with the expansion of business in Southern China, the Group plans to commence the construction of the second phase of Guangzhou Yusei's production plants of 5,600 square meters which may be completed by the end of 2016.

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise the design, development and fabrication of plastic injection moulds and the manufacture of plastic components in the PRC. There were no significant changes in the nature of the Group's principal activities during the year.

BUSINESS REVIEW

The business review of the Group during the year, the description of the future business development, and the risks and uncertainties that the Group faces are set out in the Management Discussion and Analysis in this report. The particulars of financial risk management of the Group are set out in note 6(b) to the consolidated financial statements. A discussion and analysis of the Group's performance during the year is provided in the Management Discussion and Analysis in this report.

RESULTS AND DIVIDENDS

The profit for the year ended 31 December 2015 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 25 to 86.

The Directors recommended the payment of a final dividend of RMB3.95 cents per share in respect of the year ended 31 December 2015 subject to the approval from the forthcoming annual general meeting.

In addition, the Directors proposes a bonus issue of shares on the basis of one bonus share for every one existing shares held by shareholders. The relevant resolution will be proposed in the forthcoming annual general meeting of the Company, and if passed and upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in such new shares, share certificates for the bonus shares will be dispatched to Shareholders.

The bonus shares will rank pari passu in all respects with the existing shares in issue from the date of issue except that they will not rank for the final dividend in respect of the year ended 31 December 2015.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out as follows:

RESULTS

	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Revenue	**1,101,340**	952,531	892,968	984,776	831,994
Cost of sales	**(936,038)**	(804,535)	(775,993)	(881,855)	(715,970)
Gross profit	**165,302**	147,996	116,975	102,921	116,024
Other income	**7,305**	7,770	6,911	42,342	8,669
Net foreign exchange gain (loss)	**1,595**	1,056	8,388	6,512	(5,094)
Distribution costs	**(35,877)**	(23,993)	(27,594)	(27,147)	(20,933)
Administrative expenses	**(51,990)**	(55,368)	(50,754)	(53,941)	(52,617)
Loss caused by fire accident	**–**	–	(21,650)	–	–
Finance costs	**(17,576)**	(21,402)	(23,217)	(30,203)	(22,975)
Share of profits of associates	**4,736**	933	143	3,438	948
Profit before tax	**73,495**	56,992	9,202	43,922	24,022
Income tax expense	**(11,702)**	(6,653)	(3,598)	(2,477)	(8,682)
Profit for the year	**61,793**	50,339	5,604	41,445	15,340
ASSETS AND LIABILITIES					
Total assets	**1,000,512**	906,176	873,175	985,335	1,010,366
Total liabilities	**(622,360)**	(580,301)	(612,497)	(731,935)	(798,332)
	378,152	325,875	260,678	253,400	212,034

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 29 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's memorandum and articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 36 to the consolidated financial statements and the consolidated statement of changes in equity and note 30 to the consolidated financial statements, respectively.

The reserve available for distribution to shareholders is based on the lower of the aggregate amount of profit after taxation for the year and retained profits brought forward determined under accounting standards in the People's Republic of China and that determined under general accepted accounting principles of Hong Kong after deduction of the current year's appropriations to the statutory surplus reserve and statutory public welfare fund.

RELATIONSHIP OF STAKEHOLDERS

To the best knowledge of the Group, employees, customers and business partners are the key to have continuous sustainable development. We commit to be people oriented and build up good relationship with employees, and work together with our business partners to provide high quality products and services to achieve the goal of sustainable development and contribution to the society.

ENVIRONMENTAL POLICY AND PERFORMANCE

The Group paid high attention to environmental protection and energy conservation to enhance the capacity of sustainable development and undertake relative social responsibility.

COMPLIANCE WITH RELATED LAW AND REGULATIONS

As far as the Board and management are aware, the Group has complied all related laws and regulations in all material aspects which may have significant impact on the operation of the Group.

REMUNERATION POLICY

As at 31 December 2015, the total number of the Group's staff was approximately 2,500. The total staff costs (including directors' remuneration) amounted to approximately RMB150,740,000 for the year. The Group remunerates its employees (including directors and senior management) based on their performance, experience and prevailing industry practice. The Group provides retirement benefit for its employees in Hong Kong in form of mandatory provident fund and provides similar schemes for its employees in the PRC.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 51% of the total sales for the year and sales to the largest customer included therein amounted to 15%. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

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

DIRECTORS

The directors of the Company during the year were:

Executive directors:
Mr. Xu Yong
Mr. Shimabayashi Manabu

Non-executive directors:
Mr. Katsutoshi Masuda
Mr. Toshimitsu Masuda
Mr. Lo Ka Wai*
Mr. Fan Xiaoping*
Mr. Hisaki Takabayashi*

* *Independent non-executive directors*

In accordance with articles 87 and 88 of the Company's articles of association, Messrs Toshimitsu Masuda, Lo Ka Wai and Fan Xiaoping will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from Messrs Lo Ka Wai, Fan Xiaoping and Hisaki Takabayashi and as at the date of this report still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 21 to 22 of the annual report.

DIRECTORS' SERVICE CONTRACTS

The Company has entered into service contracts with the executive directors for a term of 3 years. The contracts shall be continuing thereafter unless and until terminated by either party thereto giving to the other not less than three months written notice.

In addition, the Company has entered into letter of appointment with non-executive directors and independent non-executive directors which shall be continuing unless and until terminated by either party thereto giving to the other not less than three months written notice.

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

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in notes 21, 25 and 33 to the consolidated financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES OF THE COMPANY

The interests and/or short position of the Directors and chief executives of the Company in the Shares, underlying shares in respect of equity derivatives and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which was notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO); or which was required pursuant to section 352 of the SFO to be entered in the register referred to therein; or which was required pursuant to the Listing Rules relating to securities transactions by the directors to be notified to the Company and the Stock Exchange are as follows:

		Capacity			Number of shares		
Name of Company	Name of Director	Personal Interests	Family Interests	Corporate Interests	Long Position	Short Position	Approximate Percentage of interests
Company	Katsutoshi Masuda ("Mr. Masuda") (Note 1)	–	–	80,960,000 shares	80,960,000 shares	–	40.00%
Company	Toshimitsu Masuda (Note 2)	–	–	80,960,000 shares	80,960,000 shares	–	40.00%
Company	Xu Yong	31,280,000 shares	–	–	31,280,000 shares	–	15.45%
Company	Manabu Shimabayashi	660,000 shares	110,200 shares	–	770,200 shares	–	0.38%
Company	Fan Xiaoping	19,800 shares	–	–	19,800 shares	–	0.01%
Yusei Machinery Corporation ("Yusei Japan")	Mr. Masuda (Note 3)	21,960 shares	2,100 shares	25,760 shares	49,820 shares	–	49.8%
Yusei Japan	Toshimitsu Masuda (Note 4)	1,700 shares	–	25,760 shares	27,460 shares	–	27.5%

Notes:

1. Mr. Masuda is deemed to be interested in 49.8% of the issued share capital in Yusei Japan pursuant to the SFO. Yusei Japan is interested in 40% in the issued share capital of the Company and that Yusei Japan or its directors are accustomed or obliged to act in accordance with the directions or instructions of Mr. Masuda. By virtue of SFO, Mr. Masuda is deemed to be interested in 80,960,000 Shares held by Yusei Japan.
2. Mr. Toshimitsu Masuda, (son of Mr. Masuda) holds 50% of the issued share capital of Conpri. Conpri is interested in 25.8% in the issued share capital of Yusei Japan which in turn is interested in 40% in the issued share capital of the Company. By virtue of SFO, Mr. Toshimitsu Masuda is deemed to be interested in 80,960,000 Shares through his shareholding in Conpri.
3. Mr. Masuda holds 30% of the issued share capital of Conpri. Conpri or its directors are accustomed or obliged to act in accordance with the directions or instructions of Mr. Masuda. By virtue of SFO, Mr. Masuda is deemed to be interested in 25,760 shares in Yusei Japan held by Conpri.
4. Mr. Toshimitsu Masuda, (son of Mr. Masuda) holds 50% of the issued share capital of Conpri. Conpri is interested in 25.8% of the issued share capital of Yusei Japan. By virtue of SFO, Mr. Toshimitsu Masuda is deemed to be interested in 25,760 shares in Yusei Japan held by Conpri.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as the Directors are aware, the following persons (other than the Directors or chief executive of the Company) had an interest and/or a short position in the shares or underlying shares in respect of equity derivatives of the Company that would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO), or be recorded in the register of the Company or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying right to vote in all circumstances at general meetings of any other member of the Group are as follows:

			Number of shares		
Name of Company	Number of shareholder	Capacity	Long Position	Short Position	Approximate percentage of interests
Company	Yusei Japan	Beneficial Owner	80,960,000 shares	–	40.00%
Company	Conpri (Note 1)	Corporate Interest	80,960,000 shares	–	40.00%
Company	Mrs. Echiko Masuda (Note 2)	Family Interests	80,960,000 shares	–	40.00%
Company	Superview International Investment Limited (Note 3)	Beneficial Owner	38,722,000 shares	–	19.13%

Notes:

1. Conpri is interested in 25.8% in the issued share capital of Yusei Japan. By virtue of SFO, Conpri is deemed to be interested in 80,960,000 shares held by Yusei Japan.
2. Mrs. Echiko Masuda is the spouse of Mr. Masuda and is deemed to be interested in 80,960,000 Shares pursuant to the SFO.
3. Superview International Investment Limited is wholly owned by Mr. Xu Yue, an elder brother of Mr. Xu Yong who is an executive director of the Company.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

None of the Directors or their respective associates was granted by the Company or its subsidiary any right to acquire shares or debentures of the Company or any other body corporate, or had exercised any such right as at 31 December 2015.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the year ended 31 December 2015, the Company had adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Appendix 10 to the Listing Rules. The Company also had made specific enquiry of all directors and the Company was not aware of any non-compliance with he required standard of dealings and its code of conduct regarding securities transactions by directors.

AUDIT COMMITTEE

The Company has established an audit committee comprising of the three independent non-executive directors, namely Mr. Hisaki Takabayashi, Mr. Fan Xiaoping and Mr. Lo Ka Wai, with written terms of reference in compliance with Rules 3.21 to 3.22 of the Listing Rules. The primary duties of the audit committee are (i) to review, in draft form, the Company's annual report and accounts, half-yearly report and quarterly reports and providing advice and comments thereon to the Board; and (ii) to review and supervise the Company's financial reporting and internal control procedures. Mr. Lo Ka Wai is the chairman of the audit committee.

The audit committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2015, which was of an opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

DIRECTORS' INTEREST IN A COMPLETING BUSINESS

Yusei Japan is beneficially owned as to 40% equity interest of the Company. With its production and business operations based in Japan, Yusei Japan is principally engaged in the design, fabrication and sales of plastic injection moulds, and, to a lesser extent, the manufacture and sales of plastic component products. The plastic injection moulds fabricated by Yusei Japan are mainly applicable for the manufacture of headlight components including glass lens and reflector, automobile gauge board and other interior components for automobiles. Furthermore, Yusei Japan also fabricates plastic injection moulds for the manufacturing of peripheral plastic components for air conditioners and component parts for fishing tools.

Yusei Japan is owned as to approximately 25.8% by Conpri, as to approximately 21.9% by Mr. Masuda, as to approximately 12.1% by Mr. Akio Suzuki, as to approximately 2.1% by Mrs. Echiko Masuda and as to approximately 1.7% by Mr. Toshimitsu Masuda, as to 30% by Tokyo Small and Medium Business Investment & Consultation Co., Ltd., respectively and as to approximately 6.4% held by Yusei Japan itself as a result of share repurchase, which according to the confirmation of a practicing Japanese law firm, need not be extinguished from the issued share capital of Yusei Japan under Japanese laws. Conpri is a company incorporated in Japan with limited liability and is owned as to 50% by Mr. Toshimitsu Masuda, as to 30% by Mr. Masuda, and as to 20% by Mrs. Echiko Masuda. Mrs. Echiko Masuda and Mr. Toshimitsu Masuda are the spouse and son of Mr. Masuda, respectively. Mr. Katsutoshi Masuda and Mr. Toshimitsu Masuda are the Company's non-executive directors. Mr. Akio Suzuki was the Company's non-executive directors.

