EYANG

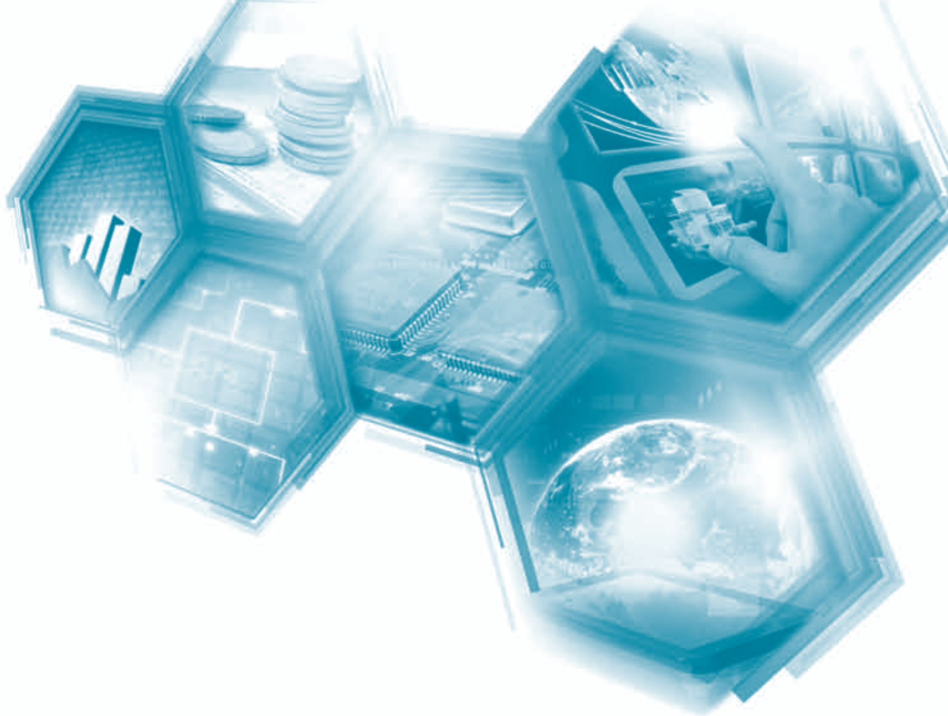
宇陽控股(集團)有限公司

EYANG HOLDINGS (GROUP) CO., LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 117)

2015 Annual Report



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Abbreviations

In this annual report, the following abbreviations have the following meanings unless otherwise specified:

"Articles of Association"	articles of association of the Company
"Audit Committee"	the Audit Committee of the Company
"Board"	the Board of Directors of the Company
"CG Code"	the Corporate Governance Code in Appendix 14 to the Listing Rules
"Company"	Eyang Holdings (Group) Co., Limited
"Directors"	the directors of the Company
"Group"	the Company and its subsidiaries
"Hong Kong Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"MLCC"	multi-layer ceramic chips
"Nomination Committee"	the Nomination Committee of the Company
"PRC"	People's Republic of China
"Remuneration Committee"	the Remuneration Committee of the Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HK$"	Hong Kong dollars
"RMB"	Renminbi
"US"	United States
"%"	per cent.

Financial Highlights

The following tables are summaries of the Group's results, assets, liabilities and equity for the past five financial years:

	Year ended 31 December				
	2015	2014	2013	2012	2011
Results	**RMB'000**	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**517,887**	466,584	551,762	538,335	481,402
comprising:					
MLCC business	**517,887**	466,584	513,150	414,143	357,274
Trading of mobile phones *(Note 1)*	**–**	–	–	112,993	124,128
Battery business *(Note 2)*	**–**	–	38,612	11,199	–
Cost of sales	**(450,934)**	(431,230)	(466,139)	(473,998)	(417,333)
Gross profit	**66,953**	35,354	85,623	64,337	64,069
(Loss)/profit for the year attributable to owners of the Company	**(32,976)**	(46,889)	(5,373)	(8,159)	14,556
Basic (loss)/earnings per share	**(7.6) cents**	(11.6)cents	(1.3)cents	(2.0)cents	3.6cents

	As at 31 December				
	2015	2014	2013	2012	2011
Assets and liabilities	**RMB'000**	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**1,062,915**	631,066	808,942	792,177	833,461
Total liabilities	**620,125**	237,432	366,971	346,487	389,066
Total equity attributable to owners of the Company	**442,790**	393,634	441,971	445,690	444,395

Notes:

1. In August 2011, the Company set up the mobile phones trading business which was engaged in purchase of mobile phones from third party suppliers and sale to overseas customers. The Company discontinued the trading business in June 2013.

2. In November 2012, the Company acquired the battery business. The Company discontinued the battery business by the end of December 2013.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Zhou Chunhua
Mr. Zhu Xiaodong
Mr. Kwok Oi Lung Roy
Mr. Sue Ka Lok
Mr. Jing Wenping

Independent Non-executive Directors

Mr. Chu Kin Wang, Peleus
Mr. Liang Rong
Mr. Xu Xuechuan

AUDIT COMMITTEE

Mr. Chu Kin Wang, Peleus *(Chairman)*
Mr. Liang Rong
Mr. Xu Xuechuan

REMUNERATION COMMITTEE

Mr. Liang Rong *(Chairman)*
Mr. Sue Ka Lok
Mr. Chu Kin Wang, Peleus

NOMINATION COMMITTEE

Mr. Liang Rong *(Chairman)*
Mr. Sue Ka Lok
Mr. Chu Kin Wang, Peleus

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit A, 20/F, Po Wah Commercial Centre
226 Hennessy Road
Wanchai
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

EYANG Building
No. 3 Qimin Street
No. 2 Langshan Road, North Area
Hi-tech Industrial Park
Nanshan District
Shenzhen, the PRC

AUTHORISED REPRESENTATIVES

Mr. Sue Ka Lok
Mr. Leung Wai Chung

COMPANY SECRETARY

Mr. Leung Wai Chung CPA

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Trust (Cayman) Limited
Clifton House
75 Fort Street
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
31/F, 148 Electric Road
North Point
Hong Kong

PRINCIPAL BANKERS

China Construction Bank
China Merchants Bank
Shenzhen Ping An Bank
Hongkong and Shanghai Banking Corporation
Hang Seng Bank
Bank of Communications
Bank of China
Citibank (Hong Kong)

LEGAL ADVISOR AS TO PRC LAW

Win & Sun Law Firm

LEGAL ADVISOR AS TO CAYMAN ISLANDS LAW

Conyers Dill & Pearman

AUDITOR

Crowe Horwath (HK) CPA Limited
Certified Public Accountants

STOCK CODE

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COMPANY WEBSITE

http://www.szeyang.com

* *The above information is updated to 29 March 2016, the date of this annual report.*

Management's Discussion and Analysis

BUSINESS REVIEW

The continuous implementation of a series of operational measures by the Group in the last few years has yielded some preliminary fruitful results. The Group has completed the upgrade and reform of the second base plant in Anhui province during the year and has led to the result that the Group now has a better customer mix. The Group has also made tremendous efforts in promoting production quality, research and development ("R&D") of new products and upgrading of old products leading to the successful super-miniaturisation process of the Group's products. Super-miniature 0201 capacitors have emerged as the knock-out product of the Company, particularly those with high capacity and high precision owing to the very successful R&D works conducted, and have also boosted the core competitiveness of the Group's products as these products have gained a firm footing in the highly competitive MLCC market and seized a rather large market share in the domestic brand customers market. As such, the total unit of the Group's MLCC products sold hit its record-high in 2015 together with a marked increase in the revenue and gross profit generated by these products.

However, against a backdrop of the volatile international economic conditions and that domestically, the aggravated tide of closing down of domestic enterprise customers leading competitors to cut product prices to strive for survival, the practice of large batch purchases from branded customers has limited the Group's profit margin, and the continual increase of the Group's operational costs including labor costs, have all resulted in a squeeze of the Group's profit margin. Further, owing to the depreciation of Renminbi since August 2015, the exchange loss so incurred has also reduced the Group's profitability.

Owing to the factors aforementioned, for the year ended 31 December 2015, despite the fact that the Group experienced satisfactory increases in its sales and gross profit mainly due to the success of the new super-miniature products launched during the year, the intense price competition of the industry, the rising operating costs and the depreciation of Renminbi had together to a considerable extent eroded the Group's profit margin which mainly caused that a loss attributable to owners of the Company of RMB33.0 million was recorded by the Group, compared to a larger loss of RMB46.9 million in last year.

FINANCIAL REVIEW

Revenue

In 2015, the revenue from the Group's MLCC business amounted to RMB517.9 million, representing an increase of 11.0% from that of 2014. The increase was mainly due to the success of the Group in achieving a better customer mix in the second half of 2015 and has seized a rather large share in the market of domestic branded mobile phone customers. The Group's sales in terms of unit of products recorded an increase of 21.2% despite a decrease in the average selling price of MLCC products owing to intense price competition of the industry.

Gross Profit Margin

The gross profit margin of the Group's MLCC business in 2015 was 12.9%, representing an increase of 5.3% from 7.6% in 2014. The increase was mainly due to the production and sale of super-miniature 0201 capacitors have reached a scale that could make a significant improvement to the Group's gross profit margin.

Management's Discussion and Analysis

Other Revenue and Other Net Income

The Group's other revenue and other net income totalled RMB12.5 million in 2015, representing a decrease of RMB3.4 million from that of 2014. The decrease was mainly due to interest income earned during the year was down by RMB1.4 million and an exchange loss of RMB1.9 million was recorded.

Selling and Distribution Costs

The Group's selling and distribution costs amounted to RMB21.6 million in 2015, remained at a similar level to that of 2014.

Administrative Expenses

The Group's administrative expenses were RMB44.3 million in 2015, increased by RMB2.6 million compared to that of 2014. The increase was mainly due to a larger impairment loss on property, plant and equipment of RMB14.6 million was recorded in 2015 compared to RMB6.6 million in 2014.

Research and Development Costs

The Group's research and development costs were RMB34.5 million in 2015, representing a 6.4% increase from that of 2014. The increase was mainly due to the R&D works on high capacity and high precision products of super-miniature 0201 capacitors conducted during the year.

Other Expenses

The Group's other expenses were RMB0.2 million in 2015, representing a decrease of RMB4.8 million from that of 2014. This was mainly due to a continued decrease in aged inventories as a result of the increased sales during the year and that no significant provision on aged inventories was made in 2015.

Finance Costs

The Group's finance costs were RMB13.9 million in 2015, representing an increase of RMB9.9 million from that of 2014, the increase was mainly due to the additional interest expenses incurred relating to the issue of corporate bond in August 2015.

Property, Plant and Equipment

The net carrying amount of the Group's property, plant and equipment as at 31 December 2015 was RMB189.4 million, representing a decrease of RMB37.1 million from that of 2014. The decrease was mainly due to the depreciation of approximately RMB38.1 million charged during the current year (including an accelerated depreciation of RMB8.4 million resulted from a reassessment in 2014) and the impairment loss of RMB14.6 million, after being partly offset by the Group's new MLCC production equipment and construction in progress amounted to RMB18.6 million.

Investment Properties

The Group's investment properties amounted to RMB24.9 million at the year end, representing an increase of RMB0.6 million from that of 2014, this was mainly due to the slight increase in property floor area for lease.

Other Intangible Assets

The Group's other intangible assets amounted to RMB1.5 million at the year end, representing a decrease of RMB0.7 million from that of 2014, the decrease represented the amortisation of intangible assets associated with the SAP management software.

Trade and Bills Receivables

As at 31 December 2015, the Group's trade and bills receivables amounted to RMB228.1 million, representing an increase of RMB39.9 million from that of 2014. This was mainly due to the increase in revenue generated from the Group's MLCC business which led to a corresponding increase in trade receivables.