Notwithstanding that the Group and Yusei Japan are engaged in similar business activities to certain extent, there is a clear delineation and independence of the Group's business from that of Yusei Japan. In particular, the Group's target markets (being the PRC, Taiwan, Hong Kong and the Macau Special Administrative Region of the PRC) are territorially different from that of Yusei Japan. The locations of the production facilities are different and separate between the Group and Yusei Japan. The management responsible for the day-to-day operations of the Group and Yusei Japan is also different. The Directors believe that Yusei Japan does not compete with the Group.

Notwithstanding that the Directors believe that Yusei Japan does not compete with the Group, to clearly delineate the business operations of the Group from that of Yusei Japan and to avoid any possible future competition with the Group, Yusei Japan and its shareholders (collectively "the Covenantors") have entered into a deed of non-competition dated 19 September 2005 (the "Deed of Non-competition"), pursuant to which each of the Covenantors irrevocably and unconditionally undertakes and covenants with the Company that each of the Covenantors shall:

(1) not either on his/her/its own account or for any other person, firm or company, and (if applicable) shall procure that its subsidiaries (other than the Company and any member of the Group) or companies controlled by each of the Covenantors shall not either on its own behalf or as agent for any person, firm or company and either directly or indirectly (whether as a shareholder, partner, consultant or otherwise and whether for profit, reward or otherwise) at any time solicit, interfere with or endeavour to entice away from any member of the Group any person, firm, company or organisation who to its knowledge is from time to time or has at any time been a customer or supplier or a business partner of any member of the Group;

(2) not either alone or jointly with any other person, firm or company, carry on (including but not limited to making investments, setting up distribution channels and/or liaison offices and creating business alliances), participate, be engaged, concerned or interested in or in any way assist in or provide support (whether financial, technical or otherwise) to any business similar to or which competes (either directly or indirectly) or is likely to compete with the business of the design, development and fabrication of precision plastic injection moulds or the manufacturing of plastic components in the Group's Exclusive Markets or the provision of certain assembling and further processing of plastic components for customers (the ''Business'') from time to time carried out by any member of the Group (provision of assistance and support to the Group excepted) including the entering into of any contracts, agreements or other arrangements in relation to any of the above;

(3) not directly or indirectly sell, distribute, supply or otherwise provide products that are within the Group's Product Portfolio to any purchaser or potential purchaser of any products within the Group's Product Portfolio in the Group's Exclusive Markets (the "Customers") and upon receipt of any enquiry from Customers for products which are within the Group's Product Portfolio, to refer to the Company or any member of the Group all such business opportunities received by the Covenantors and provide sufficient information to enable the Company or any member of Group to reach an informed view and assessment on such business opportunities;

(4) not directly or indirectly sell, distribute, supply or otherwise provide any products that are within the Group's Product Portfolio where the relevant Covenantor(s) know(s), or is reasonably regarded as should have known, that such products are destined to be re-sold, re-distributed or re-supplied for the purpose of commercial exploitation in the Group's Exclusive Markets;

(5) upon receipt of any order or enquiry from customers outside the Group's Exclusive Markets for products which are within the Group's Product Portfolio and where the relevant Covenantor(s) know(s), or is reasonably regarded as should have known, that such products are destined to be re-sold, re-distributed or re-supplied for the purpose of commercial exploitation in the Group's Exclusive Markets, the relevant Covenantor shall inform the Group in writing of such order or enquiry and refer such customer to contract directly with the Group for the order of the relevant product;

(6) not do or say anything which may be harmful to the reputation of any member of the Group or which may lead any person to reduce their level of business with any member of the Group or seek to improve their terms of trade with any member of the Group; and

(7) not solicit or entice or endeavour to solicit or entice any of the employees of or consultants to the Group to terminate their employment or appointment with any member of the Group.

Saved as disclosed above, none of the directors of the Company had an interest in a business which competes or may compete with the business of the Group.

AUDITOR

A resolution for the re-appointment of SHINEWING (HK) CPA Limited as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

ON BEHALF OF THE BOARD

Katsutoshi Masuda
Chairman

PRC
30 March 2016

CORPORATE GOVERNANCE PRACTICES

It is our long standing belief that a high standard of corporate governance is the key to the Group's stable and effective operation and is in the interests of the Group and its shareholders in long term. Throughout the year ended 31 December 2015, the Group has complied with the relevant regulations in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), save for the deviation from the code provision A.1.8 of the Code. The Board and the senior management of the Group have earnestly appraised the requirements of the Code and reviewed the practices of the Group to ensure full compliance with the Code.

DIRECTORS' SECURITIES TRANSACTIONS

During the year ended 31 December 2015, the Company had adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Appendix 10 to the Listing Rules. The Company also had made specific enquiry of all directors and the Company was not aware of any non-compliance with he required standard of dealings and its code of conduct regarding securities transactions by directors.

BOARD OF DIRECTORS

The Directors, with relevant and sufficient experience and qualification have exercised due care, fiduciary duties to the significant issues of the Company and its subsidiaries (the "Group"). The Board of the Company is comprised of two executive directors, two non-executive directors and three independent non-executive directors. All independent non-executive directors complied with the guidelines on independence set out under Rule 3.13 of the Listing Rules and have not violated any provision thereunder throughout the year. The list of directors and their biographies are set out in pages 21 to 22.

Interim and final board meetings of the Board are held on a regular basis. The Board is responsible for formulating and reviewing the business direction and strategy for the relevant auditing period and for supervising the operating and financial performance of the Group. Where necessary, the Board will also convene ad hoc meeting to discuss matters requiring a decision by the Board. The management is authorized to exercise discretion on daily operation matters.

The Articles of the Company clearly stipulate that the general manager of the Company is responsible for implementing various strategies and overseeing the daily operations of the Company and is required to report to the Board on a regular basis. The Board will formulate the development strategies of the Company within its scope of authorization. The management is authorized and entrusted by the Board to implement the strategies and oversee the daily operations of the Group.

During the Year, the Board held 4 meetings. Pursuant to the Articles of the Company, "meetings or extraordinary meetings of the Board may be convened by means of telephone or similar telecommunication facilities".

Regular meetings of the Board of the Company were held during the Year. Extra meetings were also held to cater for important matters arising from time to time. Directors may attend such meetings in person or through other electronic means of communication. Notice of 14 days was given to each director prior to a board meeting.

The company secretary assisted the chairman of the Board in preparing the meeting agenda. The directors are allowed to submit proposed agenda items to the secretary to the Board before the date appointed for the relevant meeting.

Minutes of board meetings and meetings of committees are duly kept by the secretary to the Board and freely available for inspection by the directors. Such meeting minutes recorded opinions and suggestions raised by the directors in the meeting. The final versions of such minutes were sent to directors for signing and confirmation.

Transactions in which directors are deemed to be involved in conflict of interests or deemed to be materially interested in will not be dealt with by written resolution. The relevant director will be allowed to attend the meeting but may not express any opinion and will be required to abstain from voting.

The directors may seek independent professional advice on professional matters involved at the expense of the Company.

Mr. Toshimitsu Masuda is the son of Mr. Katsutoshi Masuda.

Name of directors	Attendance in meetings of the Board in 2015	Attendance in annual general meeting in 2015
Katsutoshi Masuda (Chairman and non-Executive Director)	4/4	1/1
Xu Yong (Executive Director)	4/4	1/1
Shimabayashi Manabu (Executive Director)	4/4	1/1
Toshimitsu Masuda (Non-Executive Director)	4/4	1/1
Lo Ka Wai (Independent Non-Executive Director)	4/4	1/1
Fan Xiao Ping (Independent Non-Executive Director)	4/4	1/1
Hisaki Takabayashi (Independent Non-Executive Director)	4/4	1/1

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of chairman and general manager were served by different individuals. The chairman is responsible for overseeing operations of the Board and formulating the strategies and policies of the Company, while the general manager for managing the businesses of the Company.

Mr. Katsutoshi Masuda served as the chairman of the Board of the Company, which is equivalent to the post of chairman, responsible for leading the Board and the procedures and operation of the Board.

Mr. Xu Yong served as the general manager of the Company, which is equivalent to the post of chief executive officer, responsible for the daily operations of the Company and other matters authorized by the Board.

RETIREMENT OF DIRECTORS BY ROTATION AND RE-ELECTION

Each of Directors has entered into a service contract or a letter of appointment with the Company for a term of three years which shall be continuing unless and until terminated by either party thereto giving to the other not less than three months written notice.

Pursuant to the Articles of the Company, one-third of the directors shall retire from office by rotation and, being eligible, will offer themselves for re-election at the annual general meeting.

If an Independent Non-executive Director serves more than 9 years, his further appointment should be subject to a separate resolution to be approved by shareholders. The papers to shareholders accompanying that resolution should include the reasons why the Board believes he is still independent and should be re-elected.

INDEMNITIES OF DIRECTORS AND CHIEF EXECUTIVES

Under the code provision A.1.8, the Group should arrange appropriate insurance cover in respect of legal action against its directors. However, as the Group's businesses are relatively unitary, the Directors can easily comprehend these businesses. At the same time, the Directors are equipped with the adequate spirit and expertise in making corporate decisions. Furthermore, the Directors consider that the Management has placed emphasis on control over corporate risks from time to time, and has strictly complied with the Listing Rules and the relevant regulations. Therefore it is not necessary to purchase insurance for the Directors and Chief Executives.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

During the year, the Directors are provided with monthly updates on the Group's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. In addition, all Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company updates Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices.

All Directors have participated in appropriate continuous professional development activities either by attending training courses or by reading materials relevant to the Company's business or to the Directors' duties and responsibilities.

REMUNERATION COMMITTEE

The Company has established Remuneration Committee comprising all independent non-executive directors.

The Remuneration Committee is responsible for reviewing the remuneration policies for directors and senior management of the Company, and fixing the remuneration packages for directors and senior management, including benefits in kind, pension and compensation. The terms of reference of the Remuneration Committee was published on the Group's website.

The Remuneration Committee has held one meeting during the year with all members of the Committee attended.

During the year under review, the Remuneration Committee has assessed performance of the executive Directors and reviewed and determined their remuneration packages. The remuneration of Directors comprises basic salary, pensions and discretionary bonus. The Remuneration Committee has also reviewed the remuneration of existing non-executive Directors. Details of the amount of emoluments of Directors for the year ended 31 December 2015 are set out in Note 12 to the consolidated financial statements.

NOMINATION COMMITTEE

The Company has set up nomination committee comprising all independent non-executive directors. The Nomination Committee is responsible for the recommendation, election and appointment of Directors of the Company. The criteria for nomination of directors for re-election include the past performance of the respective directors and the suitability of the nominee as a director of a listed company. The term of reference of Nomination Committee was published on the Group's website.

The Nomination Committee has held one meeting during the year with all members of the Committee attended.

During the year, the work performed by the Nomination Committee included the followings:

– the recommendation of the retiring directors for re-election at the annual general meeting;

– the review of composition of the Board; and

– the assessment of independence of the independent Non-executive Directors.

The Board had adopted the Board Diversity Policy which sets the approach to achieve and maintain diversity of the Board to enhance quality of its performance. The Policy aims to achieve diversity through the consideration of number of factors including but not limited to skills, regional and industry experience, background, age, race, gender and other qualities. These differences will be taken into account in determining the optimum composition of the Board. All Board appointments are based on merit, in the content of the talents, skills and experience, and taking into account diversity.

The Nomination Committee will report annually on the composition of the Board under diversified perspective, and monitor the implementation of this policy to ensure its effectiveness. It will discuss any revisions that may be required and recommend such revisions to the Board for consideration and approval.

AUDITORS' REMUNERATION

SHINEWING (HK) CPA Limited ("SHINEWING") were appointed as the auditor of the Company pursuant to the shareholders' resolution passed in the Annual General Meeting held on 5 June 2015. Auditing fees in respect of annual audit and non-audit services for the year ended 31 December 2015 amounted to RMB900,000 and RMB5,000, respectively.

The consolidated financial statements for the years ended 31 December 2008, 2009, 2010, 2011, 2012, 2013, 2014 and 2015 were audited by SHINEWING.

AUDIT COMMITTEE

The Company has established an Audit Committee comprising all Independent Non-executive Directors, namely Messrs Lo Ka Wai (as chairman), Fan Xiaoping and Hisaki Takabayashi, with written terms of reference published on the Group's website. The primary duties of the Audit Committee are (1) to review, in draft form, the Company's annual report and accounts, and interim reports and providing advice and comments thereon to the Board; and (2) to review and supervise the Company's financial reporting and internal control procedures.

The Audit Committee held two meetings during the year with a 100% attendance by all the committee members to review the Group's 2014 annual results and 2015 interim results.

CORPORATE GOVERNANCE FUNCTIONS

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

1. To develop and review the Group's policies and practices on corporate governance and make recommendations;
2. To review and monitor the training and continuous professional development of directors and senior management;
3. To review and monitor the Group's policies and practices on compliance with all legal and regulatory requirements;
4. To develop, review and monitor the code of conduct and compliance manual (if any) applicable to the employees and directors of the Group; and
5. To review the Group's compliance with the Code and disclosure requirements in the Corporate Governance Report.

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

The Directors acknowledge their responsibility to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Group and in presenting the interim and annual financial statements, and announcements to shareholders in a timely manner. The Directors are responsible for ensuring that the Group maintains accounting records which disclose with reasonable accuracy the financial position of the Group and which enable the preparation of financial statements in accordance with the disclosure requirements of the Hong Kong Companies Ordinance ("Companies Ordinance"), the Hong Kong Financial Reporting Standards ("HKFRSs") and all applicable disclosure provisions of the Listing Rules. In preparing the financial statements for the year ended 31 December 2015, the Directors have selected suitable accounting policies and have applied them consistently, adopted appropriate HKFRSs which are pertinent to its operations and relevant to the financial statements, made judgements and estimates that are prudent and reasonable.

The Board is committed to providing a balanced, clear and comprehensible assessment of the financial performance and prospects of the Group in all the disclosures made to the stakeholders and the regulatory authorities.

Timely release of interim and annual results announcements reflects the Board's commitment to provide transparent and up-to-date disclosures of the results of the Group.

The Board, assisted by the Audit Committee, oversees the financial reporting process and the quality of the financial reporting of the Group. The Audit Committee reviews and monitors the integrity of the Group's annual and interim financial statements. It also reviews the appropriateness of the Group's accounting policies and the changes to these policies as well as ensures these financial statements comply with accounting standards and regulatory requirements.

The responsibilities of the external auditors with respect to financial reporting are set out in the Independent Auditors' Report attached to the Company's 2015 Annual Report.

COMPANY SECRETARY

Company Secretary: Mr. Shum Shing Kei (fellow member of the Hong Kong Institute of Certified Public Accountants). During the year ended 31 December 2015, Mr. Shum has taken no less than 15 hours of relevant professional trainings to update his skills and knowledge.

INTERNAL CONTROLS

The Board has overall responsibility for the internal control system of the Group. The Board has developed its systems of internal controls and risk management and is also responsible for reviewing and maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Group. The executive directors and senior management of the Group have been granted corresponding authorizations to manage and monitor all operating systems of the entity and to handle the related affairs pursuant to the principles of trust and impartiality. The Audit Committee supervises the internal control system of the Group and reviews the internal audit report presented by the senior management, as well as reports any major issues and makes recommendations to the Board.

During the Year under Review and as of the date hereof, the Board considered that the prevailing internal control system of the Group is steady and is adequate to protect the interests of the shareholders, customers and employees as well as the assets of the Group. The Group has engaged sufficient employees in the accounting and finance functions, who have the resources, qualifications and experiences as well as the necessary training and budget.

SHAREHOLDER RIGHTS

GENERAL MEETING

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The Chairman of the Board as well as chairmen of the Audit Committee, Remuneration Committee and Nomination Committee, or in their absence, their duly appointed delegates are available to answer questions at the shareholders' meetings. Auditor of the Company is also invited to attend the Company's AGM and is available to assist the directors in addressing queries from shareholders relating to the conduct of the audit and the preparation and contents of the Independent Auditor's Report. Separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors.

Notice of AGM together with related papers are sent to the shareholders at least 20 clear business days before the meeting, setting out details of each proposed resolution, voting procedures and other relevant information. All votes of shareholders at the general meeting will be decided by poll. The Chairman will demand that all resolutions put to the vote at the AGM will be taken by poll and will explain such rights and procedures during the AGM before voting on the resolutions. An independent scrutineer will be appointed to count the votes and the poll results will be posted on the websites of the Company and the Stock Exchange after the AGM.

Shareholders of the Company can make a requisition to convene an extraordinary general meeting ("EGM") pursuant to Article 58 of the Company's Articles of Association. The procedures for the shareholders to convene an EGM are as follows:

1. One or more shareholders ("Requisitionist") holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings shall have the right, by written notice, to require an EGM to be called by the directors for the transaction of any business specified in such requisition.

2. Such requisition shall be made in writing to the directors or the company secretary of the Company at all of the following addresses:

   Principal place of business of the Company in Hong Kong

   Address: Unit 901, Fortune Commercial Building, 362 Sha Tsui Road, Tsuen Wan, NT, Hong Kong

   Email: zl-chen@yusei.cn

   Attention: Company Secretary

   Head office of the Company

   Address: Lin Gang Industrial Zone, Henggengtou Village, Guali Town, Xiaoshan District, Hangzhou City, Zhejiang Province, the People's Republic of China

   Attention: Company Secretary

   Registered office of the Company

   Address: Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands

   Attention: Company Secretary

3. The EGM shall be held within two months after the deposit of such requisition.

4. If the directors fail to proceed to convene such meeting within 21 days of such deposit, the Requisitionist himself may do so in the same manner, and all reasonable expenses incurred by the Requisitionist as a result of the failure of the directors shall be reimbursed to the Requisitionist by the Company.

INVESTORS RELATIONS

The Board and senior management recognize their responsibility to represent the interests of all shareholders and to maximize shareholder's value and have made the following commitments to the Group:

- continuing effort to maintain long-term stability and growth in shareholder value and return on investment;
- responsible planning, establishment and operation of the Group's core businesses;
- responsible management of the Group's investment and business risks; and
- true, fair and detailed disclosure of the financial position and operating performance of the Group.

The Group believes that shareholders' rights should be well respected and protected. The Group endeavors to maintain good communications with shareholders on its performance through interim reports, annual reports, general meetings and public disclosure on the Company's website, so that they may make an informed assessment of their investments and exercise their rights as shareholders. The Group also encourages shareholders' participation through general meetings or other means.

For the purpose of promoting the mutual communication between the Group, its shareholders and potential investors on a regular basis, the Group has set up an investor relations office to respond to the questions and enquiries from shareholders and the general public. For any enquiries, investors may write directly to the Group at its place of business in the PRC. They may also call us directly by phone.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Mr. Katsutoshi MASUDA (增田勝年先生), aged 71, is the chairman and a non-executive Director of the Company. Mr. Masuda was appointed as the chairman of the Company on 2 June 2005 and as a Director on 21 April 2005. Mr. Masuda has over 35 years of experience in mould fabrication and manufacturing. Mr. Masuda founded Yusei Machinery Corporation ("Yusei Japan"), the Company's ultimate holding company in September 1969 and is currently also a director and shareholder of Yusei Japan and Conpri. Mr. Masuda is one of the founders of the Group in April 1992 and is responsible for the major strategy of the Group.

Mr. XU Yong (許勇先生), aged 53, is an executive Director and the general manager of Yusei. Mr. Xu was appointed as a Director of the Company on 21 April 2005. Mr. Xu has over 10 years of experience in mould fabrication. Mr. Xu completed an industrial business administration course in 浙江廣播電視大學 (Zhejiang Broadcasting & Television University) in August 1986 and completed a Japanese language course in 杭州大學外語學院 (Department of Foreign Language of University of Hangzhou) and 浙江省科學技術培訓中心 (Science and Technology Training Centre of Zhejiang Province) in February 1993 and November 1993 respectively. In November 1994, Mr. Xu completed a production management and mechanical engineering internship program in Toneseiki Company Limited (日本利根精機株式會社). Mr. Xu was graduated from the Central Party School of the Communist Party of China in 2008 and obtained the law degree. Mr. Xu joined Zhejiang Yusei as its deputy general manager in June 1995. Currently, Mr. Xu is responsible for the general management of the Group and the supervision of the overall production operation.

Mr. Manabu SHIMABAYASHI (島林學步先生), aged 42, is an executive director and deputy general manager of Yusei. Mr. Shimabayashi will be appointed as an executive Director of the Company with effect from the date on which the listing of the Shares is transferred from GEM to Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He graduated from Seijo University (成城大學) with a bachelor degree in economics in 1996. He was employed by an accountants' firm in Shizuoka, Japan from 1996 to 2007. Mr. Shimabayashi joined the Group in 2007 as head of management department of Zhejiang Yusei.

Mr. Toshimitsu MASUDA (增田敏光先生), aged 47, son of Mr. Katsutoshi Masuda, was appointed as a non-executive Director on 2 June 2005. Mr. Toshimitsu Masuda graduated from Kogakuin University and obtained Bachelor Degree in engineering in March 1991. Mr. Toshimitsu Masuda joined Yusei Japan in 1997 as a director and is a shareholder of Yusei Japan. He is also a director and shareholder of Conpri. Mr. Toshimitsu Masuda joined the Group in May 1998.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. FAN Xiaoping (范曉屏先生), aged 57, was appointed as an independent non-executive Director on 2 September 2005. Mr. Fan graduated from 浙江大學 (University of Zhejiang) with a bachelor degree in physics in July 1982 and completed a master program in administration science and engineering in July 1988. Mr. Fan is currently a professor in the business administration department in the University of Zhejiang.

Mr. LO Ka Wai (羅嘉偉先生), aged 46, was appointed as an independent non-executive Director on 2 September 2005. Mr. Lo graduated from the University of Wollongong, Australia in 1992 with a bachelor degree in commerce (with merit). Mr. Lo is a qualified accountant and is also a member of the Hong Kong Institute of Certified Public Accountants and CPA Australia. Mr. Lo is currently an executive director of National United Resources Holdings Limited and of Han Tang International Holdings Limited (previously known as Pearl River Tyre (Holdings) Limited) and is an independent non-executive director of Sheng Yuan Holdings Limited, all of which are listed on the Main Board of the Stock Exchange.

Mr. Hisaki TAKABAYASHI (高林久記先生), aged 55, was appointed as an independent non-executive Director on 2 September 2005. Mr. Takabayashi graduated from 大東文化大學 (Daitobonka University) with a bachelor degree in Chinese in March 1983. Mr. Takabayashi was the deputy representative of the Shanghai Office of 日本靜岡縣國際經濟振興會 (Shizuoka International Economic Organisation) in 2002. At present, Mr. Takabayashi is the Business Bureau Supervisor of 日本靜岡縣日中友好協進會 (Japan and China Friendship Council of Shizuoka Prefecture).

SENIOR MANAGEMENT

Mr. SHEN Jinjiang (沈錦江先生), aged 62, joined the Group in 2013. He is currently the Group's deputy general manager. Before joining the Group, Mr. Shen served as senior management positions in a number of large enterprises. Currently, Mr. Shen is responsible for the financial management of the Group, upgrading the management and optimizing business operations.

Mr. CHEN Gang (陳剛先生), aged 48, joined the Group in September 1992 and has worked in various positions including technician, mould fabrication technical division head and mould fabrication department head, and head of operation technical department. Mr Chen is currently the deputy general meeting of Hangzhou Yusei.

Mr. WANG Dehong (王德洪先生), aged 46, was graduated from Hubei Institute of Technology in 1994 to obtain a Bachelor degree of Engineering. In 1995, Mr. Wang joined the Group and had held various positions, including technician, chief of quality control department, head of production department and production controller. Mr. Wang is currently the deputy general meeting of Suzhou Yusei.

Mr. SHUM Shing Kei (沈成基先生), aged 44, is company secretary of the Company. He obtained a master degree in financial management from the University of London, the United Kingdom in December 1998. He is also a fellow member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group in April 2005, he had over 11 years of experience in auditing and accounting and had worked for an international accounting firm and a listed company in Hong Kong.

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE MEMBERS OF
YUSEI HOLDINGS LIMITED
友成控股有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Yusei Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 25 to 86, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, 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.