Prepayments, Deposits and Other Receivables

As at 31 December 2015, prepayments, deposits and other receivables classified as current assets of the Group amounted to RMB8.5 million, representing a decrease of RMB7.0 million from that of 2014, which was primarily due to the decrease in input VAT subject to deduction during the current year.

Cash and Bank Balances and Pledged Bank Deposits

As at 31 December 2015, the Group's cash and bank balances and pledged bank deposits totalled RMB472.2 million, representing an increase of RMB419.7 million from that of 2014. The increase was mainly due to the proceeds raised from the issue of corporate bond and new shares during the year.

Trade and Bills Payables

As at 31 December 2015, the Group's trade and bills payables increased by RMB28.2 million compared with that of 2014, this was mainly due to the corresponding increase in purchases as a result of the increased production and sales of MLCC products during the year.

Deferred Income, Accruals and Other Payables

As at 31 December 2015, the Group's deferred income, accruals and other payables amounted to RMB37.5 million, representing an increase of RMB5.4 million from that of 2014. This was mainly due to an increase in other taxes and salaries payable.

Bank Loans

As at 31 December 2015, the Group had outstanding bank loans of RMB70.0 million, which remained at a similar level to that of 2014, all the bank loans were repayable within one year and bore floating interest rates. All the banks loans were also secured of which approximately RMB60.0 million (2014: RMB nil) and RMB10.0 million (2014: RMB67.4 million) were denominated in Renminbi and United States dollars, respectively.

Bond Payable

During the year, the Group issued corporate bond and raised proceeds of HK$400.0 million (equivalent to approximately RMB329.6 million) that were originally intended to be used to expand the Group's production capacity mainly for installing additional production lines and R&D facilities. A major part of this production expansion plan is temporarily on hold in light of the volatile international economic conditions and increasing competition of the industry, and as announced by the Company on 14 March 2016, the proceeds raised may apply to the potential new business as mentioned therein.

Contingent Liabilities

As at 31 December 2015, the Group had no material contingent liabilities.

Commitments

As at 31 December 2015, the Group had capital commitments of RMB14.3 million, representing an increase of RMB13.4 million from that of 2014, which was mainly because certain contracts for purchasing equipment newly signed during the year had not yet been performed at the year end.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Net Current Assets

As at 31 December 2015, the Group had net current assets of approximately RMB562.2 million (2014: RMB139.8 million), including current assets of RMB809.9 million (2014: RMB349.6 million) and current liabilities of RMB247.7 million (2014: RMB209.8 million). The Group had a strong current ratio calculated based on current assets over current liabilities of 3.3 at the year end (2014: 1.7).

Banking Facilities

As at 31 December 2015, the Group had aggregate banking facilities of approximately RMB200.0 million, of which approximately RMB149.1 million had not been utilised.

Shares Placement

In September 2015, the Company conducted a share placement under which 81,100,000 new shares at the placing price of HK$1.15 per share were issued to independent investors. The Company raised net proceeds of approximately HK$90.8 million (equivalent to approximately RMB74.7 million) and were intended and had been applied as working capital of the Group. For details of the share placement, please refer to the announcement of the Company dated 7 September 2015 and 23 September 2015.

Gearing Ratio

The Group monitors its capital structure through gearing ratio, which is net debt divided by capital plus net debt. Net debt is calculated at the sum of bank loans, bond payable, trade and bills payables and accruals and other payables (excluding deferred income) less cash and cash equivalent. Capital represents equity attributable to the owners of the Company (excluding share capital). As at 31 December 2015 and 2014, the gearing ratio of the Group was approximately 18.8% and 26.3% respectively, the decrease in gearing ratio in 2015 was mainly due to the increase in equity owing to the placement of the Company's shares during the year.

Financial Resources

With the amount of liquid assets on hand as well as credit facilities granted by banks, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

FOREIGN CURRENCY RISK

In 2015, the Group's sales were mainly denominated in Renminbi, US dollars and Hong Kong dollars, whilst its purchases were mainly denominated in Renminbi, US dollars, Hong Kong dollars and Japanese Yen. The trade receivables denominated in US dollars were less than the trade payables denominated in US dollars, and the trade receivables denominated in Hong Kong dollars were greater than the trade payables denominated in Hong Kong dollars. Meanwhile, the Group is exposed to risks in respect of trade payables denominated in Japanese Yen, but is basically not exposed to risks in respect of trade receivables denominated in Japanese Yen. In the event of vigorous fluctuation of exchange rates, foreign currencies risk will exist to a certain extent. As the Group has a certain amount of short-term financing denominated in US dollars which is not hedged, it is also exposed to foreign currencies risk to a certain extent.

The Group will undertake appropriate hedging measures should foreign currency risks become significant.

CHARGES ON ASSETS

As at 31 December 2015, certain buildings, plant and machinery, prepaid land lease payments, investment properties and trade and bills receivables of the Group with carrying amounts of approximately RMB47.6 million, RMB nil, RMB11.1 million, RMB21.8 million and RMB195.60 million respectively (2014: RMB36.7 million, RMB8.8 million, RMB11.4 million, RMB21.2 million and RMB nil respectively) have been pledged as securities for bank borrowings.

EMPLOYEES

As at 31 December 2015, the Group had a total of about 1,250 employees (2014: 1,359) and staff costs (including directors' emoluments) for 2015 amounted to RMB81.8 million (2014: RMB78.8 million). The remunerations and benefits of employees are determined based on prevailing market conditions, state policies and individual performance.

BUSINESS PROSPECTS

As the MLCC business, which is the Group's principal business, continued to incur losses in the previous years, the Board has been actively exploring other business opportunities in order to diversify the existing business of the Group and to explore new markets with significant growth potential with the view to enhance the business prospects of the Group and to create value to shareholders. As announced by the Company on 14 March 2016, the Company is in the course of establishing certain wholly-owned subsidiaries ("New Subsidiaries") in Hong Kong and overseas with a view to commence and develop business of financial investment and provision of financial services, which may include, but not limited to, i) direct investments in debt, equity and/or any other assets, ii) asset management and iii) provision of financial advisory services (the "Potential New Business"). The Board intends to develop the Potential New Business through self-development of the New Subsidiaries and/or investment(s) in suitable targets/assets through the New Subsidiaries or any other subsidiaries which is/are to be financed by the Group's internal resources.

The Board expects that the Potential New Business will enable the Group to expand its business portfolio, diversify its income source and possibly enhance its financial performance. Further announcement regarding the Potential New Business will be made by the Company as and when appropriate in due course.

Management's Discussion and Analysis

RISK FACTORS

The Group has identified and is facing a number of significant risks during 2015. Some of these risks are ongoing factors which the industry has to cope with in medium to long term. Other risk factors are specific to the Group.

1. **Economic Risk**
   The slowdown of the world economy as a whole in 2015, including the emerging markets, has resulted in a weak global demand for products from China, which in turn intensifies competition among manufacturers across different industries in China. In addition, rising labour costs and more stringent environmental requirements have driven up production costs, inflicting huge downward pressure on the gross profit margin of manufacturers in China. These adverse factors will remain as a significant challenge to the Group in the short term.

2. **Market Risk**
   In China, consolidation of the industry of consumer electronic products is expected to continue in 2016, which will cause considerable market uncertainty and upheaval. In particular, a wave of collapse of the second and third tier mobile phones manufacturers has caused volatilities in the mobile phone industry which is the Company's major target market. All these have posed risks to the Company's sales and profit margin.

3. **Environmental Risk**
   The Group is constantly exposed to inherent risks such as pollution, mechanical breakdown of machinery, adverse weather conditions, fire or other calamity during the production of the MLCC products. New nation-wide environmental laws or local government's measures may cause disruptions to the operation of the Group's production plants. The Group may also be liable for compensation or penalty as a result of the above events, which in turn cause a negative impact on the Group's financial performance.

4. **Financial Risk**
   The Group is exposed to financial risks relating to interest rate, foreign currency, liquidity and credit risk in its ordinary course of business. For further details of such risks and relevant management policies, please refer to note 35 to the consolidated financial statements for details.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term business goals. During the year ended 31 December 2015, there were no significant dispute between the Group and its employees, customers and suppliers.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long term sustainability of the environment and communities in which it operates. In order to reduce the degree of environmental damage when developing business or running production, the Group strictly complies with the local law, rules and guidance in relation to environmental protection.

Directors' Profile

The biographical details of Directors as at 29 March 2016, the date of this annual report are set out below:

Mr. Zhou Chunhua, aged 39, joined the Company as an Executive Director in January 2016 and is a director of various subsidiaries of the Company. Mr. Zhou holds a Master of Business Administration degree in Finance from Kellogg School of Management at Northwestern University, a Master of Philosophy degree in System Dynamics from University of Bergen and a Bachelor of Science degree in Management Information Systems from Fudan University. Mr. Zhou had held various executive positions in a reputable investment bank and had worked for various international financial institutions and business organizations. Mr. Zhou has extensive experience in financial management, investment and corporate finance.

Mr. Zhu Xiaodong, aged 27, joined the Company as an Executive Director in January 2016. Mr. Zhu holds a Master of Science in Finance degree from University of Sheffield. Mr. Zhu had held managerial position in a trust company and has extensive experience in trust management.

Mr. Kwok Oi Lung Roy, aged 40, joined the Company as an Executive Director in February 2016 and is a director of various subsidiaries of the Company. Mr. Kwok has over 15 years of experience in investment management and corporate finance through holding various executive positions in various international financial institutions from 1998 to 2015. Mr. Kwok obtained a Bachelor of Science in Engineering from the School of Engineering and Applied Science at the University of Pennsylvania and a Bachelor of Science in Economics from the Wharton School at the University of Pennsylvania, both in May 1998.

Mr. Sue Ka Lok, aged 50, joined the Company as an Executive Director in July 2015 and is also a director of various subsidiaries of the Company and is a member of the Nomination Committee and Remuneration Committee. Mr. Sue holds a Bachelor of Economics degree from The University of Sydney in Australia and a Master of Science in Finance degree from the City University of Hong Kong. Mr. Sue is a fellow of the Hong Kong Institute of Certified Public Accountants, a certified practising accountant of the CPA Australia, a fellow of The Hong Kong Institute of Chartered Secretaries, the Institute of Chartered Secretaries and Administrators and the Hong Kong Securities and Investment Institute. He has extensive experience in corporate management, finance, accounting and company secretarial practice.

Mr. Jing Wenping, aged 34, joined the Company as an Executive Director in May 2013. Mr. Jing is the deputy general manager of MLCC division of the Group. He is in charge of the Group's MLCC product management, including development, quality and production. Following his graduation from電子科技大學(University of Electronic Science and Technology China*) in 2005, Mr. Jing started his career in the Group and was promoted to the deputy factory director of the MLCC Production Centre in February 2008. He left the Group in April 2009, but rejoined later on in January 2012.

Mr. Chu Kin Wang Peleus, aged 51, joined the Company as an Independent Non-executive Director in April 2007. Mr. Chu is also the Chairman of the Audit Committee and a member of the Nomination Committee and Remuneration Committee. Mr. Chu obtained a master's degree in business administration from the University of Hong Kong and is an associate of The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators, a fellow of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Chu has over 20 years of experience in corporate finance, auditing, accounting and taxation.

* *Unofficial English translation of the Chinese name*

Directors' Profile

Mr. Liang Rong, aged 51, joined the Company as an Independent Non-executive Director in May 2013. Mr. Liang is also the Chairman of the Remuneration Committee and Nomination Committee and a member of the Audit Committee. Mr. Liang attained his master's degree in science from中國科學院光電技術研究所(the Institute of Optics and Electronics of Chinese Academy of Sciences*) when he graduated in 1989. As the executive vice president and director cum president of康佳集團股份有限公司(Konka Group Co., Ltd.*) previously, Mr. Liang has served as the director and general manager of深圳市唯科通信科技有限公司(Shenzhen Vcall Communications & Technology Ltd.*) (formerly深圳市維科通信科技有限公司(Shenzhen Weike Communications Technology Co., Ltd.*) and 深圳市福瑞德通信科技有限公司(Shenzhen Furuide Communication Technology Co., Ltd.*)) since 2003.

Mr. Xu Xuechuan, aged 52, joined the Company as an Independent Non-executive Director in July 2015. Mr. Xu is also a member of the Audit Committee. Mr. Xu holds a bachelor's degree in economics from Peking University in the PRC, a Master of Arts in Economics degree and a Master of Science degree in Marketing Research from University of Guelph, Canada. Mr. Xu has extensive experience in direct investment and corporate finance. Mr. Xu has held senior management and consulting positions in various international enterprises in Canada, Hong Kong and the PRC.

* *Unofficial English translation of the Chinese name*

Corporate Governance Report

Throughout the process of formulating business strategy and devising procedures to implement both operation and execution plans to achieve the business goals, the Board has always been embarking on attaining a high standard of corporate governance on the basis of the code provisions as stipulated in the CG Code. The Board from time to time reviews the Company's corporate governance practice and make necessary changes, if necessary, for the purpose of reaching the required standards of the CG Code and beyond. During the year ended 31 December 2015, the Company has complied with all the CG Code provisions except for the provisions as stated and explained below:

a) Code provision A.2.1 of the CG Code states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Chen Weirong ("Mr. Chen"), the former executive director of the Company, held both positions since he joined the Board. The Board opined that vesting the roles of both chairman and chief executive officer in the same person could provide the Group with strong and consistent leadership and allow for more effective planning and execution of long term business strategies and enhances the efficiency of decision making process in response to the ever changing business environment. Mr. Chen resigned from the office of chairman of the Board, chief executive officer and executive director of the Company on 5 November 2015. Currently, the positions of the chairman of the Board and chief executive officer remain vacant and the Board is in the process of identifying suitable candidates to fill the vacancies. The Company will make further announcement upon appointment of the two positions in due course.

b) Pursuant to Code provision A.6.7 of the CG Code, independent non-executive directors should attend general meetings to develop a balanced understanding of the views of shareholders. Only one independent non-executive director was present at the annual general meeting held on 3 June 2015. All other independent non-executive directors had been engaged in either their business or personal commitments on that day and unable to attend the meeting.

THE BOARD OF DIRECTORS

Composition of the Board

The Board is responsible for setting the Group's business objectives, devising strategic plans and operation policies and overseeing the Group's performance. As at the date of this annual report, there are eight members in the Board comprising five executive directors and three independent non-executive directors.

The executive directors of the Board participate in the Group's daily operation and management and convey a clear picture of the direction, business objectives and goals of the Company to the staff. They keep track of the performance of the senior management with reference to the goals and objectives set by the Board.

The biographical details of the directors are set out on pages 11 to 12 of this annual report. The composition of the Board and the Committees of the Board as at the date of this annual report is set out below:

Executive Directors
Mr. Zhou Chunhua
Mr. Zhu Xiaodong
Mr. Kwok Oi Lung Roy
Mr. Sue Ka Lok *(member of the Remuneration Committee and the Nomination Committee)*
Mr. Jing Wenping

Independent Non-Executive Directors
Mr. Chu Kin Wang, Peleus *(Chairman of the Audit Committee and member of the Nomination Committee and the Remuneration Committee)*
Mr. Liang Rong *(Chairman of the Nomination Committee and the Remuneration Committee and member of the Audit Committee)*
Mr. Xu Xuechuan *(member of the Audit Committee)*

CHAIRMAN AND CHIEF EXECUTIVE

Code Provision A.2.1 of the CG Code requires the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Following the resignation of Mr. Chen Weirong, the former executive director of the Company, from the positions of chairman of the Board, chief executive officer and executive director of the Company on 5 November 2015, the positions of chairman and chief executive officer remain vacant and the Board is in the process of identifying suitable candidates to fill the vacancies. Currently, the executive directors undertook the day-to-day management of the Company's business and strategic planning of the Group with the advice of all independent non-executive directors. Under such temporary arrangement, the Board believes that the balance of power and authority is adequately ensured and such arrangement is for the benefits of the Group.

Relationship between Board Members and Independence of Independent Non-executive Directors

There is no financial, business, family or material or relevant relationship among the directors. The Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Nomination Committee has assessed the independence of all the independent non-executive directors and the Board is satisfied with their independence.

Board Diversity Policy

The Company realizes that high diversity of the Board allows it to consider matters from different perspectives and conduct discussion with a more balanced view. Hence, the Nomination Committee has adopted a policy of diversity of the Board ("Board Diversity Policy") through giving careful consideration to the expertise, educational background, professional qualification and experience in both business and non-business areas. The Nomination Committee reviews the composition of the Board from time to time to ensure that such policy is properly adopted and maintained. The Nomination Committee also revisits the Board Diversity Policy from time to time to ensure that the policy stays relevant and appropriate in the changing business environment.

Responsibilities

The directors of the Board, appointed by either the shareholders of the Company in the general meeting or the Board, are entrusted with the duties including setting the business objectives of the Group, devising strategic plans for the development of the Group's business, monitoring the execution of plans and assessing effectiveness and efficiency of the Company's operation in attaining the goals. The Board believes that clear and coherent corporate values and standards can facilitate the management's fiduciary duties of safeguarding the interests of the Company's stakeholders and creating values for the Company. Therefore the Board has put considerable efforts on ensuring that the management as well as the staff share the same values and standards. The Board is also responsible for business activities like acquisition and disposal transactions, connected transactions, investments and capital expenditures and discusses the related issues thoroughly.

The Board delegates the duties of daily operation and execution of business plans to the senior management under the Board's close supervision and constant monitoring. The Board also carries out periodic appraisal of the achievements and performance of the management.

Continuous Professional Development

To keep all directors abreast of the latest developments of the Company and the regulatory requirements so that they can carry out their duties diligently, the Company arranges suitable training and materials for the directors to enhance their skills and knowledge.

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

According to the CG Code, the non-executive directors should be appointed for a specific term and subject to re-election. All independent non-executive directors are appointed for a term of three years, subject to retirement by rotation and re-election at least once every three years at the annual general meetings of the Company as governed by the Articles of Association.

BOARD COMMITTEES

The Board establishes three Board committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing specific aspects of the Company's operation. All Board committees are established with defined written terms of reference which are available on the websites of the Stock Exchange and the Company for public information.

Audit Committee

As at the date of this annual report, the Audit Committee comprised three independent non-executive directors, namely, Mr. Chu Kin Wang, Peleus (Chairman of the Audit Committee), Mr. Liang Rong and Mr. Xu Xuechuan.

The principal duties of the Audit Committee are to (i) review the financial statements and reports and consider any significant or unusual items raised by the staff responsible for the accounting and financial reporting function or external auditor before submission to the Board; (ii) review the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditor; and (iii) review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

During the year ended 31 December 2015 the Audit Committee met three times and reviewed the financial results and reports, financial reporting and compliance procedures, the Company's internal control and risk management as well as the re-appointment of the external auditors. The Audit Committee has reviewed and approved the Group's interim results for the six months ended 30 June 2015 and annual results for the year ended 31 December 2015.

Remuneration Committee

As at the date of this annual report, the Remuneration Committee comprised three members, namely, Mr. Liang Rong (Chairman of the Remuneration Committee) and Mr. Chu Kin Wang, Peleus, being Independent Non-executive Directors, and Mr. Sue Ka Lok, being an Executive Director.

The principal objectives of the Remuneration Committee include making recommendations on and approving the remuneration policies and structure and remuneration packages of the directors and senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure that no director or any of his/her associates will participate in deciding his/her own remuneration packages.

The Remuneration Committee adopts the approach of making recommendation to the Board on the compensation packages of the directors and senior management with reference to the skill, knowledge, experience and the tasks assigned and individuals' performance and overall results of the Company. In determining the remuneration package, the Remuneration Committee also obtain reports, surveys and relevant information from external sources for the competitive level of remuneration and market trend for the directors and senior management. The Remuneration Committee forms an opinion that the current directors' fees for the directors and remuneration for the senior management for their duties and responsibilities undertaken are commensurate with the market level.

Nomination Committee

As at the date of this annual report, the Nomination Committee comprised three members, namely, Mr. Liang Rong (Chairman of the Nomination Committee) and Mr. Chu Kin Wang, Peleus, being Independent Non-executive Directors and Mr. Sue Ka Lok, being an Executive Director. The principal duties of the Nomination Committee are to make recommendations to the Board on the appointment or reappointment of directors according to the Articles of Association. The Nomination Committee reviews the composition of the Board whenever necessary to meet the business demands, opportunities and challenges and to comply with the related laws and regulations.

The Nomination Committee has adopted Board Diversity Policy when carrying out the process of selecting and recommending candidates for directorships. The Nomination Committee believes that a board comprising members with wide spectrum of skills, experience, education and cultural backgrounds could provide the Company with a more balanced view in devising business strategy and corporate planning.

Board and Committee Meetings

Regular Board and committee meetings are held for directors to discuss and determine the strategies of the Group, monitor the execution of plans, review the Group's business performance and financial reporting as well as all other material matters. The company secretary is responsible for preparing and keeping minutes of all Board and committee meetings. All directors have full access to the advice and services of the company secretary to ensure that the Board procedures and all applicable rules and regulations are followed. Details of directors' attendance at the meetings of Board and committees during the year ended 31 December 2015 are set out below:

	Attendance/Number of meetings for the year ended 31 December 2015			
Name of directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Mr. Chen Weirong *(resigned on 5 November 2015)*	6/7	N/A	2/3	2/2
Mr. Jing Wenping	6/7	N/A	N/A	N/A
Mr. Wang Ye *(resigned on 3 July 2015)*	0/7	N/A	N/A	N/A
Mr. Sue Ka Lok *(appointed on 3 July 2015)*	3/7	N/A	0/3	0/2
Mr. Zhou Chunhua *(appointed on 29 January 2016)*	N/A	N/A	N/A	N/A
Mr. Zhu Xiaodong *(appointed on 29 January 2016)*	N/A	N/A	N/A	N/A
Mr. Kwok Oi Lung Roy *(appointed on 24 February 2016)*	N/A	N/A	N/A	N/A
Mr. Cheng Wusheng *(resigned on 4 August 2015)*	2/7	N/A	N/A	N/A
Mr. Zhang Zhilin *(resigned on 27 July 2015)*	1/7	N/A	N/A	N/A
Mr. Chen Hao *(resigned on 27 July 2015)*	1/7	N/A	N/A	N/A
Mr. Pan Wei *(resigned on 4 August 2015)*	2/7	1/3	1/3	N/A
Mr. Liu Huanbin *(resigned on 3 July 2015)*	0/7	0/3	0/3	0/2
Mr. Chu Kin Wang, Peleus	7/7	3/3	3/3	2/2
Mr. Liang Rong	7/7	3/3	2/3	1/2
Mr. Mak Ka Wing, Patrick *(resigned on 15 July 2015)*	0/7	0/3	N/A	N/A
Mr. Xu Xuechuan *(appointed on 3 July 2015)*	5/7	2/3	0/3	N/A

Model Code for Dealing in Securities by Directors

The CG Code stipulates that directors must comply with their obligations under the model code set out in Appendix 10 to the Listing Rules (the "Model Code"). The Company has established guidelines on no less exacting terms than the Model Code (the "Guidelines") for governing the securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company or its securities.

Specific enquiry has been made of each director of the Board, and all directors confirm that they have fully complied with the Model Code and no incident of non-compliance of the Guidelines by the relevant employees was noted by the Company throughout the year ended 31 December 2015.