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.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Hon Kei Anthony
Practising Certificate Number: P05591

Hong Kong

30 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

	NOTES	2015 RMB'000	2014 RMB'000
Revenue	7	**1,101,340**	952,531
Cost of sales		**(936,038)**	(804,535)
Gross profit		**165,302**	147,996
Other income	8	**7,305**	7,770
Net foreign exchange gain		**1,595**	1,056
Distribution costs		**(35,877)**	(23,993)
Administrative expenses		**(51,990)**	(55,368)
Finance costs	9	**(17,576)**	(21,402)
Share of profits of associates	18	**4,736**	933
Profit before tax		**73,495**	56,992
Income tax expense	10	**(11,702)**	(6,653)
Profit for the year attributable to owners of the Company	11	**61,793**	50,339
Earnings per share			
Basic and diluted	14	**RMB0.305**	RMB0.262

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015	2014
	RMB'000	RMB'000
Profit for the year	**61,793**	50,339
Other comprehensive expense:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of financial statements of foreign operations	**(1,521)**	(682)
Total comprehensive income for the year attributable to owners of the Company	**60,272**	49,657

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	NOTES	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment	15	**363,853**	305,319
Intangible assets	16	**660**	758
Land use rights	17	**17,559**	18,178
Interests in associates	18	**33,487**	24,545
		415,559	348,800
Current assets			
Inventories	19	**139,326**	170,966
Trade and bills receivables, deposits and prepayments	20	**374,071**	328,571
Amounts due from associates	21	**11,725**	14,193
Pledged bank deposits	22	**5,709**	1,397
Bank balances, deposits and cash	23	**54,122**	42,249
		584,953	557,376
Current liabilities			
Trade and other payables	24	**340,846**	302,064
Amount due to ultimate holding company	25	**22,326**	23,524
Amounts due to associates	21	**3,699**	995
Income tax liabilities		**12,838**	9,413
Obligations under finance leases – due within one year	26	**27,049**	15,141
Bank and other loans – due within one year	27	**176,550**	215,452
		583,308	566,589
Net current assets (liabilities)		**1,645**	(9,213)
Total assets less current liabilities		**417,204**	339,587

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	NOTES	2015 RMB'000	2014 RMB'000
Non-current liabilities			
Obligations under finance leases			
– due after one year	26	**38,422**	12,834
Deferred income	28	**630**	878
		39,052	13,712
		378,152	325,875
Capital and reserves			
Share capital	29	**2,020**	2,020
Reserves		**376,132**	323,855
		378,152	325,875

The consolidated financial statements on pages 25 to 86 were approved and authorised for issue by the board of directors on 30 March 2016 and are signed on its behalf by:

Katsutoshi Masuda
Director

Xu Yong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Share capital RMB'000 (Note 29)	Share premium RMB'000	Special reserve RMB'000 (Note 30(i))	Reserve for shares issued with vesting conditions RMB'000 (Note 30(iv))	Translation reserve RMB'000	Capital reserve RMB'000 (Note 30(ii))	Statutory surplus reserve RMB'000 (Note 30(iii))	Retained profits RMB'000	Total RMB'000
At 1 January 2014	1,810	39,867	49,663	18,065	7,053	71	16,493	127,656	260,678
Profit for the year	–	–	–	–	–	–	–	50,339	50,339
Other comprehensive expense for the year	–	–	–	–	(682)	–	–	–	(682)
Total comprehensive (expense) income for the year	–	–	–	–	(682)	–	–	50,339	49,657
Issue of shares (Note 29)	210	16,585	–	–	–	–	–	–	16,795
Transaction costs attributable to issue of shares	–	(1,255)	–	–	–	–	–	–	(1,255)
At 31 December 2014	2,020	55,197	49,663	18,065	6,371	71	16,493	177,995	325,875
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**61,793**	**61,793**
Other comprehensive expense for the year	**–**	**–**	**–**	**–**	**(1,521)**	**–**	**–**	**–**	**(1,521)**
Total comprehensive (expense) income for the year	**–**	**–**	**–**	**–**	**(1,521)**	**–**	**–**	**61,793**	**60,272**
Dividend recognised as distribution (Note 13)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(7,995)**	**(7,995)**
At 31 December 2015	**2,020**	**55,197**	**49,663**	**18,065**	**4,850**	**71**	**16,493**	**231,793**	**378,152**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**73,495**	56,992
Adjustments for:		
Bank interest income	**(313)**	(233)
Depreciation and amortisation	**50,712**	44,256
Finance costs	**17,576**	21,402
Government subsidies	**(56)**	(39)
Impairment loss on trade receivables	**603**	342
Impairment loss on inventories	**6,419**	1,382
Loss (gain) on disposal of property, plant and equipment and land use rights	**357**	(4)
Impairment loss recognised in respect of interest in an associate	**1,394**	4,000
Release of deferred loss on sale and leaseback of property, plant and equipment	**3,008**	2,261
Release of deferred gain from sale and leaseback of property, plant and equipment	**(163)**	(163)
Release of government grants for land use rights	**(85)**	(85)
Reversal of impairment loss on trade receivables	**(616)**	(1,948)
Share of profits of associates	**(4,736)**	(933)
Operating cash flows before movements in working capital	**147,595**	127,230
Decrease (increase) in inventories	**25,221**	(33,538)
Increase in trade receivables, deposits and prepayments	**(48,495)**	(31,986)
Decrease (increase) in amounts due from associates	**2,468**	(13,927)
Decrease in amounts due to associates	**(1,123)**	(9,977)
Increase in trade and other payables	**30,086**	61,031
Decrease in amount due to ultimate holding company	**(1,198)**	(1,900)
Cash generated from operations	**154,554**	96,933
Income taxes paid	**(8,277)**	(5,446)
NET CASH FROM OPERATING ACTIVITIES	**146,277**	91,487

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(102,147)	(36,459)
Placement of pledged bank deposits	(5,000)	(535)
Additional interest in an associate	(1,773)	–
Purchase of intangible assets	(96)	–
Release of pledged bank deposits	688	1,617
Interest received	313	233
Proceeds from disposal of property, plant and equipment and land use rights	97	58
NET CASH USED IN INVESTING ACTIVITIES	(107,918)	(35,086)
FINANCING ACTIVITIES		
Repayment of bank and other loans	(345,727)	(452,278)
Interest paid	(17,576)	(21,402)
Repayment of obligations under finance leases	(16,243)	(9,541)
Dividend paid	(7,995)	–
New bank and other loans raised	306,825	354,801
Net proceed of sale and leaseback transactions	53,739	24,000
Government subsidies received	56	39
Transaction costs attributable to issue of shares	–	(1,255)
Issue of shares	–	16,795
NET CASH USED IN FINANCING ACTIVITIES	(26,921)	(88,841)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,438	(32,440)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	42,249	74,671
Effect of foreign exchange rate changes	435	18
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, Representing by bank balances, deposits and cash	54,122	42,249

1. CORPORATE INFORMATION

Yusei Holdings Limited (the "Company") is a public limited company incorporated in Cayman Islands as an exempted company with limited liability on 4 April 2005. Its ultimate holding company is Yusei Machinery Corporation ("Yusei Japan") (incorporated in Japan). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report.

The consolidated financial statements are presented in Renminbi ("RMB"). Other than those subsidiaries established in the People's Republic of China (the "PRC") whose functional currency is RMB, the functional currency of the Company is Hong Kong dollars ("HK$"). The Group adopted RMB as its presentation currency as the directors of the Company consider that the major operations are in the PRC and it is appropriate to present the consolidated financial statements in RMB.

The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") are moulding fabrication, manufacturing and trading of moulds and plastic components.

2A. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)")

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions

Annual Improvements to HKFRSs 2010 – 2012 Cycle

The Annual Improvements to HKFRSs 2010 – 2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

2A. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (CONTINUED)

Annual Improvements to HKFRSs 2010 – 2012 Cycle (Continued)

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company consider that the application of the amendments to HKFRSs 2010 – 2012 Cycle has had no material impact in the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2011 – 2013 Cycle

The Annual Improvements to HKFRSs 2011 – 2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The amendments are applied prospectively. The directors of the Company consider that the application of the amendments to HKFRSs 2011 – 2013 Cycle has had no material impact in the Group's consolidated financial statements.

2A. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (CONTINUED)

Amendments to HKAS 19 Defined Benefit Plans – Employee Contributions

The amendments to HKAS 19 simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. Specifically, contributions that are linked to services are attributed to periods of services as a negative benefit. The amendments to HKAS 19 specifies that such negative benefit are attributed in the same way as the gross benefit, i.e. attribute to periods of services under the plan's contribution formula or on a straight-line basis.

Besides, the amendments also states that if the contributions are independent of the number of years of employee service, such contributions may be recognised as a reduction of the service cost as they fall due.

The directors of the Company consider that the application of the amendments to HKAS 19 Defined Benefit Plans – Employee Contribution has had no material impact in the Group's consolidated financial statements.

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

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

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

[3] Effective date not yet been determined.

The directors of the Company anticipate that, except as described below, the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

2A. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (CONTINUED)

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement 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 reporting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9 (2014), 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 (2014) 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 of financial liabilities attributable to changes in the financial liabilities' 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 was presented in profit or loss.

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

2A. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (CONTINUED)

HKFRS 9 (2014) Financial Instruments (Continued)

- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 (2014) in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

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. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

i) Identify the contract with the customer;

ii) Identify the performance obligations in the contract;

iii) Determine the transaction price;

iv) Allocate the transaction price to the performance obligations; and

v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows 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.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted. 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.

2A. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (CONTINUED)

Annual Improvement to HKFRSs 2012 – 2014 Cycle

The Annual Improvements to HKFRSs 2012 – 2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 clarify that changing from one of the disposal methods (i.e. disposal through sale or disposal through distribution to owners) to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in HKFRS 5. Besides, the amendments also clarify that changing the disposal method does not change the date of classification.

The amendments to HKFRS 7 clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in HKFRS 7 in order to assess whether the additional disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety are required. Besides, the amendments to HKFRS 7 also clarify that disclosures in relation to offsetting financial assets and financial liabilities are not required in the condensed interim financial report, unless the disclosures provide a significant update to the information reported in the most recent annual report.

The amendments to HKAS 19 clarify that the market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

HKAS 34 requires entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'. The amendments to HKAS 34 clarify that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2012 – 2014 Cycle will have a material effect on the Group's consolidated financial statements.

Amendments to HKAS 1 Disclosure Initiative

The amendments clarify that companies should use professional judgement in determining what information as well as where and in what order information is presented in the financial statements. Specifically, an entity should decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity does not require to provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material. This is the case even if the HKFRS contain a list of specific requirements or describe them as minimum requirements.

Besides, the amendments provide some additional requirements for presenting additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity's financial position and financial performance respectively. Entities, in which they have investments in associates or joint ventures, are required to present the share of other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

2A. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (CONTINUED)

Amendments to HKAS 1 Disclosure Initiative (Continued)

Furthermore, the amendments clarify that:

(i) an entity should consider the effect on the understandability and comparability of its financial statements when determining the order of the notes; and

(ii) significant accounting policies are not required to be disclosed in one note, but instead can be included with related information in other notes.

The amendments will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted.

The directors of the Company anticipate that the application of the amendments to HKAS 1 in the future may have a material impact on the disclosures made in the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of revenue-based depreciation methods for property, plant and equipment under HKAS 16. The amendments to HKAS 38 introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be rebutted only in the following limited circumstances:

i) when the intangible asset is expressed as a measure of revenue;

ii) when a high correlation between revenue and the consumption of the economic benefits of the intangible assets could be demonstrated.

The amendments to HKAS 16 and HKAS 38 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied prospectively.

As the Group use straight-line method for depreciation of property, plant and equipment, the directors of the Company do not anticipate that the application of the amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments provide guidance on addressing the acknowledged inconsistency between the requirements in HKFRS 10 and those in HKAS 28, in dealing with the sale or contribution of assets between an investor and its joint venture and associate. An investing entity is required to recognise the gain or loss arising from selling or contributing assets that constitutes or contains a business to a joint venture or associate in full. An investing entity is required to recognise the gain or loss arising from selling or contributing assets that does not constitute or contain a business to a joint venture or associate only to the extent of the unrelated investors' interests in that joint venture or associate.

The effective date of amendments to HKFRS 10 and HKAS 28 has not yet been determined. However, earlier application is permitted. The amendments should be applied prospectively.

The directors of the Company do not anticipate that the application of the amendments to HKFRS 10 and HKAS 28 will have a material impact on the Group's consolidated financial statements.

2B. CHANGES OF ACCOUNTING ESTIMATES

Change of depreciation rate in the year

In previous years, property, plant and equipment was depreciated at the useful lives of 5 to 20 years. In 2015, property, plant and equipment has been depreciated at the useful lives of 3 to 12 years, being 60% of the former useful lives, which is in line with the new depreciation period suggested by State Administration of Taxation of the PRC upon the release of Caishui [2015] No. 106. This change in depreciation rate has increased the depreciation charge for the year ended 31 December 2015.

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 (the "Stock Exchange") 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.

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

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, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries). Control is achieved where 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 stated above.

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 from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

Investments in subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less accumulated impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

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 the consolidated financial statements using the equity method. 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 associate. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates (Continued)

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.

The financial statements of associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

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 an associate of the Group, 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 receivables for goods sold and services rendered in the normal course of business, net of discounts and sales related taxes.

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

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

Service income is recognised when services are provided.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates (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.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant leases.

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) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to allocate the cost of items of property, plant and equipment (other than construction in progress) less their residual value 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.

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

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 differences between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing (Continued)

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.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Sale and leaseback transactions

When a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortised over the lease term. If the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, no adjustment is necessary unless there has been an impairment in value, in which case the carrying amount is reduced to recoverable amount in accordance with HKAS 36.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease.

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits

Retirement benefits scheme contribution

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

Short-term employee benefits

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

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

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. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

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 profit before tax as reported in the consolidated statement of profit or loss 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 financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally 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 deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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.

Intangible asset

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are 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.

Cash and cash equivalents

Bank balances, deposits and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances, deposits and cash as defined above.

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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, 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.

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 bills receivables and deposits, amounts due from associates, pledged bank deposits and bank balances, deposits and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

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

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and amounts due from associates, 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, or an amount due from an associate 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 financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment 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.

Equity Instruments

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.

Other financial liabilities

Other financial liabilities, including trade and other payables, amount due to ultimate holding company, amounts due to associates, obligations under finance leases and bank and other loans, are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

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 neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. 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 a financial liability when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives 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. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest groups of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs 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 a 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 a 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 a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and associated assumptions are reviewed on an on-going 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.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Ownership of buildings

As detailed in note 15, certain of the Group's buildings have not yet been granted legal title from the relevant government authorities. Despite the fact that the Group has not obtained the relevant legal title, the directors of the Company recognised the buildings on the ground that they expect the legal title being obtained in the near future should have no major difficulties and the Group is in substance controlling these buildings. In the opinion of the directors of the Company, the absence of formal title to these buildings does not impair the value of the relevant assets to the Group.

Key sources of estimation uncertainty

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

Estimated depreciation and useful lives of property, plant and equipment

The directors of the Company determine the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions or useful lives suggested by State Administration of Taxation of the PRC. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. The directors of the Company will increase the depreciation charges where useful lives are less than previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. The carrying amounts of the property, plant and equipment as at 31 December 2015 amounted to approximately RMB363,853,000 (2014: RMB305,319,000).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

Estimated impairment of property, plant and equipment and land use rights

In considering the impairment losses that may be required for certain of the Group's assets which include property, plant and equipment and land use rights, recoverable amount of the asset needs to be determined if there is indication that those assets may be impaired. The recoverable amounts have been determined based on value-in-use calculations. These calculations require the use of estimates such as the future revenue and discount rates. The carrying amounts of the property, plant and equipment and land use rights as at 31 December 2015 amounted to approximately RMB363,853,000 (2014: RMB305,319,000) and approximately RMB18,176,000 (2014: RMB18,795,000) respectively. No accumulated impairment loss was recognised for property, plant and equipment and land use rights as at 31 December 2015 and 2014.

Estimated impairment of interests in associates

Determining whether the interests in associates are impaired requires an estimation of the future cash flows expected to arise and the expected dividend yield from the associates in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amounts of the interests in associates as at 31 December 2015 amounted to approximately RMB33,487,000 (2014: RMB24,545,000), net of accumulated impairment loss of approximately RMB12,594,000 (2014: RMB11,200,000).

Estimated impairment loss on inventories

The directors of the Company review an ageing analysis at the end of each reporting period, and makes impairment for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The directors of the Company estimate the net realisable value for such raw materials, work-in-progress and finished goods based primarily on the latest invoice prices and current market conditions. The directors of the Company also carry out an inventory review on a product-by-product basis at the end of each reporting period and makes impairment for obsolete items. During the year ended 31 December 2015, the Group recognised an impairment loss on inventories of RMB6,419,000 (2014: RMB1,382,000). As at 31 December 2015, the carrying amount of inventories is approximately RMB139,326,000 (2014: RMB170,966,000).

Estimated impairment loss on trade and bills 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 carrying amount of trade and bills receivables is approximately RMB344,942,000 (net of allowance for doubtful debts of RMB3,285,000) (2014: carrying amount of RMB281,731,000, net of allowance for doubtful debts of RMB3,298,000).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that 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 balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of net debt, which includes obligations under finance leases and bank and other loans as disclosed in notes 26 and 27 respectively and amount due to ultimate holding company and amounts due to associates as disclosed in notes 25 and 21 respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Group reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. Based on the recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as raise of new loans or repayment of existing loans.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2015 **RMB'000**	2014 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**421,433**	365,430
Financial liabilities		
At amortised cost	**579,430**	540,622

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, deposits and other receivables; amounts due from associates, pledged bank deposits and bank balances, deposits and cash, trade and other payables, amount due to ultimate holding company, amounts due to associates, obligations under finance leases and bank and other loans. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Market risk

(i) Currency risk

The Group's major exposure to currency risk is attributable to the trade and bills receivables, deposits and other receivables, bank balances, deposits and cash, trade payables and accrued charges, bank loans of the Group which are mainly denominated in foreign currencies of United State dollars ("US$") and Japanese Yen ("JPY"). The functional currencies of the relevant group entities are RMB and HK$. The Group currently does not have a foreign currency hedging policy in respect of foreign currency exposure. However, the directors of the Company monitor the related foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's major monetary assets and monetary liabilities denominated in currencies other than the functional currencies of the relevant group entities at the reporting date are as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Monetary assets		
US$		
Trade and bills receivables, deposits and other receivables	**18,196**	20,333
Bank balances, deposits and cash	**28,687**	16,529
	46,883	36,862
JPY		
Trade and bills receivables, deposits and other receivables	**142**	880
Bank balances, deposits and cash	**1,167**	361
	1,309	1,241

6. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Monetary liabilities		
US$		
Trade payables and accrued charges	**32,942**	34,986
Bank loans	**–**	11,408
	32,942	46,394
JPY		
Trade payables and accrued charges	**4,897**	440
Bank loans	**–**	15,476
	4,897	15,916

Sensitivity analysis

The Group is mainly exposed to currency risk in JPY and US$. The following table details the Group's sensitivity to a 10% (2014: 10%) increase and decrease in RMB or HK$ against JPY and 5% (2014: 5%) increase and decrease in RMB or HK$ against US$ with all other variables held constant. 10% and 5% (2014: 10% and 5%) are the sensitivity rate used when the reporting foreign currency risk internally to key management personnel and represents directors' assessment of the reasonably possible change in foreign exchange rates of JPY and US$. The sensitivity analysis includes US$ and JPY denominated monetary assets and liabilities and adjusts their translation based on their carrying amounts at the end of each reporting period. A positive number below indicates an increase in the post-tax profit where RMB or HK$ strengthen 5% (2014: 5%) against US$ and strengthen 10% (2014: 10%) against JPY. For a 5% and 10% (2014: 5% and 10%) weakening of RMB or HK$ against US$ and JPY respectively, there would be an equal and opposite impact on the post-tax profit.

	2015	2014
	RMB'000	RMB'000
US$	**(523)**	357
JPY	**269**	1,101

6. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposits, amount due to ultimate holding company, obligations under finance leases and fixed-rate bank and other loans (see notes 22, 25, 26 and 27 respectively for details). The Group historically has not used any financial instruments to hedge potential fluctuations in interest rates.

The Group is also exposed to cash flow interest rate risk in relation to floating-rate bank balances (see note 23 for details) and bank and other loans (see note 27 for details). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Tokyo Interbank Offer Rate ("TIBOR") arising from the Group's JPY denominated bank loans and RMB Benchmark Interest Rate arising from the Group's RMB denominated bank loans.

Sensitivity analysis

As at 31 December 2015, it is estimated that a general increase or decrease of 5% (2014: 5%) in interest rates, with all other variables held constant, would increase (2014: decrease) or decrease (2014: increase) the Group's post-tax profit for the year ended 31 December 2015 by approximately RMB4,000 (2014: RMB31,000).

The above sensitivity analysis has been determined assuming that a change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for bank balances and bank and other loans in existence at the end of the reporting period. The 5% (2014: 5%) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents directors' assessment of the reasonably possible change in interest rates.

Credit risk

Credit risk refers to the risk that receivables will default on their obligations to repay the amounts owing to the Group, resulting in a loss to the Group. 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 obligations by the counterparties is arising from the carrying amount of those assets as stated in the consolidated statement of financial position.

The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

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 action is taken to recover overdue debts. The Group's exposure and the credit ratings of its counterparties are continuously monitored and controlled by credit limits. The Group's current credit practices include assessment and valuation of customer's credit reliability and periodic review of their financial status to determine credit limits to be granted.

6. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

As at 31 December 2015, the Group has concentration of credit risk as 16% (2014: 10%) and 39% (2014: 41%) of the total trade receivables was due from the Group's largest customer and the five largest customers, respectively.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 99.98% (2014: 99.62%) of the total receivables as at 31 December 2015.

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

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.

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflow from operations to meet its debt obligations and to obtain continuing financial supports from its bankers. As at 31 December 2015, banking facilities in an aggregate amount of approximately RMB245,840,000 (2014: RMB146,856,000) were available from the Group's principal bankers, of which approximately RMB135,000,000 (2014: RMB42,516,000) has been utilised and included in bank and other loans or bills payables. The Group's management monitors the utilisation of bank and other loans and ensures compliance with existing loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of the non-derivative financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank and other loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The following 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 curve at the end of the reporting period.

6. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

As at 31 December 2015

	Within one year or on demand RMB'000	More than one year less than two years RMB'000	More than two years less than five years RMB'000	Total contractual undiscounted cash flows RMB'000	Carrying amount RMB'000
Trade payable and accrued charges	311,384	–	–	311,384	311,384
Amount due to ultimate holding company	23,478	–	–	23,478	22,326
Amounts due to associates	3,699	–	–	3,699	3,699
Obligations under finance leases	29,921	28,602	11,511	70,034	65,471
Bank and other loans	181,705	–	–	181,705	176,550
	550,187	28,602	11,511	590,300	579,430

As at 31 December 2014

	Within one year or on demand RMB'000	More than one year less than two years RMB'000	More than two years less than five years RMB'000	Total contractual undiscounted cash flows RMB'000	Carrying amount RMB'000
Trade payable and accrued charges	272,676	–	–	272,676	272,676
Amount due to ultimate holding company	24,758	–	–	24,758	23,524
Amounts due to associates	995	–	–	995	995
Obligations under finance leases	17,199	8,353	5,593	31,145	27,975
Bank and other loans	220,124	–	–	220,124	215,452
	535,752	8,353	5,593	549,698	540,622

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

(c) Fair value

The directors of the Company consider the fair values of current financial assets and current financial liabilities recorded at amortised cost in the consolidated financial statements approximate their carrying amounts due to short term maturities.

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

7. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for goods sold, less discount and value-added tax during the year.

HKFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM") (i.e. the chief executive) in order to allocate resources to segments and to assess their performance.

The Group's operating activities are attributable to a single operating segment focusing on the moulding fabrication, manufacturing and trading of moulds and plastic components. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies which conform to HKFRSs, that are regularly reviewed by the CODM. The CODM monitors the revenue from moulding fabrication, manufacturing and trading of moulds and plastic components for the purpose of making decisions about resources allocation and performance assessment. However, no revenue analysis, operating results and other discrete financial information are available for the resource allocation and performance assessment. The CODM reviews the profit for the year of the Group as a whole for performance assessment. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM.

Geographical information

During the years ended 31 December 2015 and 2014, the Group's operations were located in the PRC.

During the year ended 31 December 2015, 99.99% (2014: 99.98%) of the Group's revenue from external customers was generated in the PRC while as at 31 December 2015, 100% (2014: 100%) of the Group's non-current assets was located in the PRC. Hence, no geographical information is presented.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group is as follows:

	2015 **RMB'000**	2014 RMB'000
Customer A	**165,938**	166,428
Customer B	**139,627**	146,302
Customer C	**136,907**	N/A[1]

All revenue generated from the major customers shown above relate to the sale of moulds and plastic components.