Company Secretary

Mr. Leung Wai Chung, a full time employee of the Company, is the Company Secretary of the Company, responsible for arranging all Board procedures and activities. All members of the Board have direct access to the services and advice of the Company Secretary. During the financial year, Mr. Leung has complied with relevant professional training requirement pursuant to Rule 3.29 of the Listing Rules.

Corporate Governance Report

FINANCIAL REPORTING AND AUDIT

Financial reporting

The Board, with the assistance by the Group's senior staff of the Finance Department, is responsible for overseeing the preparation of accounts for each financial period with a view to ensuring such accounts give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. The Company's accounts are prepared in accordance with all relevant statutory requirements and applicable accounting standards and the Board reviews those accounting policies as selected and applied to ensure that appropriate judgment and estimates be made in a prudent and reasonable manner. The Board has received from the senior management of the Company the management accounts and such accompanying explanation and information as are necessary to enable the Board to make an informed assessment for approving the financial statements.

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2015.

Auditors' Remuneration

Crowe Horwath (HK) CPA Limited ("Crowe Horwath") is primarily responsible for providing audit services in connection with the annual consolidated financial statements of the Company. The statement of Crowe Horwath about their responsibilities on the Company's consolidated financial statements for the year ended 31 December 2015 is set out in the "Independent Auditor's Report" on pages 28 to 29 of this annual report. During the year, the total remuneration payable to the Company's external auditor amounted to RMB680,000, with breakdown as follows:

Services rendered	**Fee paid/payable**
Audit services	RMB680,000
Non-audit services	nil
Total	RMB680,000

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 applicable to the employees and directors of the Group; and

5. to review the Group's compliance with the CG Code and disclosure requirements in the corporate governance report.

Internal Control

The Board is responsible for devising and maintaining a sound and effective internal control system to safeguard the values and assets of the Company and identify material risks which may cause damage to the Company as a whole. In designing and implementing the internal control system, the Board realises that additional control always come with incremental costs. Hence the Board has to balance the benefits of a good control against the costs while adopting a system that can provide assurance to the Company that it lives up to the expectation of the Board, the shareholders as well as the regulatory bodies.

Given the evolving risks of changing business environments, a review on the effectiveness of the internal control system has become the essential element of the Board's responsibilities. The Board has to ensure that the control system can timely and adequately response to the risks to which the Company is exposed as a result of changes in business objectives and business environment.

During the year, the Board conducted an annual review of the effectiveness of the internal control system of the Group.

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene an extraordinary general meeting and putting proposals at general meetings

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

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns in writing to the Company Secretary of the Company at the Company's principal place of business in Hong Kong at Unit A, 20/F, Po Wah Commercial Centre, 226 Hennessy Road, Wanchai, Hong Kong.

COMMUNICATION WITH SHAREHOLDERS

The Company's website remains the major communication platform to provide its shareholders and potential investors with its up-to-date information on the Company's business activities and development. The Company endeavours to abide by the practice of timely disclosure of useful information with high degree of integrity so that stakeholders of the Company can assess the performance of the Company when making their business decisions. The practice of timely disclosures of information with high degree of integrity allows shareholders and any other parties concerned to make judgment.

The annual general meeting of the Company provides an important channel for shareholders to exchange ideas with the Board. Notices and circulars regarding the annual general meeting and other general meetings are given in well advance to ensure that shareholders have sufficient time and information to prepare for the meetings. During the general meetings, the directors of the Company will answer questions and queries raised by the attending shareholders and the Board believes that such face to face interaction with shareholders can promotion mutual understanding between the Company and shareholders.

CONSTITUTIONAL DOCUMENTS

There had been no change in the Company's constitutional documents during the year ended 31 December 2015. A copy of the Company's latest constitutional documents is publicly available on the websites of the Stock Exchange and the Company, respectively.

Report of the Directors

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

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding and the activities of its subsidiaries are set out in note 34 to the consolidated financial statements.

Further discussion and analysis of the Group's activities as required by Schedule 5 to the Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year and an indication of likely future developments in the Group's business, can be found in the Management's Discussion and Analysis section set out on pages 5 to 10 of this annual report.

This discussion forms part of this report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 30.

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

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements of the Company, is set out on page 3. This summary does not form part of the audited consolidated financial statements.

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 33 and note 31 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution as at 31 December 2015 amounted to approximately RMB434,870,000 (2014: RMB396,253,000).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Company are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in share capital of the Company are set out in note 31 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of Cayman Islands where the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company.

DIRECTORS

The directors of the Company during the year and up to the date of this report were/are:

Executive Directors
Mr. Chen Weirong *(resigned on 5 November 2015)*
Mr. Wang Ye *(resigned on 3 July 2015)*
Mr. Zhou Chunhua *(appointed on 29 January 2016)*
Mr. Zhu Xiaodong *(appointed on 29 January 2016)*
Mr. Kwok Oi Lung Roy *(appointed on 24 February 2016)*
Mr. Sue Ka Lok *(appointed on 3 July 2015)*
Mr. Jing Wenping

Non-executive Directors
Mr. Chen Hao *(resigned on 27 July 2015)*
Mr. Zhang Zhilin *(resigned on 27 July 2015)*
Mr. Cheng Wusheng *(resigned on 4 August 2015)*

Independent Non-executive Directors
Mr. Liu Huanbin *(resigned on 3 July 2015)*
Mr. Pan Wei *(resigned on 4 August 2015)*
Mr. Chu Kin Wang, Peleus
Mr. Liang Rong
Mr. Xu Xuechuan *(appointed on 3 July 2015)*
Mr. Mak Ka Wing, Patrick *(resigned on 15 July 2015)*

In accordance with Article 87(1) of the Articles of Association, Mr. Liang Rong will retire by rotation at the forthcoming annual general meeting (the "AGM"). However, Mr. Liang Rong will not offer himself for re-election and will therefore retire at the AGM as he would like to devote more time to his other business engagements.

In accordance with Article 86(3) of the Articles of Association, Mr. Sue Ka Lok, Mr. Xu Xuechuan, Mr. Zhou Chunhua, Mr. Zhu Xiadong and Mr. Kwok Oi Lung Roy will hold office until the AGM and, being eligible, will offer themselves for re-election at the AGM.

DIRECTORS' SERVICE CONTRACTS

None of the directors being proposed for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, subject to the statutes, every director shall be indemnified out of the assets of the Company against all losses and liabilities which he may sustain or incur in or about the execution of his office or otherwise in relation thereto. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and other officers of the Company during the year.

UPDATES ON DIRECTORS' INFORMATION

The following is updated information of the director required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

Mr. Sue Ka Lok ("Mr. Sue") was appointed as an executive director and the chairman of Courage Marine Group Limited (stock code: 1145), a listed company in Hong Kong, on 14 October 2015.

Mr. Sue resigned as an executive director and the chief executive officer of Enviro Energy International Holdings Limited (stock code: 1102), a listed company in Hong Kong, on 7 October 2015.

Mr. Chu Kin Wang, Peleus ("Mr. Chu") was appointed as a non-executive director of Perfect Group International Holdings Limited (stock code: 3326), a listed company in Hong Kong, on 19 August 2015.

Mr. Chu was appointed as an independent non-executive director of Madison Wine Holdings Limited (stock code: 8057), a listed company in Hong Kong, on 21 September 2015.

Mr. Chu was appointed as an independent non-executive director of National Agricultural Holdings Limited (stock code: 1236), a listed company in Hong Kong, on 26 June 2015 and subsequently resigned on 11 September 2015.

DIRECTORS' REMUNERATION

The remuneration paid to the Company's directors is determined based on their respective terms of service agreement (if any). The directors' fee is reviewed annually by the Remuneration Committee and the Board is authorized by the shareholders at the annual general meeting to approve the remuneration of the directors. Details of remuneration paid and to be paid to the Company's directors for the financial year ended 31 December 2015 are set out in note 10 to the consolidated financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the sections headed "Continuing Connected Transactions" and "Related Party Transactions" below, no other transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company and the director's connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

BIOGRAPHIES OF DIRECTORS

The biographies of directors are set out on pages 11 to 12 in this annual report.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2015, none of the directors or chief executive of the Company had registered an interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2015, the following interests of more than 5% of the issued shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO.

Long positions in the shares of the Company:

Name of Shareholder	Capacity and nature of interest	Number of shares held	Approximate percentage of issued share capital
Cosmic Riches Investments Limited	Beneficial owner	143,044,000 *(Note)*	28.81%
Ms. Du Weilin	Interest of controlled corporation	143,044,000 *(Note)*	28.81%

Note: These 143,044,000 shares were beneficially owned by Cosmic Riches Investments Limited, which was wholly-owned by Ms. Du Weilin.

Save as disclosed above, the Company had not been notified of any other person who had an interest or short position in the Company's shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange and as recorded in the register required to be kept under Section 336 of the SFO.

Report of the Directors

SHARE OPTION SCHEME

Summaries of the share option scheme (the "Share Option Scheme") adopted by all shareholders of the Company on 30 November 2007 are set out in note 28 to the consolidated financial statements.

Particulars of the movement of options granted under the Share Option Scheme during the year ended 31 December 2015 were as follows:

Name or category of eligible participants	Date of grant	Exercise price per share	Outstanding as at 1 January 2015	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2015
Directors								
Mr. Chen Weirong (resigned on 5 November 2015)	22 January 2008	HK$1.052	1,400,000	–	(1,400,000)	–	–	–
Mr. Wang Ye (resigned on 3 July 2015)	22 January 2008	HK$1.052	1,500,000	–	(1,500,000)	–	–	–
Sub-total			2,900,000	–	(2,900,000)	–	–	–
Senior management, Employees and Other qualifying participants (in aggregate)	22 January 2008	HK$1.052	10,800,000	–	(7,000,000)	(3,800,000)	–	–
Total			13,700,000	–	(9,900,000)	(3,800,000)	–	–

Notes:

1. The exercise period of the share options is from 2011 results announcement date to 29 November 2017.

2. The weighted average share price of the Company's shares immediately before the dates of exercise of share options during the year was HK$1.99.

3. All share options are vested in prior years.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the above share option scheme, at no time during the year was the Company or any of its subsidiaries or the holding companies of the Company or any subsidiaries of its holdings companies a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

The Company's directors had no interests in any business that may compete with the Group's business.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Company as disclosed in note 28 to the consolidated financial statements, no equity-linked agreements were entered into by the Group, or existed during the year.

MANAGEMENT CONTRACTS

During the year, the Company had not entered into any contract in respect of the management or administration of any business of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the percentage of purchases from the major suppliers of the Group to total purchases of the Group is as follow:

Percentage of purchases from the largest supplier of the Group to total purchases: 24.99%
Percentage of purchases from top five suppliers of the Group to total purchases: 61.97%

None of the directors, nor their associates or any shareholders (which to the best knowledge of the directors, holding more than 5% of the share capital of the Company) has an interest in the above suppliers.

During the year, the percentage of sales from the major customers of the Group to the total sales of goods of the Group is as follows:

Percentage of sales from the largest customer of the Group to total sales of goods: 4.12%
Goods sold by the Group to its top five customers during the year: 16.19%

None of the directors, nor their associates or any shareholders (which to the best knowledge of the directors, holding more than 5% of the share capital of the Company) has an interest in the above customers.

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group entered into the following continuing connected transactions and the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules:

Material Purchase Agreement with DG Guangtong

On 23 May 2014, 深圳市宇陽科技發展有限公司 ("SZ Eyang"), an indirect wholly-owned subsidiary of the Company, entered into a material purchase agreement ("Material Purchase Agreement") with東莞市光通實業有限公司 ("DG Guangtong") for a term valid to 31 December 2016. Pursuant to the agreement, SZ Eyang purchased material from DG Guangtong on a normal commercial term. The maximum annual cap during the year 2015 under the Material Purchase Agreement is RMB3,500,000.

New Leasing Agreements with SZ Eycom and its subsidiary

On 1 January 2015, SZ Eyang, 東莞市宇陽科技發展有限公司 ("DG Eyang") and 安徽金宇陽電子科技有限公司 ("Anhui Jineyang"), both of which are indirect wholly-owned subsidiaries of the Company, entered into new leasing agreements ("New Leasing Agreements") with深圳市億通科技有限公司 ("SZ Eycom") and its wholly-owned subsidiary 安徽世紀億通數碼科技有限公司 ("Anhui Eycom") for terms valid to 31 December 2016. Under the New Leasing Agreements the maximum annual cap for the year 2015 is RMB2,625,000.

New MLCC Purchase Agreement with SZ Eycom

On 1 January 2015, SZ Eyang entered into a new MLCC purchase agreement ("New MLCC Purchase Agreement") with SZ Eycom for a term valid to 31 December 2016. Under the New MLCC Purchase Agreement, SZ Eycom can purchase MLCC products from SZ Eyang with an annual cap of RMB7,000,000 for the year 2015.

The Material Purchase Agreement, New Leasing Agreements and New MLCC Purchase Agreement fall under the definition of continuing connected transaction pursuant to the Listing Rules, and the respective aggregated annual caps under the agreements with DG Guangtong and SZ Eycom and its subsidiary are less than 5% of the applicable ratios and therefore subject to reporting and announcement requirements only in accordance with Rule 14A.76(2) of the Listing Rules.

For the year ended 31 December 2015, (1) the total amount of material purchased by SZ Eyang under the Material Purchase Agreement was approximately RMB1,318,000 (2014: RMB430,000); (2) the total rental receipt from SZ Eycom under the New Leasing Agreements and total purchase by SZ Eycom under the new MLCC Purchase Agreement were approximately RMB1,736,000 and RMB2,761,000 respectively (2014: RMB1,985,000 and RMB4,109,000 respectively); and (3) and the total rental receipt from Auhui Eycom under the New Leasing Agreements was approximately RMB205,000 (2014: RMB135,000).

The Company's auditor has confirmed that:

(i) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's Board of Directors;

(ii) for transactions involving purchase of materials from DG Guangtong, sale of MLCC to SZ Eycom, leasing premises to SZ Eycom and leasing premises to Anhui Eycom, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(iii) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(iv) with respect to the aggregate amount of each of the continuing connected transactions set out above, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the maximum annual cap as set by the Company.

The Independent Non-executive Directors namely, Mr. Chu Kin Wang, Peleus, Mr. Liang Rong and Mr. Xu Xuechuan, have reviewed these transactions and confirmed that the continuing connected transactions have been entered into:

(i) in the ordinary and usual course of business of the Company;

(ii) normal commercial terms or better; and

(iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders as a whole.

RELATED PARTY TRANSACTIONS

The related party transactions are set out in note 33 to the consolidated financial statements. Apart from the continuing connected transactions disclosed above, the other related party transactions as disclosed in notes 33(a) and (c) fall under the scope of connected transactions under Chapter 14A of the Listing Rules but are exempted from reporting, annual review, announcement or independent shareholders' approval requirements.

REMUNERATION POLICY

The Group remunerates its employees based on their competence, performance, experience and prevailing market terms. Other employee benefits included provident fund scheme, medical insurance, share option scheme as well as discretionary bonuses.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, the Company has confirmed that it has maintained a sufficient public float in the market as at the date of the report.

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

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

CORPORATE GOVERNANCE

The principles and practices of corporate governance of the Company are set out under the section of "Corporate Governance Report" on pages 13 to 19.

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 December 2015 have been reviewed by the Audit Committee before they are duly approved by the Board under the recommendation of the Audit Committee.

AUDITOR

The financial statements for the year are audited by Crowe Horwath (HK) CPA Limited ("Crowe Horwath"). Crowe Horwath was first appointed as an independent auditor of the Company in 2015 upon the retirement of CCIF CPA Limited. Crowe Horwath will retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting of the Company.

On behalf of the Board
Sue Ka Lok
Executive Director
Hong Kong, 29 March, 2016

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EYANG HOLDINGS (GROUP) CO., LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of EYANG Holdings (Group) Co., Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 30 to 98 which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board 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. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

Independent Auditor's Report

Opinion

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

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong, 29 March 2016

Sze Chor Chun, Yvonne
Practising Certificate Number P05049

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Revenue	6	**517,887**	466,584
Cost of sales		**(450,934)**	(431,230)
Gross profit		**66,953**	35,354
Other revenue and other net income	7	**12,481**	15,836
Selling and distribution costs		**(21,616)**	(22,052)
Administrative expenses		**(44,265)**	(41,635)
Other expenses		**(162)**	(4,964)
Research and development costs	8(c)	**(34,489)**	(32,424)
Loss from operations		**(21,098)**	(49,885)
Finance costs	8(a)	**(13,863)**	(4,005)
Loss before taxation	8	**(34,961)**	(53,890)
Income tax credit	9(a)	**1,985**	7,001
Loss for the year attributable to owners of the Company		**(32,976)**	(46,889)
Other comprehensive loss for the year, net of nil tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(950)**	(1,448)
Total comprehensive loss for the year attributable to owners of the Company		**(33,926)**	(48,337)
		RMB cents	RMB cents
Loss per share	13		
Basic and diluted		**(7.6)**	(11.6)

The notes on pages 36 to 98 form part of these financial statements.

Consolidated Statement Of Financial Position

At 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment	*14*	**189,385**	226,512
Investment properties	*15*	**24,881**	24,324
Prepaid land lease payments	*16*	**18,877**	19,365
Deposits paid for acquisition of property, plant and equipment	*20*	**6,097**	–
Other intangible assets	*17*	**1,496**	2,151
Deferred tax assets	*27(a)*	**12,264**	9,145
		253,000	281,497
Current assets			
Inventories	*18*	**101,131**	88,040
Trade and bills receivables	*19*	**228,119**	188,228
Prepayments, deposits and other receivables	*20*	**8,497**	15,454
Due from related parties	*33(b)*	**–**	5,410
Pledged bank deposits	*21*	**7,525**	24,691
Cash and bank balances	*21*	**464,643**	27,746
		809,915	349,569
Current liabilities			
Trade and bills payables	*22*	**121,240**	93,071
Deferred income, accruals and other payables	*23*	**37,456**	32,086
Tax payable		**18,937**	17,194
Bank loans	*25*	**70,002**	67,364
Dividends payable		**88**	84
		247,723	209,799
Net current assets		**562,192**	139,770
Total assets less current liabilities		**815,192**	421,267
Non-current liabilities			
Bond payable	*26*	**345,693**	–
Deferred income	*24*	**23,529**	23,999
Deferred tax liabilities	*27(b)*	**3,180**	3,634
		372,402	27,633
NET ASSETS		**442,790**	393,634

Consolidated Statement Of Financial Position

At 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Capital and reserves			
Share capital	*31(a)*	**4,571**	3,824
Reserves		**438,219**	389,810
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**442,790**	393,634

Approved and authorised for issue by the Board of Directors on 29 March 2016.

Sue Ka Lok
Director

Jing Wenping
Director

The notes on pages 36 to 98 form part of these financial statements.

Consolidated Statement Of Changes In Equity

For the Year ended 31 December 2015

	Attributable to owners of the Company							
	Share capital RMB'000	Share premium account RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000	Exchange fluctuation reserve RMB'000	Statutory reserve RMB'000	Retained profit/ (accumulated loss) RMB'000	Total equity RMB'000
At 1 January 2014	3,824	104,657	207,757	4,190	5,252	40,768	75,523	441,971
Loss for the year	–	–	–	–	–	–	(46,889)	(46,889)
Exchange differences on translation of foreign operations	–	–	–	–	(1,448)	–	–	(1,448)
Total comprehensive loss for the year	–	–	–	–	(1,448)	–	(46,889)	(48,337)
Transfer to retained profits upon lapse of share options	–	–	–	(267)	–	–	267	–
At 31 December 2014 and 1 January 2015	3,824	104,657	207,757	3,923	3,804	40,768	28,901	393,634
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(32,976)**	**(32,976)**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**(950)**	**–**	**–**	**(950)**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(950)**	**–**	**(32,976)**	**(33,926)**
Shares issued upon placing of shares *(note 31(a)(iii))*	**667**	**74,061**	**–**	**–**	**–**	**–**	**–**	**74,728**
Shares issued under share option scheme *(note 31(a)(ii))*	**80**	**11,109**	**–**	**(2,835)**	**–**	**–**	**–**	**8,354**
Transfer to accumulated loss upon lapse of share options	**–**	**–**	**–**	**(1,088)**	**–**	**–**	**1,088**	**–**
At 31 December 2015	**4,571**	**189,827**	**207,757**	**–**	**2,854**	**40,768**	**(2,987)**	**442,790**

The notes on pages 36 to 98 form part of these financial statements.

Consolidated Statement Of Cash Flows

For the year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
Operating activities		
Loss before taxation:	**(34,961)**	(53,890)
Adjustments for:		
Finance costs	**13,863**	4,005
Interest income	**(1,122)**	(2,549)
Depreciation	**38,727**	47,681
Amortisation of prepaid land lease payments	**488**	488
Amortisation of other intangible assets	**539**	362
Reversal of impairment loss of trade receivables	**(256)**	(304)
Reversal of write down of inventories	**(711)**	–
Reversal of forfeiture of deposit paid	**–**	(1,100)
Impairment loss of property, plant and equipment	**14,587**	6,571
Impairment loss of other intangible assets	**116**	–
Impairment loss of trade receivables	**379**	277
Write-down of inventories	**366**	4,964
Long-outstanding trade payable written off	**(1,318)**	–
Release of government grant as income	**(829)**	(1,005)
Loss on disposal of property, plant and equipment	**1,788**	1,436
	31,656	6,936
Changes in working capital		
Increase in inventories	**(12,746)**	(16,097)
(Increase)/decrease in trade and bills receivables	**(40,014)**	38,928
Decrease/(increase) in prepayments, deposits and other receivables	**6,957**	(1,531)
Decrease in amounts due from related parties	**5,410**	64
Increase/(decrease) in trade and bills payables	**29,487**	(15,265)
Increase/(decrease) in deferred income, accruals and other payables	**5,729**	(3,630)
Decrease in amounts due to related parties	**–**	(2,400)
Cash generated from operations	**26,479**	7,005
Interest received	**1,122**	2,549
PRC tax paid	**(158)**	(6,308)
Net cash generated from operating activities	**27,443**	3,246
Investing activities		
Deposit paid for acquisition of property, plant and equipment	**(6,097)**	–
Payment for the purchase of property, plant and equipment	**(18,557)**	(25,172)
Payment for the purchase of intangible assets	**–**	(1,343)
Proceeds from disposal of property, plant and equipment	**25**	52
Net cash used in investing activities	**(24,629)**	(26,463)

Consolidated Statement Of Cash Flows

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Financing activities			
Proceeds from new bank loans		**180,962**	261,950
Proceeds from issuance of bond		**329,620**	–
Proceeds from shares issued under share option scheme		**8,354**	–
Net proceeds from placing of shares		**74,728**	–
Repayment of bank loans		**(179,085)**	(364,861)
Interest paid		**(4,259)**	(2,169)
Decrease in pledged bank deposits with original maturity of over three months when acquired		**–**	40,300
Net cash generated from/(used in) financing activities		**410,320**	(64,780)
Net increase/(decrease) in cash and cash equivalents		**413,134**	(87,997)
Cash and cash equivalents at 1 January		**52,437**	142,052
Effect of foreign exchange rate changes		**6,597**	(1,618)
Cash and cash equivalents at 31 December		**472,168**	52,437
Analysis of balances of cash and cash equivalents			
Cash and bank balances	*21*	**464,643**	27,746
Pledged bank deposits with original maturity of less than three months when acquired	*21*	**7,525**	24,691
Cash and cash equivalents as stated in the consolidated statement of cash flows		**472,168**	52,437

The notes on pages 36 to 98 form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2015

1. GENERAL INFORMATION

EYANG Holdings (Group) Co., Limited (the "Company") was incorporated in the Cayman Islands on 6 March 2007 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised). The Company's registered office address is the office of Codon Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands, and the head office and the principal place of business of the Company are located at Unit A, 20/F, Po Wah Commercial Centre, 226 Hennessy Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. Details of the principal activities of the Company's subsidiaries are set out in note 34 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs which are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from the initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in the financial statements.

b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the "Group").