[1] The corresponding revenue did not contribute over 10% of the total revenue of the Group.

8. OTHER INCOME

	2015 RMB'000	2014 RMB'000
Gain on sales of materials	**3,134**	3,784
Quality inspection income	**687**	188
Bank interest income	**313**	233
Rental income received	**211**	111
Utilities expenses claimed	**1,200**	1,011
Government subsidies (Note)	**56**	39
Release of government grants for land use rights (Note 28)	**85**	85
Reversal of impairment loss on trade receivables	**616**	1,948
Gain on disposal of property, plant and equipment and land use rights	**–**	4
Release of deferred gain from sale and leaseback of property, plant and equipment (Note 28)	**163**	163
Others	**840**	204
	7,305	7,770

Note: Government subsidies of approximately RMB56,000 (2014: RMB39,000) have been recognised during the year ended 31 December 2015 which were designated for the encouragement of business development and high technology development incentive. All conditions in respect of these grants had been fulfilled and such government grants were recognised in other income for the year.

9. FINANCE COSTS

	2015 RMB'000	2014 RMB'000
Interest on:		
bank and other loans	**13,002**	17,890
finance leases	**3,422**	2,278
amount due to ultimate holding company	**1,152**	1,234
	17,576	21,402

10. INCOME TAX EXPENSE

	2015 RMB'000	2014 RMB'000
PRC Enterprise Income Tax (the "EIT")		
Current year	12,342	6,653
Over-provision in prior year	(640)	–
	11,702	6,653

(i) Overseas income tax

The Company is incorporated in the Cayman Islands and is exempted from taxation in the Cayman Islands.

(ii) Hong Kong Profits Tax

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

(iii) PRC EIT

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

The applicable tax rate of the Company's subsidiaries, 杭州友成機工有限公司 Hangzhou Yusei Machinery Co., Ltd.* ("Hangzhou Yusei") and 蘇州友成機工有限公司 Suzhou Yusei Machinery Co., Ltd.* ("Suzhou Yusei") for the years ended 31 December 2015 and 2014 was 15%.

On 27 December 2012, Hangzhou Yusei was approved by Science and Technology Department of Zhejiang Province as high technology enterprise and therefore is subject to EIT at a concession rate of 15% for three years, with effective from 1 January 2012. In addition, on 17 September 2015, Hangzhou Yusei was approved by Science and Technology Department of Zhejiang Province as high technology enterprise and therefore is subject to EIT at a concession rate of 15% for three years, with effective from 1 January 2015.

On 8 November 2011, Suzhou Yusei was approved by Science and Technology Department of Suzhou Province as high technology enterprise and therefore is subject to EIT at a concession rate of 15% for three years, with effective from 1 January 2011. In addition, on 5 August 2014, Suzhou Yusei was approved by Science and Technology Department of Suzhou Province as high technology enterprise and therefore is subject to EIT at a concession rate of 15% for three years, with effective from 1 January 2014.

The applicable PRC EIT rate of 浙江友成塑料模具有限公司 Zhejiang Yusei Plastics & Mould Co., Ltd.* ("Zhejiang Yusei"), 友成(中國)模具有限公司 Yusei (China) Mould Co., Ltd.* ("Yusei China"), 廣州友成機工有限公司 Guangzhou Yusei Machinery Co., Ltd.* ("Guangzhou Yusei"), 杭州友成模具技術研究有限公司 Hangzhou Yusei Mould Technology Research Co., Ltd.* ("Hangzhou Yusei Moulding"), 蕪湖友成塑料模具有限公司 Wuhu Yusei Plastic Moulding Co., Ltd.* ("Wuhu Yusei") and 湖北友成塑料模具有限公司 Hubei Yusei Plastic Moulding Co., Ltd.* ("Hubei Yusei") is 25% for the years ended 31 December 2015 and 2014.

* The English names are for identification purposes only.

10. INCOME TAX EXPENSE (CONTINUED)

The income tax expense for the year can be reconciled to the profit before tax in the consolidated statement of profit or loss as follows:

	2015 RMB'000	2014 RMB'000
Profit before tax	**73,495**	56,992
Tax at the income tax rate at 25% (2014: 25%)	**18,374**	14,248
Tax effect of share of profits of associates	**(1,184)**	(233)
Tax effect of expenses not deductible for tax purpose	**4,074**	2,919
Tax effect of income not taxable for tax purpose	**(3,764)**	(2,799)
Tax effect of tax losses not recognised	**551**	1,589
Over-provision in prior year	**(640)**	–
Utilisation of tax losses previously not recognised	**(994)**	(4,054)
Tax effect attributable to tax concessions granted to the PRC subsidiaries	**(4,798)**	(5,264)
Effect of different tax rates	**83**	247
Income tax expense for the year	**11,702**	6,653

As at 31 December 2015, the Group has estimated unused tax losses of approximately RMB22,579,000 (2014: RMB24,351,000). No deferred tax asset has been recognised in the consolidated financial statements due to the unpredictability of future profit streams. Such tax losses can be carried forward for five years from the year in which the respective loss arose.

Under the EIT Law of PRC, withholding tax 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 differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB227,949,000 (2014: RMB232,554,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

11. PROFIT FOR THE YEAR

	2015 RMB'000	2014 RMB'000
Profit for the year has been arrived at after charging:		
Directors' and the chief executive's remuneration (Note 12)	**3,017**	2,497
Salaries, wages and other benefits	**139,050**	126,819
Retirement benefits scheme contributions	**8,673**	8,533
Other staff costs	**147,723**	135,352
Total staff costs	**150,740**	137,849
Depreciation of property, plant and equipment	**49,899**	43,531
Amortisation of intangible asset (included in administrative expenses)	**194**	106
Amortisation of land use rights (included in administrative expenses)	**619**	619
Total depreciation and amortisation expenses	**50,712**	44,256
Auditor's remuneration	**900**	880
Impairment loss on trade receivables (included in administrative expenses)	**603**	342
Impairment loss on inventories (included in cost of sales)	**6,419**	1,382
Impairment loss recognised in respect of interest in an associate	**1,394**	4,000
Loss on disposal of property, plant and equipment	**202**	–
Operating lease charges on leased premises	**6,434**	6,875
Release of deferred loss from sale and leaseback of property, plant and equipment	**3,008**	2,261

12. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND EMPLOYEES' EMOLUMENTS

(a) Directors and Chief Executive

Details of remuneration paid and payable to each of the seven (2014: seven) directors and the chief executive of the Company for the years ended 31 December 2015 and 2014 are as follows:

2015

	Emoluments paid or receivable in respect of a person's services as a director of the Company				
Name of director	Fees RMB'000	Basic salaries and allowances RMB'000	Discretionary bonus RMB'000 (Note)	Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive directors					
Xu Yong	630	120	450	37	1,237
Shimabayashi Manabu	630	120	–	–	750
Non-executive directors					
Katsutoshi Masuda	838	–	–	–	838
Toshimitsu Masuda	42	–	–	–	42
Independent non-executive directors					
Lo Ka Wai	100	–	–	–	100
Fan Xiaoping	25	–	–	–	25
Hisaki Takabayashi	25	–	–	–	25
	2,290	240	450	37	3,017

Note: The discretionary bonus is determined with reference to the individual performance during the year ended 31 December 2015.

12. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(a) Directors and Chief Executive (Continued)

2014

	Emoluments paid or receivable in respect of a person's services as a director of the Company			
Name of director	Fees	Basic salaries and allowances	Retirement benefits scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors				
Xu Yong	630	120	26	776
Shimabayashi Manabu	630	120	–	750
Non-executive directors				
Katsutoshi Masuda	789	–	–	789
Toshimitsu Masuda	39	–	–	39
Independent non-executive directors				
Lo Ka Wai	95	–	–	95
Fan Xiaoping	24	–	–	24
Hisaki Takabayashi	24	–	–	24
	2,231	240	26	2,497

Mr. Xu Yong is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

During the years ended 31 December 2015 and 2014, no emoluments were paid by the Group 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. None of the directors and the chief executive has waived or agreed to waive any remuneration during the years ended 31 December 2015 and 2014.

12. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(b) Employees

Of the five individuals with the highest emoluments in the Group, three (2014: three) were directors and the chief executive of the Company whose emoluments are included in the disclosures above. The aggregate emoluments of the remaining two (2014: two) individuals were attributable to two members of senior management, as follows:

	2015 **RMB'000**	2014 RMB'000
Salaries, wages and other benefits	**892**	788
Retirement benefits scheme contributions	**47**	34
	939	822

The emoluments paid to the members of senior management (excluding directors) were within the following bands:

	Number of employees **2015**	 2014
Nil to HK$1,000,000 (equivalent to approximately RMB837,780 (2014: RMB788,870))	**2**	2

During the year ended 31 December 2015 and 2014, no remuneration 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.

13. DIVIDENDS

During the year ended 31 December 2015, dividend in respect of the year ended 31 December 2014 of approximately RMB7,995,000 (RMB3.95 cents per share) was recognised as distribution (2014: nil).

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2015 of RMB3.95 cents (2014: final dividend in respect of the year ended 31 December 2014 of RMB3.95 cents) per share has been proposed by the directors of the Company and is subject to approval by the shareholders of the Company in the forthcoming board meeting.

In addition, subsequent to the end of the reporting period, a bonus issue of shares on the basis of one bonus share for every one existing shares held by shareholders will be proposed in the forthcoming annual general meeting of the Company.

The bonus shares will rank pari passu in all respects with the existing shares in issue from the date of issue except that they will not rank for the final dividend for the year ended 31 December 2015.

14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2015 **RMB'000**	2014 RMB'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share	**61,793**	50,339
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**202,400,000**	192,346,301

Diluted earnings per share is same as basic earnings per share for the years ended 31 December 2015 and 2014 as there is no potential ordinary shares outstanding.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Moulds RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2014	137,430	392,981	4,782	7,548	14,113	15,115	571,969
Additions	3,440	57,542	606	442	–	4,429	66,459
Transfer	15,292	2,969	–	–	–	(18,261)	–
Disposals	–	(50,423)	(527)	(11)	–	–	(50,961)
At 31 December 2014	156,162	403,069	4,861	7,979	14,113	1,283	587,467
Additions	7,398	116,967	1,046	358	846	36,011	162,626
Transfer	21,237	10,800	–	–	645	(32,682)	–
Disposals	(7)	(59,795)	(1,058)	(7)	–	–	(60,867)
At 31 December 2015	184,790	471,041	4,849	8,330	15,604	4,612	689,226
DEPRECIATION AND IMPAIRMENT							
At 1 January 2014	31,533	201,741	3,360	6,039	7,979	–	250,652
Provided for the year	8,093	33,871	273	406	888	–	43,531
Eliminated on disposals	–	(11,551)	(474)	(10)	–	–	(12,035)
At 31 December 2014	39,626	224,061	3,159	6,435	8,867	–	282,148
Provided for the year	8,256	40,258	712	468	205	–	49,899
Eliminated on disposals	(7)	(5,708)	(952)	(7)	–	–	(6,674)
At 31 December 2015	47,875	258,611	2,919	6,896	9,072	–	325,373
CARRYING VALUES							
At 31 December 2015	136,915	212,430	1,930	1,434	6,532	4,612	363,853
At 31 December 2014	116,536	179,008	1,702	1,544	5,246	1,283	305,319

The above items of property, plant and equipment are depreciated on a straight-line basis at the following useful lives:

Buildings	12 – 20 years
Machinery and equipment	3 – 20 years
Motor vehicles	3 – 5 years
Office equipment	3 – 5 years
Moulds	3 – 5 years

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at 31 December 2015, the Group has not obtained the building ownership certificates for buildings with carrying values of approximately RMB44,026,000 (2014: RMB16,348,000). The Group is in the process of obtaining the respective building ownership certificates.

As at 31 December 2015 and 2014, certain of the property, plant and equipment were pledged to obtain bank and other loans granted to the Group, details of which are set out in note 27.