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Basis of preparation of the financial statements (Continued)

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB") which is the Company's functional and the Group's presentation currency, and all value are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of IFRSs that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 4.

c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Subsidiaries (Continued)

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss (see note 2(h)).

d) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any accumulated impairment losses (see note 2(h)). The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

	Estimated useful lives	**Residual values**
Buildings	40 years or over the remaining term of the lease, if shorter	10%
Plant and machinery	5-10 years	10%
Office and other equipment	3-10 years	10%
Motor vehicles	4-10 years	10%

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Property, plant and equipment (Continued)

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

Construction in progress represents plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for its intended use.

e) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(g)) to earn rental income and/or for capital appreciation. Such properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on the straight-line basis over the estimated useful lives of 40 years.

Any gains or losses from the retirement or disposal of an investment property are recognised in the profit or loss. Rental income from investment properties is accounted for as described in note 2(r)(ii).

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its carrying amount at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under “Property, plant and equipment” up to the date of change in use.

f) Intangible assets

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Intangible assets (Continued)

The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– computer software 4 – 10 years straight-line

g) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

i) Classification of assets leased to the Group

Assets held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset or, if lower, the present value of the minimum lease payments of such assets are recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(d). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(h). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

iii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged as expenses in the accounting period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Leased assets (Continued)

iv) 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. Specifically, the minimum lease payments (including any lumpsum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

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

h) Impairment of assets

i) Impairment of trade and other receivables

Current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Impairment of assets (Continued)

i) Impairment of trade and other receivables (Continued)

If any such evidence exists, any impairment loss is determined and recognized as follows:

– For trade and other current receivables and other financial assets carried at amortised cost, impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and bill receivables whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Impairment of assets (Continued)

ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- investment properties;
- prepaid land lease payments;
- deposits and prepayments;
- other intangible assets; and
- investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

  The recoverable amount of an asset is the higher of its fair value less costs of disposal and its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (that is, a cash-generating unit).

- Recognition of impairment losses

  An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- Reversal of impairment losses

  An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

  A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Research and development costs

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

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

j) Inventories

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

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(h)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

l) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

m) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

o) Employee benefits

i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

ii) Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions") of the Company.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial lattice model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Employee benefits (Continued)

ii) Share-based payment transactions (Continued)

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings/loss per share.

p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Income tax (Continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Income tax (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

q) Provisions and contingent liabilities

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

r) Revenue recognition

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

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

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

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

iv) management fee income is recognised when services are rendered.

s) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange fluctuation reserve.

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

u) Government grants

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. 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.

v) Dividends

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

w) Related parties

a) A person, or a close member of that person's family, is related to the Group if that person:

i) has control or joint control over the Group;

ii) has significant influence over the Group; or

iii) is a member of the key management personnel of the Group or the Group's parent.

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

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

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

iii) Both entities are joint ventures of the same third party.

iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

vi) The entity is controlled or jointly controlled by a person identified in (a).

vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's Board of Directors (the chief operating decision maker ("CODM") for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following new and revised IFRSs issued by the IASB.

- Amendments to IAS 19 Defined Benefit Plans, Employee Contributions
- Amendments to IFRSs, Annual Improvements to IFRSs 2010-2012 Cycle
- Amendments to IFRSs, Annual Improvements to IFRSs 2011-2013 Cycle

The Group has not applied any new IFRS that is not yet effective for the current accounting period. Except as described below, the application of the amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, IAS 24, Related party disclosures has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

a) Judgements

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

i) *Operating lease commitments – Group as lessor*

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

ii) *Classification between investment properties and owner-occupied properties*

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

b) Estimation uncertainty

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

b) Estimation uncertainty (Continued)

i) ***Useful lives and residual values of property, plant and equipment and investment properties (Carrying amount: RMB214,266,000 (2014: RMB250,836,000))***

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

ii) ***Deferred tax assets (Carrying amount: RMB12,264,000 (2014:RMB9,145,000))***

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary difference and losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

iii) ***Impairment assessment of non-current assets (Carrying amount: RMB240,736,000 (2014: RMB272,352,000))***

The Group assesses at each reporting date whether there is an indication that non-current assets may be impaired. If any such indication exists, the Group makes an estimate of the recoverable amount of non-current assets. This requires an estimation of the value in use of non-current assets. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from non-current assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

iv) ***Write-down of inventories to net realisable value (Carrying amount: RMB101,131,000 (2014: RMB88,040,000))***

Write-down of inventories to net realisable value is made based on the estimated net realisable value of inventories. The assessment of the required write-down amount involves management's judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such difference will have an impact on the carrying amounts of inventories and the write-down charge/write-back amount in the period in which such estimate has been changed.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

b) Estimation uncertainty (Continued)

v) Impairment of trade and bills receivables, other receivables and amounts due from related parties (Carrying amount: RMB229,094,000 (2014: RMB193,638,000))

The Group estimates the provisions for impairment of trade and bills receivables, other receivables and amounts due from related parties by assessing their recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgements. Provisions are applied to trade receivables, other receivables and amounts due from related parties where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amounts of trade receivables, other receivables and amounts due from related parties and thus the impairment loss in the period in which such estimate is changed. The Group reassesses the provisions at the end of the reporting period.

vi) Tax payable (Carrying amount: RMB18,937,000 (2014: RMB17,194,000))

The subsidiaries of the Company are subject to income tax in the People's Republic of China ("PRC"). Significant judgement is required in determining the provision for income tax. There are many transactions for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions in the financial period in which such determination is made.

5. SEGMENT REPORTING

Operating segments are identified on the basis of internal reports which provide information about components of the Group. This information is reported to and reviewed by the CODM, being the Board of Directors, for the purposes of resources allocation and performance assessment. The CODM considers the segments from a business activity perspective.

The Group's revenue, results, assets and liabilities are all attributable to the manufacture and sale of multi-layer ceramic chips ("MLCC") and the trading of MLCC. The directors of the Company consider that there is only one reportable operating segment for the Group. Accordingly, no operating segment information is provided for the years ended 31 December 2015 and 2014.

5. SEGMENT REPORTING (Continued)

a) Geographical segments

i) Revenue from external customers

The geographical analysis of the Group's revenue from external customers by geographical location based on where the goods are sold and delivered is as follows:

	2015 RMB'000	2014 RMB'000
Mainland China	**399,175**	352,512
Regions other than Mainland China	**118,712**	114,072
	517,887	466,584

ii) Non-current assets

No non-current assets and capital expenditure information is presented for the Group's geographical location, as over 90% of the Group's non-current assets are located in Mainland China.

b) Information about major customers

No single customer contributed 10% or more to the Group's revenue for 2015 and 2014.

c) Revenue from major products and services

The analysis of the Group's revenue from its major products and services is the same as that set out in note 6.

6. REVENUE

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of revenue is as follows:

	2015 RMB'000	2014 RMB'000
Sale of MLCC	**517,887**	466,584

7. OTHER REVENUE AND OTHER NET INCOME

	Notes	2015 RMB'000	2014 RMB'000
Other revenue			
Interest income on financial assets not at fair value through profit or loss – bank interest income		**1,122**	2,549
Rental income	*8(c)*	**6,539**	6,672
Government grants *(note)*		**2,117**	1,331
Release of government grants as income	*24*	**829**	1,005
Sale of materials		**289**	207
Management fee income		**313**	615
Sundry income		**1,524**	1,134
		12,733	13,513
Other net income			
Exchange (loss)/gain		**(1,915)**	356
Long-outstanding trade payable written off		**1,318**	–
Net reversal of write down of inventories		**345**	–
Reversal of forfeiture of deposit paid		**–**	1,100
Reversal of impairment loss for trade receivables		**–**	27
Over-provided accrued expenses in prior year		**–**	840
		(252)	2,323
		12,481	15,836

Note: Government grants represented the subsidy to the Group by the PRC government as incentive primarily to encourage the development of the Group and the contribution to the local economic development.

8. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting) the following:

a) Finance costs

	2015 RMB'000	2014 RMB'000
Total interest expense on financial liabilities not at fair value through profit or loss:		
Interest on bank loans	**4,259**	4,005
Interest on bond payable	**9,604**	–
	13,863	4,005

b) Staff costs (including directors' emoluments)

	2015 RMB'000	2014 RMB'000
Contributions to defined contribution retirement plan	**9,258**	10,041
Salaries, wages and other benefits *(notes i and ii)*	**72,501**	68,807
	81,759	78,848

c) Other items

	Notes	**2015 RMB'000**	2014 RMB'000
Cost of inventories *(note i)*	*18(a)*	**450,589**	436,194
Depreciation *(notes i and ii)*		**38,727**	47,681
Amortisation of prepaid land lease prepayments		**488**	488
Amortisation of other intangible assets		**539**	362
Research and development costs:			
Current year expenditure *(note ii)*		**34,489**	32,424
Minimum lease payments under operating leases in respect of buildings		**690**	648
Auditor's remuneration		**680**	673
Foreign exchange differences, net		**1,915**	(356)
Impairment loss of trade receivables		**379**	277
Reversal of impairment loss for trade receivables		**(256)**	(304)
Loss on disposal of property, plant and equipment		**1,788**	1,436
Impairment loss of property, plant and equipment#		**14,587**	6,571
Impairment loss of other intangible assets#		**116**	–
Rental income on investment properties less direct outgoings of RMB739,000 (2014: RMB458,000)	*7*	**(5,800)**	(6,214)

Included in administrative expenses of the consolidated statement of profit or loss and other comprehensive income.

8. LOSS BEFORE TAXATION (Continued)

Notes:

i) Cost of inventories includes depreciation of RMB36,863,000 (2014: RMB41,552,000) and staff costs of RMB44,971,000 (2014: RMB42,534,000), which are also included in the respective total amounts disclosed separately above.

ii) Included in research and development costs are depreciation of RMB116,000 (2014: RMB1,773,000) and staff costs of RMB7,666,000 (2014: RMB7,122,000), which are also included in the respective total amounts disclosed separately above.

9. INCOME TAX CREDIT

a) Income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	2015 **RMB'000**	2014 RMB'000
Current tax		
– PRC Enterprise Income Tax ("EIT") for the year	**1,588**	2,215
– Overprovision in prior years	**–**	(1,445)
Deferred taxation		
– Origination and reversal of temporary differences	**(3,573)**	(7,771)
Income tax credit for the year	**(1,985)**	(7,001)

Notes:

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

ii) No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the years ended 31 December 2015 and 2014.

iii) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI respectively.

iv) For the year ended 31 December 2015, all PRC subsidiaries were subject to EIT rate of 25% (2014: 25%).

9. INCOME TAX CREDIT (Continued)

b) Reconciliation between tax credit and accounting loss at applicable tax rate:

	2015 RMB'000	2014 RMB'000
Loss before taxation	**(34,961)**	(53,890)
Tax at the statutory tax rate	**(8,740)**	(13,473)
Tax effect of:		
Lower tax rates for specific districts or countries	**1,123**	(8,448)
Income not subject to tax	**(1,381)**	(7,925)
Expenses not deductible for tax	**11,548**	26,277
Tax losses not recognised	**233**	3,357
Utilisation of tax losses not previously recognised	**(3,379)**	–
Additional deduction of 50% of the research and development expenses	**–**	(3,947)
Overprovision in prior years	**–**	(1,445)
Effect of withholding tax on the distributable profits of the Group's Mainland China subsidiaries	**(455)**	(2,397)
Others	**(934)**	1,000
Income tax credit for the year	**(1,985)**	(7,001)

10. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Year ended 31 December 2015

	Notes	Fees RMB'000	Salaries and allowances RMB'000	Retirement benefit contributions RMB'000	Discretionary bonuses RMB'000	Total emoluments RMB'000
Executive directors:						
Mr. Chen Weirong ("Mr. Chen") (Chairman and Chief Executive Officer)	*(v)*	–	390	15	–	405
Mr. Jing Wenping ("Mr. Jing")		–	312	12	–	324
Mr. Wang Ye ("Mr. Wang ")	*(i)*	–	121	7	–	128
Mr. Sue Ka Lok ("Mr. Sue")	*(vi)*	206	–	6	–	212
Non-executive directors:						
Mr. Cheng Wusheng	*(iv)*	–	–	–	–	–
Mr. Zhang Zhilin	*(iii)*	–	–	–	–	–
Mr. Chen Hao	*(iii)*	–	–	–	–	–
Independent non-executive directors:						
Mr. Liu Huanbin	*(i)*	34	–	–	39	73
Mr. Pan Wei	*(iv)*	39	–	–	39	78
Mr. Chu Kin Wang, Peleus		160	–	–	–	160
Mr. Liang Rong		67	–	–	–	67
Mr. Mak Ka Wing, Patrick	*(ii)*	56	–	–	16	72
Mr. Xu Xuechuan	*(vi)*	48	–	–	–	48
		610	823	40	94	1,567

10. DIRECTORS' EMOLUMENTS (Continued)

Year ended 31 December 2014

	Notes	Fees RMB'000	Salaries and allowances RMB'000	Retirement benefit contributions RMB'000	Discretionary bonuses RMB'000	Total emoluments RMB'000
Executive directors:						
Mr. Chen Weirong ("Mr. Chen") (Chairman and Chief Executive Officer)	*(v)*	–	460	18	–	478
Mr. Jing Wenping ("Mr. Jing")		–	311	12	–	323
Mr. Wang Ye ("Mr. Wang ")	*(i)*	–	239	13	–	252
Non-executive directors:						
Mr. Cheng Wusheng	*(iv)*	–	–	–	–	–
Mr. Zhang Zhilin	*(iii)*	–	–	–	–	–
Mr. Chen Hao	*(iii)*	–	–	–	–	–
Independent non-executive directors:						
Mr. Liu Huanbin	*(i)*	67	–	–	–	67
Mr. Pan Wei	*(iv)*	67	–	–	–	67
Mr. Chu Kin Wang, Peleus		95	–	–	–	95
Mr. Liang Rong		67	–	–	–	67
Mr. Mak Ka Wing, Patrick	*(ii)*	95	–	–	–	95
		391	1,010	43	–	1,444

10. DIRECTORS' EMOLUMENTS (Continued)

Notes:

(i) Resigned on 3 July 2015

(ii) Resigned on 15 July 2015

(iii) Resigned on 27 July 2015

(iv) Resigned on 4 August 2015

(v) Resigned on 5 November 2015

(vi) Appointed on 3 July 2015

Mr. Chen was also the Chief Executive Officer of the Company and his emolument disclosed above include those for services rendered by him as the Chief Executive Officer up to his resignation on 5 November 2015.

Certain directors were granted share options in prior years in respect of their services to the Group under the share option scheme of the Company, further details of which are set out in note 28 to the financial statements. The fair value of such options which was recognised in profit or loss over the vesting period in prior years was determined as at the date of grant. During the years ended 31 December 2015 and 2014, no equity-settled share option expenses were recognised.

11. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid employees during the year included one director (2014: two directors), details of whose emoluments are set out in note 10 above. Details of the emoluments of the remaining four (2014: three) non-director and non-chief executive and highest paid employees for the year are as follows:

	2015 **RMB'000**	2014 RMB'000
Salaries and allowances	**1,684**	1,277
Retirement benefit contributions	**61**	39
	1,745	1,316

11. INDIVIDUALS WITH HIGHEST EMOLUMENTS (Continued)

The number of non-director and non-chief executive and highest paid employees whose emoluments fell within the following band is as follows:

	2015 Number of individuals	2014 Number of individuals
Nil to HK$1,000,000 (2015: Nil to RMB800,000; 2014: Nil to RMB798,000)	**4**	3

During the year ended 31 December 2015, no emolument was paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors or any of the five highest paid individuals has waived or agreed to waive any emolument for the years ended 31 December 2015 and 2014.

12. DIVIDEND

No dividend was paid or proposed during the years ended 31 December 2015 and 2014, nor has any dividend been proposed since the end of the reporting period.

13. LOSS PER SHARE

a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to the owners of the Company of RMB32,976,000 (2014: RMB46,889,000) and the weighted average of 431,523,000 ordinary shares (2014: 405,500,000) in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	2015 ’000	2014 ’000
Issued ordinary shares at 1 January	**405,500**	405,500
Effect of shares issued upon exercise of share options *(note 31(a)(ii))*	**3,804**	–
Effect of shares issued upon placing of shares *(note 31(a)(iii))*	**22,219**	–
	431,523	405,500

b) Diluted loss per share

Diluted loss per share for the year ended 31 December 2015 was the same as the basis loss per share because the share options outstanding during the year have an anti-dilutive effect.

Diluted loss per share for the year ended 31 December 2014 was the same as the basic loss per share because the exercise prices of the Company’s outstanding share options were higher than the average market prices of the Company’s shares during the year ended 31 December 2014.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Construction in progress ("CIP") RMB'000	Total RMB'000
At 1 January 2014:						
Cost	87,685	363,895	11,669	2,271	1,313	466,833
Accumulated depreciation and impairment	(12,152)	(184,120)	(7,768)	(1,626)	–	(205,666)
Carrying amount	75,533	179,775	3,901	645	1,313	261,167
At 1 January 2014, net of accumulated depreciation and impairment	75,533	179,775	3,901	645	1,313	261,167
Additions	–	21,787	2,367	162	2,797	27,113
Disposals	–	(1,403)	–	(85)	–	(1,488)
Transfer to investment properties *(note 15)*	(8,132)	–	–	–	–	(8,132)
Transfer from investment properties *(note 15)*	1,513	–	–	–	–	1,513
Transfer from CIP to buildings	50	–	–	–	(50)	–
Depreciation provided during the year	(2,298)	(43,443)	(1,211)	(138)	–	(47,090)
Impairment during the year	–	(6,571)	–	–	–	(6,571)
At 31 December 2014, net of accumulated depreciation and impairment	66,666	150,145	5,057	584	4,060	226,512
At 31 December 2014 and at 1 January 2015						
Cost	80,220	383,335	14,036	1,583	4,060	483,234
Accumulated depreciation and impairment	(13,554)	(233,190)	(8,979)	(999)	–	(256,722)
Carrying amount	66,666	150,145	5,057	584	4,060	226,512
At 1 January 2015, net of accumulated depreciation and impairment	66,666	150,145	5,057	584	4,060	226,512
Additions	–	15,016	1,746	474	1,321	18,557
Disposals	–	(108)	(433)	(31)	(1,241)	(1,813)
Transfer to investment properties *(note 15)*	(1,469)	–	–	–	–	(1,469)
Transfer from investment properties *(note 15)*	247	–	–	–	–	247
Transfer from CIP to other property, plant and equipment	199	865	451	–	(1,515)	–
Depreciation provided during the year	(2,243)	(34,580)	(1,094)	(145)	–	(38,062)
Impairment during the year	–	(13,629)	(594)	(91)	(273)	(14,587)
At 31 December 2015, net of accumulated depreciation and impairment	63,400	117,709	5,133	791	2,352	189,385
At 31 December 2015:						
Cost	79,074	387,619	14,850	1,746	2,625	485,914
Accumulated depreciation and impairment	(15,674)	(269,910)	(9,717)	(955)	(273)	(296,529)
Carrying amount	63,400	117,709	5,133	791	2,352	189,385

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

a) The Group's buildings are held under medium term leases in Mainland China.

b) Details of the Group's building and plant and machinery pledged to secure the Group's bank loans are set out in note 25.

c) Certificates of ownership in respect of certain buildings of the Group located in Dongguan with a net carrying amount of approximately RMB8,528,000 as at 31 December 2015 (RMB9,657,000 as at 31 December 2014) have not yet been issued by the relevant PRC authorities.

d) During the year ended 31 December 2014, in order to present a fairer and more appropriate view of the financial position and operating results of the Group where the depreciation period of each plant and equipment is aligned with its actual useful lives, the Group revised its accounting estimates on the useful lives of property, plant and equipment based on the technical assessment prepared by the Group's internal engineers and technicians.

The table below shows the details of estimated useful lives of property, plant and equipment before and after 1 January 2014:

Category of property, plant and equipment	Estimated useful lives before reassessment (years)	Estimated useful lives as reassessed (years)
Plant and machinery	5-10	5-10*

* The reassessed estimated useful lives of plant and machinery is still within the range of the accounting policy as disclosed in note 2(d).

The approximate effect of the change in estimates on loss before income tax expense in the year of change in 2014 and future years was as follows:

	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	Later RMB'000
(Increase)/decrease in depreciation expenses	(16,645)	(8,440)	(1,291)	3,231	3,930	19,215

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

e) During the year ended 31 December 2014, the directors of the Company conducted a review of the Group's property, plant and equipment and determined that certain of the Group's production facilities and plant and machinery are specifically identified to be impaired because those machineries were technically outdated as a result of technological change and certain production facilities were no longer used. In the opinion of the directors of the Company, these plants and machineries have no or little commercial value. An impairment loss of RMB6,571,000 in respect of these plants and machineries was recognised.

f) At 31 December 2015, impairment reviews on the machinery and equipment under the MLCC segment is performed by directors. For the purpose of the review, the recoverable amounts of the related assets are determined based on value in use calculations. These calculations use cash flow projections based on the financial budget estimated by Board of Directors covering a five-year period. Cash flows beyond the five-year period are extrapolated according to a constant 3% growth assumption for terminal value.

The key assumptions used for value in use calculations are as follows:

	2015	2014
Gross margin	**15% to 16%**	14% to 19%
Growth rate	**3% to 23%**	3% to 18%
Discount rate (pre-tax)	**22%**	20%

The budgeted gross margin was determined by the directors based on past performance and their expectation of the market development. The annual discount rates are before tax and reflect market assessments of the time value and the specific risks relating to the relevant segment. Judgment is required to determine the key assumptions adopted in the cash flow projections and the changes to key assumptions can significantly affect these cash flow projections. According to the assessments, the recoverable amount of the related assets was approximately RMB370,000,000, the Group made an impairment loss of approximately RMB14,587,000 and approximately RMB116,000 on the property, plant and equipment and the other intangible assets respectively (notes 14 and 17).

The above value in use calculations were contained in a report based on a valuation carried out by an independent professional valuer, Roma Appraisal Limited with recent experience for this type of valuations in the manufacturing industry in PRC.