Analysis of carrying values of machinery and equipment held under finance leases is:

	2015 **RMB'000**	2014 RMB'000
Machinery and equipment	**56,502**	27,488

16. INTANGIBLE ASSETS

	Software RMB'000
COST	
At 1 January 2014 and 31 December 2014	5,226
Additions	96
At 31 December 2015	5,322
AMORTISATION	
At 1 January 2014	4,362
Provided for the year	106
At 31 December 2014	4,468
Provided for the year	194
At 31 December 2015	4,662
CARRYING VALUES	
At 31 December 2015	660
At 31 December 2014	758

The amount represents software which is amortised on a straight-line basis over one to ten years.

17. LAND USE RIGHTS

	2015 RMB'000	2014 RMB'000
COST		
At beginning of the year and end of the year	**23,748**	23,748
AMORTISATION		
At beginning of the year	**4,953**	4,334
Charge for the year	**619**	619
At end of the year	**5,572**	4,953
CARRYING VALUES		
At end of the year	**18,176**	18,795
Analysed for reporting purposes as:		
Current assets (included in other receivables, deposits and prepayments)	**617**	617
Non-current assets	**17,559**	18,178
	18,176	18,795

Land use rights represent medium-term leasehold land in the PRC and are amortised over the respective lease terms.

As at 31 December 2015 and 2014, certain of the land use rights were pledged to obtain bank loans granted to the Group, details of which are set out in note 27.

18. INTERESTS IN ASSOCIATES

	2015 RMB'000	2014 RMB'000
Cost of investment in associates – unlisted	**37,271**	31,671
Share of post-acquisition profits	**8,810**	4,074
Less: impairment loss recognised	**(12,594)**	(11,200)
Interests in associates	**33,487**	24,545

18. INTERESTS IN ASSOCIATES (CONTINUED)

During the year ended 31 December 2015, the Group had invested additional investment cost of RMB5,600,000 (2014: RMB4,000,000).

Included in the cost of investment in associates is goodwill of approximately RMB2,111,000 (2014: RMB2,111,000) arising on acquisition of associates.

Due to deficit financial position of an associate, an impairment loss of RMB1,394,000 (2014: RMB4,000,000) was made on an interest in an unlisted associate with reference to the Group's share of the present value of the estimated future cash flows expected to be generated by the associate and from its ultimate disposal as compared with its carrying amount. The recoverable amount of the interest in an unlisted associate was nil and is based on value in use method.

As at 31 December 2015 and 2014, the Group had interests in the following associates:

Name of entity	Form of entity	Place of incorporation/ principal place of operation	Class of shares held	Proportion of nominal value of issued capital held by the Group		Proportion of voting power held		Principal activities
				2015	2014	2015	2014	
杭州友成實業有限公司 Hangzhou Yusei Industrial Company Limited* ("Yusei Industrial")	Incorporated	PRC	Registered capital	**30%**	30%	**30%**	30%	Moulding fabrication
杭州友成進出口有限公司 Hangzhou Yusei Import and Export Company Limited*# ("Yusei Import and Export")	Incorporated	PRC	Registered capital	**30%**	30%	**30%**	30%	Trading of plastic components and moulds
吉林東光友成機工有限公司 Jilin Dong Guang Yusei Manufacturing Co., Limited* ("Jilin Yusei") (Note)	Incorporated	PRC	Registered capital	**50%**	40%	**50%**	40%	Manufacturing and trading of plastic components

* The English names are for identification purposes only.

Yusei Import and Export was a wholly-owned subsidiary of Yusei Industrial.

Note: The Group has 50% ownership interest in Jilin Yusei as at 31 December 2015. However, the directors of the Company considered that the Group has no control over Jilin Yusei as the Group has not dominated the board of directors of Jilin Yusei and no ability to direct the relevant activities of Jilin Yusei. As a result, the directors of the Company regarded Jilin Yusei as an associate.

Summarised financial information of material associate

Yusei Industrial is the only material associate of the Group for both years. Summarised financial information in respect of the Group's material associate is set out below, which represents amounts shown in the associate's consolidated financial statements are prepared in accordance with HKFRSs.

The associates are accounted for using the equity method in these consolidated financial statements.

18. INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information of material associate (Continued)

Yusei Industrial and its subsidiary (Yusei Import and Export) ("Yusei Industrial Group")

	2015 RMB'000	2014 RMB'000
Current assets	**106,295**	72,857
Non-current assets	**113,159**	107,540
Current liabilities	**(90,886)**	(67,617)
Non-current liabilities	**(38,000)**	(38,000)

	2015 RMB'000	2014 RMB'000
Revenue	**236,249**	172,432
Profit for the year	**15,788**	3,109
Other comprehensive income for the year	**–**	–
Total comprehensive income for the year	**15,788**	3,109

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2015 RMB'000	2014 RMB'000
Net assets of Yusei Industrial Group	**90,568**	74,780
Proportion of the Group's ownership interest in Yusei Industrial Group	**30%**	30%
Goodwill	**2,111**	2,111
Carrying amount of the Group's interest in Yusei Industrial Group	**29,281**	24,545

18. INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information of material associate (Continued)

Yusei Industrial Group (Continued)

The Group's immaterial associate only includes Jilin Yusei. The Group has discontinued recognition of its share of loss of Jilin Yusei commencing from the year ended 31 December 2010 since the carrying amount of its interest reduced to nil. The amount of unrecognised share of profit of this associate, extracted from the relevant management accounts, both for the year and cumulatively, is as follow:

	2015 RMB'000	2014 RMB'000
Unrecognised share of profits and total comprehensive income of an associate for the year	**1,621**	236
Accumulated unrecognised share of losses and total comprehensive expense of an associate	**(2,550)**	(4,171)

19. INVENTORIES

	2015 RMB'000	2014 RMB'000
Raw materials	**50,098**	47,209
Work-in-progress	**40,714**	63,521
Finished goods	**48,514**	60,236
	139,326	170,966

20. TRADE AND BILLS RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2015 RMB'000	2014 RMB'000
Trade receivables and bills receivables	**348,227**	285,029
Less: impairment loss recognised	**(3,285)**	(3,298)
	344,942	281,731
Advance to suppliers	**7,575**	16,029
Other receivables, deposits and prepayments (Note)	**21,554**	30,811
	374,071	328,571

20. TRADE AND BILLS RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

The Group allows a general credit period of 30 to 90 days to its customers. For customers who purchased moulds from the Group and have established good relationships with the Group, the credit period may be extended to the range from 90 days to 270 days. The Group does not hold any collateral over these balances.

Note: Included in the balance of other receivables, there are deferred loss of approximately RMB3,697,000 (2014: RMB6,705,000) arising from sales and leaseback transactions as at 31 December 2015. Details are set out in note 28.

The ageing analysis of trade receivables and bills receivables net of impairment loss recognised presented based on the invoice date, which is approximated to revenue recognition date, net of impairment loss recognised is as follows:

	2015 RMB'000	2014 RMB'000
Within 30 days	**217,644**	186,482
31 to 60 days	**59,770**	42,729
61 to 90 days	**36,684**	39,350
91 to 180 days	**28,008**	12,391
181 to 365 days	**2,836**	779
Trade and bills receivables	**344,942**	281,731

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and bills receivables balance directly. The movement in the provision for impairment loss on trade and bills receivables is as follows:

	2015 RMB'000	2014 RMB'000
Balance at beginning of the year	**3,298**	4,904
Reversal of impairment loss	**(616)**	(1,948)
Recognised during the year	**603**	342
Balance at end of the year	**3,285**	3,298

At the end of each reporting period, the Group's trade and bills receivables were individually determined to be impaired. The individually impaired receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment provision was recognised.

Included in the allowance for impairment of trade and bills receivables are individually impaired trade and bills receivables with an aggregate balance of approximately RMB3,285,000 (2014: RMB3,298,000) which are due to long outstanding. The Group does not hold any collateral over these balances.

20. TRADE AND BILLS RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

The ageing analysis of trade and bills receivables based on invoice date which are past due but not impaired:

	2015 RMB'000	2014 RMB'000
61 to 90 days	**465**	350
91 to 180 days	**20,717**	12,391
181 to 365 days	**2,836**	779
Total	**24,018**	13,520

Included in the Group's trade and bills receivables balance are debtors with aggregate carrying amount of approximately RMB24,018,000 (2014: RMB13,520,000) which are past due as at the end of the reporting period for which the Group has not provided for impairment loss.

Trade and bills receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, the management believes that no impairment loss is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Receivables, deposits and other receivables of the Group that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2015 RMB'000	2014 RMB'000
US$	**18,196**	20,333
JPY	**142**	880

21. AMOUNTS DUE FROM/TO ASSOCIATES

(a) Amounts due from associates

Name of company	**2015 RMB'000**	2014 RMB'000
Yusei Industrial	**7,520**	–
Yusei Import and Export	**4,205**	14,065
Jilin Yusei	**–**	128
	11,725	14,193

The amounts are unsecured, interest-free and repayable under credit term of 90 days.

21. AMOUNTS DUE FROM/TO ASSOCIATES (CONTINUED)

(b) Amounts due to associates

Name of company	2015 RMB'000	2014 RMB'000
Yusei Industrial	–	995
Jilin Yusei	3,699	–
	3,699	995

The amounts are unsecured, interest-free and repayable under credit term of 90 days.

22. PLEDGED BANK DEPOSITS

As at 31 December 2015, bank deposits amounting to approximately RMB5,709,000 (2014: RMB1,397,000) have been pledged for short-term bills payables. The pledged deposits were classified as current assets as the deposits will be released upon the settlement of relevant bills payables.

The pledged bank deposits carry fixed interest rates ranging from 0.35% to 3.30% (2014: 0.35% to 3.30%) per annum.

23. BANK BALANCES, DEPOSITS AND CASH

As at 31 December 2015, bank balances, deposits and cash of approximately RMB24,111,000 (2014: RMB25,059,000) were denominated in RMB, which is not freely convertible currency in the international market and its exchange rate is determined by the Government of the PRC. The bank balances and deposits held by the Group are with maturity of three months or less and carry interest at prevailing market rate for both years.

Bank balances, deposits and cash of the Group that is denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2015 RMB'000	2014 RMB'000
US$	28,687	16,529
JPY	1,167	361
HK$	145	265
EURO	11	35
Korean Won	1	–

24. TRADE AND OTHER PAYABLES

The ageing analysis of trade payables based on the invoice date at the end of the reporting period is as follows:

	2015 RMB'000	2014 RMB'000
Within 30 days	**138,990**	107,965
31 to 60 days	**49,119**	51,598
61 to 90 days	**25,319**	28,440
91 to 180 days	**7,052**	10,456
181 to 365 days	**2,814**	1,347
Over 365 days	**2,668**	2,628
Trade payables and bills payables	**225,962**	202,434
VAT payables	**21,647**	11,773
Deposits received	**7,294**	16,006
Other payables and accrued charges (Note)	**85,943**	71,851
	340,846	302,064

The average credit period on purchase of goods is 30 to 120 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

As at 31 December 2015, the Group's bank deposits of approximately RMB5,709,000 (2014: RMB1,397,000) were pledged to the banks to secure bills payables.

Note: Included in these balances mainly represented accrued salaries and wages, accrued interests. In addition, there were payables for acquisition of property, plant and equipment of approximately RMB11,169,000 (2014: RMB4,429,000) included in these balances.

Trade payables and accrued charges of the Group that is denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2015 RMB'000	2014 RMB'000
US$	**32,942**	34,986
JPY	**4,897**	440

25. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

Included in the amount due to ultimate holding company of approximately RMB20,572,000 (2014: RMB20,572,000) is unsecured, carrying interest rate of 5.60% (2014: 6.00%) per annum and repayable within 12 months, the remaining balance is unsecured, interest-free and repayable on demand.

26. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts payable under finance leases:				
Within one year	**29,921**	17,199	**27,049**	15,141
More than one year, but not exceeding two years	**28,602**	8,353	**27,174**	7,386
More than two years, but not exceeding five years	**11,511**	5,593	**11,248**	5,448
	70,034	31,145	**65,471**	27,975
Less: Future finance charges	**(4,563)**	(3,170)	**N/A**	N/A
Present value of lease obligations	**65,471**	27,975	**65,471**	27,975
Less: Amounts due within one year shown under current liabilities			**(27,049)**	(15,141)
Amounts due after one year			**38,422**	12,834

During the year ended 31 December 2015, the Group entered into sales and leaseback arrangements. Pursuant to which certain of the Group's property, plant and equipment with an aggregate carrying values of approximately RMB53,739,000 (2014: RMB38,872,000) have been sold at a consideration of RMB53,739,000 (2014: RMB30,000,000) and have been leaseback for a lease term of three years. A secured deposit of nil (2014: RMB6,000,000) of the lease proceed, which will be settled the final installments, had been deducted from the gross proceed at the date of inception.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

It is the Group's policy to lease certain of its machinery and equipment under finance leases. The average lease term is three (2014: three) years. For the year ended 31 December 2015, the average effective borrowing rate was 6.90% (2014: 8.56%) per annum. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

27. BANK AND OTHER LOANS

	2015 RMB'000	2014 RMB'000
Bank loans	**176,550**	198,952
Other loans	**–**	16,500
	176,550	215,452
Analysed as:		
Secured bank loans	**161,550**	149,550
Unsecured bank loans	**15,000**	49,402
Unsecured other loans	**–**	16,500
	176,550	215,452
The maturity profile of the above loans is as follows:		
Carrying amount repayable (Note):		
On demand or within one year	**176,550**	215,452
Less: amounts due within one year shown under current liabilities	**(176,550)**	(215,452)
Amounts shown under non-current liabilities	**–**	–

Note: The amounts due are based on scheduled repayment dates set out in the loan agreements.

The exposure of the Group's interest-bearing bank and other loans are as follows:

	2015 RMB'000	2014 RMB'000
Fixed-rate loans	**176,550**	188,319
Floating-rate loans	**–**	27,133
	176,550	215,452

27. BANK AND OTHER LOANS (CONTINUED)

The ranges of effective interest rates per annum of the Group's loans are as follows:

	2015 **RMB'000**	2014 RMB'000
Fixed-rate loans	**5.29% to 8.16%**	3.10% to 7.69%
Floating-rate loans	**–**	1.60% to 7.68%

The secured bank loans were secured by the Group's land use rights, property, plant and equipment with an aggregate net carrying values of approximately RMB15,226,000 (2014: RMB15,590,000) and RMB78,013,000 (2014: RMB83,968,000) respectively.

The Group's bank and other loans that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2015 **RMB'000**	2014 RMB'000
US$	**–**	11,408
JPY	**–**	15,476

During the year ended 31 December 2015, the Group obtained new bank loans with an aggregate amount of approximately RMB306,825,000 (2014: RMB354,801,000). The proceeds were used to finance the general working capital of the Group.

28. DEFERRED INCOME

	2015 RMB'000	2014 RMB'000
Current liabilities (included in other payables)		
Deferred income – government grants (Note a)	**85**	85
Deferred income – sales and leaseback transactions (Note b)	**163**	163
	248	248
Non-current liabilities		
Deferred income – government grants (Note a)	**603**	688
Deferred income – sales and leaseback transactions (Note b)	**27**	190
	630	878
	878	1,126

Note a: During the year ended 31 December 2007, the Group received government grants of approximately RMB1,297,000, which were designated for the purchase of land use rights. Such government grants are presented as deferred income and are released to income over the useful lives of the related land use rights. During the year ended 31 December 2015, government grants released to the consolidated profit or loss as other income amounted to approximately RMB85,000 (2014: RMB85,000).

Note b: During the year ended 31 December 2012, the Group sold property, plant and equipment and leased back with a lease term of 5 years under sale and finance leaseback arrangement. A gain of approximately RMB815,000 on the sale and finance leaseback transaction which were amortised over its lease term. During the year ended 31 December 2015, a gain on sale and leaseback of property, plant and equipment released to the consolidated profit or loss as other income amounted to approximately RMB163,000 (2014: RMB163,000).

29. SHARE CAPITAL OF THE COMPANY

	Number of shares '000	Amount HK$'000	Shown in the consolidated financial statements as RMB'000
Ordinary shares of HK$0.01 each			
Authorised			
At 1 January 2014, 31 December 2014 and 31 December 2015	1,500,000	15,000	N/A
Issued and fully paid			
At 1 January 2014	176,000	1,760	1,810
Issue of shares (Note)	26,400	264	210
At 31 December 2014 and 31 December 2015	202,400	2,024	2,020

Note: On 22 January 2014, the Company entered into a subscription agreement with subscribers. Pursuant to the subscription agreement, the Company had agreed to allot and issue a total of 26,400,000 subscription shares at the price of HK$0.80 per subscription share in cash. It represented 15% of the issued share capital of the Company as at the date of the subscription agreement.

On 20 May 2014, the subscription was completed and the Company issued and allotted 26,400,000 shares of HK$0.01 each in the Company at HK$0.80 per share to several subscribers. These shares rank pari passu in all respects with other shares in issue. The proceeds were used for the construction of a new plant and as general working capital of the Group.

30. RESERVES

(i) Special reserve

The special reserve of the Group represents the difference between the nominal value of the registered capital of the acquired subsidiaries and the nominal value of the shares of the Company issued for the acquisition at the time of the group reorganisation on 6 June 2005.

(ii) Capital reserve

The amount represents the excess capital contribution by the ultimate holding company to the subsidiary in prior years.

(iii) Statutory surplus reserve

The Articles of Association of the subsidiaries requires the appropriation of 10% of its profit after tax determined under the PRC accounting standards each year to the statutory surplus reserve until the balance reaches 50% of the registered share capital. According to the provision of the Company's Articles of Association, under normal circumstances, the statutory surplus reserve shall only be used for making up losses, capitalisation into share capital and expansion of the Company's production and operation. For the capitalisation of statutory surplus reserve into share capital, the remaining amount of such reserve shall not be less than 25% of the registered share capital.

(iv) Reserve for shares issued with vesting conditions

The reserve for shares issued with vesting conditions represents the accumulated fair value at the date of allotment of the relevant shares (allotted on 12 October 2005) subsequently vested.

31. COMMITMENTS

Operating leases

As lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating lease which fall due as follows:

	2015 **RMB'000**	2014 RMB'000
Within one year	**402**	508
In the second to fifth year inclusive	**597**	1,150
	999	1,658

Operating lease payments represent rentals payable by the Group for its leased factory and office premises. Leases are negotiated with terms ranging from two to five years and rentals are fixed for an average of two to five years.

31. COMMITMENTS (CONTINUED)

Capital commitments

	2015 RMB'000	2014 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**41,046**	10,120

32. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Scheme Ordinance. The assets of the Scheme are held separately from those of the Group in funds under the control of trustees. The Group contributed 5% at relevant payroll costs to the MPF Scheme, which contribution is matched by employees. The mandatory contributions from each of the employer and employees are subject to a cap of HK$1,250 per month before 1 June 2014 and HK$1,500 per month from 1 June 2014 onwards.

As stipulated by the rules and regulations in the PRC, the Group contributes to the retirement funds scheme managed by local social security bureau in the PRC. The Company contributes a certain percentage of the basic salaries of its employees to the retirement plan to fund the benefits.

The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions. During the year ended 31 December 2015, the total retirement benefits scheme contributions charged to the consolidated profit or loss amounted to approximately RMB8,710,000 (2014: RMB8,559,000).

33. RELATED PARTY TRANSACTIONS

(a) Details of the balances with related parties are set out in the consolidated statement of financial position and notes 21 and 25 respectively.

(b) During the year ended 31 December 2015, the Group had the following material transactions with its related parties:

Name of related party	Relationship	Nature of transactions	2015 RMB'000	2014 RMB'000
Yusei Japan	Ultimate holding company	Purchase of raw materials	–	27
		Sales of finished goods	**656**	893
		Interest payable	**1,152**	1,512
Yusei Industrial	Associate	Rental fee paid	**2,332**	2,534
		Sales of moulds	**31,749**	5,231
		Mould designing fee paid	**917**	–
Jilin Yusei	Associate	Purchase of raw materials	–	145
		Purchase of finished goods	–	23
		Sales of finished goods	–	832
Yusei Import and Export	Subsidiary of an associate	Sales of moulds	**28,687**	55,432

The above transactions were made on terms mutually agreed between both parties.

(c) In additions to above, the remuneration of directors and other members of key management during the year was as follows:

	2015 RMB'000	2014 RMB'000
Short-term benefits	**4,222**	3,609
Retirement benefits scheme contributions	**102**	81
	4,324	3,690

The remuneration of directors and key executives disclosed above are based on the service contracts entered into between the Group and the respective individuals. The remuneration of directors and key executives for subsequent renewal of these service contracts will be determined by the remuneration committee having regard to the performance of individuals and market trends.

34. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2014, the Group acquired certain property, plant and equipment of RMB30,000,000 of which RMB6,000,000 of the lease proceed, which will be settled the final installments, had been deducted from the gross proceed at the date of inception (2015: nil).

During the year ended 31 December 2015, addition of investment cost in an associate of RMB3,827,000 (2014: RMB4,000,000) was settled through the current account with the associate.

35. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the subsidiaries of the Company as at 31 December 2015 and 2014 established and operating in the PRC are as follows:

Name of subsidiary	Fully paid registered capital	Class of share	Proportion ownership interest held by the Company				Principal activities
			Directly		Indirectly		
			2015	2014	**2015**	2014	
Zhejiang Yusei	US$3,000,000	Registered capital	**100%**	100%	**–**	–	Moulding fabrication, manufacturing and trading of plastic components
Hangzhou Yusei	US$8,000,000	Registered capital	**100%**	100%	**–**	–	Moulding fabrication, manufacturing and trading of plastic components
Hangzhou Yusei Moulding	US$500,000	Registered capital	**100%**	100%	**–**	–	Moulding fabrication
Yusei China	US$15,300,000	Registered capital	**34.64%**	34.64%	**65.36%**	65.36%	Moulding fabrication
Suzhou Yusei	US$10,000,000	Registered capital	**35%**	35%	**65%**	65%	Moulding fabrication, manufacturing and trading of plastic components
Guangzhou Yusei	US$4,000,000	Registered capital	**25%**	25%	**75%**	75%	Moulding fabrication, manufacturing and trading of plastic components
Wuhu Yusei	RMB1,000,000	Registered capital	**25%**	25%	**75%**	75%	Moulding fabrication, manufacturing and trading of plastic components
Hubei Yusei	RMB10,000,000	Registered capital	**–**	–	**100%**	100%	Moulding fabrication, manufacturing and trading of plastic components

None of the subsidiaries had any debt securities outstanding as at the end of both years or at any time during both years.

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2015 RMB'000	2014 RMB'000
Non-current assets		
Investments in subsidiaries	**186,098**	186,098
Investment in an associate	**20,471**	20,471
	206,569	206,569
Current assets		
Deposits, prepayments and other receivables	**12**	203
Amount due from ultimate holding company	**659**	612
Amounts due from subsidiaries	**30,067**	27,895
Bank balances and cash	**3,125**	9,717
	33,863	38,427
Current liabilities		
Other payables and accruals	**2,402**	2,218
Amounts due to subsidiaries	**53,072**	34,465
Bank and other loans – due within one year	**–**	12,857
	55,474	49,540
Net current liabilities	**(21,611)**	(11,113)
Total assets less current liabilities	**184,958**	195,456
Capital and reserves		
Share capital	**2,020**	2,020
Reserves (Note)	**182,938**	193,436
Total equity	**184,958**	195,456

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

Reserves of the Company

	Share premium RMB'000	Reserve for shares issued with vesting conditions RMB'000	Capital reserve RMB'000 (Note)	Translation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2014	39,867	18,065	73,854	7,651	42,410	181,847
Loss for the year	–	–	–	–	(3,248)	(3,248)
Other comprehensive expense for the year	–	–	–	(493)	–	(493)
Total comprehensive income for the year	–	–	–	(493)	(3,248)	(3,741)
Issue of shares	16,585	–	–	–	–	16,585
Transaction costs attributable to issue of shares	(1,255)	–	–	–	–	(1,255)
At 31 December 2014	**55,197**	**18,065**	**73,854**	**7,158**	**39,162**	**193,436**
Loss for the year	**–**	**–**	**–**	**–**	**(980)**	**(980)**
Other comprehensive expense for the year	**–**	**–**	**–**	**(1,523)**	**–**	**(1,523)**
Total comprehensive expense for the year	**–**	**–**	**–**	**(1,523)**	**(980)**	**(2,503)**
Dividend recognised as distribution (note 13)	**–**	**–**	**–**	**–**	**(7,995)**	**(7,995)**
At 31 December 2015	**55,197**	**18,065**	**73,854**	**5,635**	**30,187**	**182,938**

Note: The amount represents the excess capital contribution by the Company to the subsidiaries in prior years.