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15. INVESTMENT PROPERTIES

	RMB'000
At 1 January 2014:	
Cost	19,455
Accumulated depreciation	(1,159)
Carrying amount	18,296
Cost at 1 January 2014, net of accumulated depreciation	18,296
Transfer from property, plant and equipment *(note 14)*	8,132
Transfer to owner-occupied property *(note 14)*	(1,513)
Depreciation provided during the year	(591)
At 31 December 2014	24,324
At 31 December 2014 and at 1 January 2015:	
Cost	26,399
Accumulated depreciation	(2,075)
Carrying amount	24,324
Cost at 1 January 2015, net of accumulated depreciation	24,324
Transfer from property, plant and equipment *(note 14)*	1,469
Transfer to owner-occupied property *(note 14)*	(247)
Depreciation provided during the year	(665)
At 31 December 2015	24,881
At 31 December 2015:	
Cost	27,710
Accumulated depreciation	(2,829)
Carrying amount	24,881

a) The Group's investment properties are held under medium term leases and are situated in Mainland China.

b) Certain investment properties were pledged to secure the Group's bank loans as set out in note 25.

15. INVESTMENT PROPERTIES (Continued)

c) Fair value hierarchy

The following table presents the details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2015, categorised into the three-level fair value hierarchy as defined in HKFRS 13 Fair Value Measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

d) At 31 December 2015 and 31 December 2014, the fair value of the Group's investment properties was approximately RMB81,426,000 (prepaid land lease payment: RMB46,679,000; and buildings: RMB34,747,000) and RMB77,707,000 (prepaid land lease payment: RMB43,075,000 and buildings: RMB34,632,000) respectively, based on the valuations performed by Roma Appraisals Limited, independent professionally qualified valuer.

The details of fair value of the investment properties as at 31 December 2015 and 2014 determined by the external valuer is as below:

	Fair value measurements at 31 December 2015 using		
Description	**Quoted prices in active markets for identical assets (Level 1) RMB'000**	**Significant other observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**
Investment properties	–	–	**81,426**

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15. INVESTMENT PROPERTIES (Continued)

d) (Continued)

Description	Fair value measurements at 31 December 2014 using		
	Quoted prices in active markets for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
Investment properties	–	–	77,707

For the years ended 31 December 2015 and 2014, the valuation for the investment properties located in Anhui was based on their depreciated replacement costs ("DRC"). DRC is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the existing structures less deductions for physical deterioration and all relevant forms of obsolescence and optimization.

For the years ended 31 December 2015 and 2014, the valuation for the investment properties located in Dongguan and Shenzhen was based on income capitalisation approach (term and reversionary method) which use unobservable inputs (Level 3) at 31 December 2015 and 2014 respectively. The key inputs are term yield, reversionary yield and market unit rent.

16. PREPAID LAND LEASE PAYMENTS

	2015 **RMB'000**	2014 RMB'000
Carrying amount at 1 January	**19,853**	20,341
Amortisation provided during the year	**(488)**	(488)
Carrying amount at 31 December	**19,365**	19,853
Current portion included in prepayments, deposits and other receivables *(note 20)*	**(488)**	(488)
Non-current portion	**18,877**	19,365

a) The Group's leasehold lands are held under medium-term leases and are situated in Mainland China.

b) Certain prepaid land lease payments were pledged to secure the Group's bank loans as set out in note 25.

17. OTHER INTANGIBLE ASSETS

	2015 **RMB'000**	2014 RMB'000
Cost		
At 1 January	**3,390**	2,047
Addition	**–**	1,343
At 31 December	**3,390**	3,390
Accumulated amortisation and impairment		
At 1 January	**1,239**	877
Amortisation provided during the year	**539**	362
Impairment during the year *(note 14 (f))*	**116**	–
At 31 December	**1,894**	1,239
Carrying amount		
At 31 December	**1,496**	2,151

Other intangible assets represent computer software held by the Group. The amortisation charged for the year is included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

18. INVENTORIES

	2015 **RMB'000**	2014 RMB'000
Raw materials	**22,487**	18,705
Work in progress	**18,290**	19,426
Finished goods	**82,041**	71,941
	122,818	110,072
Provision against slow-moving inventories	**(21,687)**	(22,032)
	101,131	88,040

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18. INVENTORIES (Continued)

a) The analysis of the amounts of inventories recognised as an expense and included in profit or loss is as follows:

	2015 RMB'000	2014 RMB'000
Carrying amount of inventories sold	**450,934**	431,230
Write-down of inventories#	**366**	4,964
Reversal of write down of inventories*	**(711)**	–
	450,589	436,194

The write-down of inventories are included in "Other expenses" on the face of the consolidated statement of profit or loss and other comprehensive income.

* During the year, there was a reversal of write down of inventories due to subsequent sales of obsolete inventories. As a result, a reversal of write down of finished goods of approximately RMB711,000 (2014: nil) has been recognised.

19. TRADE AND BILLS RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade receivables	**188,522**	140,237
Bills receivables	**45,603**	53,874
	234,125	194,111
Less: Impairment	**(6,006)**	(5,883)
	228,119	188,228

a) The Group's trading terms with its customers are mainly on credit. The credit periods are generally two to four months. Each customer is assigned a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise its credit risk. Overdue balances are reviewed regularly by management. Trade receivables are non-interest bearing.

b) The bills receivables were all due within 60 to 360 days from the end of the reporting period.

19. TRADE AND BILLS RECEIVABLES (Continued)

c) An aged analysis of the trade receivables as at the end of the reporting period based on the invoice date is as follows:

	2015 RMB'000	2014 RMB'000
Within 90 days	**157,850**	115,748
91 to 180 days	**24,168**	18,545
181 to 360 days	**462**	60
1 to 2 years	**108**	–
2 to 3 years	**–**	1,274
Over 3 years	**5,934**	4,610
	188,522	140,237

d) An aged analysis of the bills receivables as at the end of the reporting period based on bills issue date is as follows:

	2015 RMB'000	2014 RMB'000
Within 90 days	**13,851**	40,658
91 to 180 days	**31,674**	13,216
181 to 360 days	**78**	–
	45,603	53,874

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

	2015 RMB'000	2014 RMB'000
At 1 January	**5,883**	5,910
Impairment losses recognised	**379**	277
Reversal of impairment	**(256)**	(304)
At 31 December	**6,006**	5,883

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB6,006,000 (2014: RMB5,883,000) with a carrying amount of RMB6,006,000 (2014: RMB5,883,000). The individually impaired trade receivables relate to customers that were in financial difficulties and are doubtful. The Group does not hold any collateral or other credit enhancements over these balances.

19. TRADE AND BILLS RECEIVABLES (Continued)

f) An aged analysis of the trade and bills receivables that are neither individually nor collectively considered to be impaired is as follows:

Trade receivables

	2015 RMB'000	2014 RMB'000
Neither past due nor impaired	**149,223**	76,526
Less than 90 days past due	**32,527**	57,108
91 to 180 days past due	**557**	659
181 to 360 days past due	**171**	60
1 to 2 years past due	**–**	–
Over 2 years past due	**38**	1
	182,516	134,354

Bills receivables

	2015 RMB'000	2014 RMB'000
Neither past due nor impaired	**45,603**	53,874

Receivables that were neither past due nor impaired relate to a number of diversified customers for whom there was no recent history of default.

g) The trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment 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.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000
Prepayments to suppliers	**1,908**	2,404
Other receivables	**975**	–
Deposits	**1,684**	1,683
Deposits paid for acquisition of property, plant and equipment	**6,097**	–
Prepaid expenses	**601**	936
Prepaid land lease payment *(note 16)*	**488**	488
Other tax receivables	**3,227**	10,329
	14,980	15,840
Impairment	**(386)**	(386)
	14,594	15,454
Representing:		
Current	**8,497**	15,454
Non–current	**6,097**	–
	14,594	15,454

21. CASH AND BANK BALANCES AND PLEDGED BANK DEPOSITS

	2015 RMB'000	2014 RMB'000
Cash and bank balances	**87,904**	27,746
Amounts receivable from banks for wealth management products purchased *(note c)*	**6,000**	–
Time deposits	**378,264**	24,691
	472,168	52,437
Less: Pledged bank deposits for bills payable and letters of credit *(note 22(d))*	**(7,525)**	(4,191)
Pledged bank deposits for bank loans *(note 25(a))*	**–**	(20,500)
	464,643	27,746
Add: Bank deposits with original maturity of less than three months when acquired:		
Pledged for bills payable and letters of credit	**7,525**	4,191
Pledged for bank loans	**–**	20,500
	7,525	24,691
Cash and cash equivalents in the consolidated statement of cash flows	**472,168**	52,437

21. CASH AND BANK BALANCES AND PLEDGED BANK DEPOSITS (Continued)

a) At the end of the reporting period, the Group's cash and bank balances, time deposits and wealth management products denominated in RMB amounted to RMB40,192,000 (2014: RMB39,448,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

b) Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between three months to one year, and earn interest at the respective short-term time deposit rates. The bank balances and pledged bank deposits are deposited with creditworthy banks. The carrying amounts of the cash and bank balances and the pledged bank deposits approximate their fair values.

c) This represents the RMB wealth management products purchased by the Group from China Merchants Bank during the year ended 31 December 2015. The return of total principals of RMB6,000,000 is guaranteed. Given that the amounts of return of these wealth management products are determinable by known amounts of cash and there is no fixed maturity date from acquisition, the Group has recorded the amounts as cash equivalents.

22. TRADE AND BILLS PAYABLES

	2015	2014
	RMB'000	RMB'000
Trade payables	**102,656**	80,529
Bills payables	**18,584**	12,542
	121,240	93,071

a) An aged analysis of the trade payables as at the end of the reporting period based on the suppliers' statements date is as follows:

	2015	2014
	RMB'000	RMB'000
Within 90 days	**93,731**	67,246
91 to 180 days	**7,912**	12,222
181 to 360 days	**497**	872
1 to 2 years	**382**	40
Over 2 years	**134**	149
	102,656	80,529

b) The trade payables are non-interest bearing and are normally settled within 30 to 120 days.

22. TRADE AND BILLS PAYABLES (Continued)

c) An aged analysis of the bills payables as at the end of the reporting period based on bills issue date is as follows:

	2015 **RMB'000**	2014 RMB'000
Within 90 days	**14,660**	12,542
91 to 180 days	**3,924**	–
	18,584	12,542

d) At 31 December 2015, included within trade and bills payable were bills payable of RMB18,584,000 (2014: RMB12,542,000) being secured by the pledged bank deposits of RMB7,525,000 (2014: RMB4,191,000).

23. DEFERRED INCOME, ACCRUALS AND OTHER PAYABLES

	2015 **RMB'000**	2014 RMB'000
Accruals	**4,069**	3,533
Salary payable	**19,815**	15,416
Other payables for acquisition of property, plant and equipment	**6,336**	8,151
Financial liabilities measured at amortised cost	**30,220**	27,100
Deferred income *(note 24)*	**374**	733
Other tax payable	**6,862**	4,253
	37,456	32,086

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24. DEFERRED INCOME

Government grants

	2015 **RMB'000**	2014 RMB'000
Carrying amount at 1 January	**24,732**	21,737
Granted during the year	**–**	4,000
Released as income *(note 7)*	**(829)**	(1,005)
Carrying amount at 31 December	**23,903**	24,732
Current portion included in deferred income, accruals and other payables *(note 23)*	**(374)**	(733)
Non-current portion	**23,529**	23,999

The government grants have been received from various government authorities specifically for the purchases of qualified plant and equipment in respect of the production of MLCC. Except for the condition that the government grants must be specifically used for the purchases of qualified plant and equipment for the production of MLCC, there are no other conditions attached to these grants.

25. BANK LOANS

	2015 **RMB'000**	2014 RMB'000
Secured and repayable within one year	**70,002**	67,364

a) The Group's bank loans and bank facilities are secured by:

i) certain of the Group's bank deposits amounting to RMBNil (2014: RMB20,500,000). The pledged bank deposits were released upon the settlement of the relevant bank loans;

ii) certain buildings, plant and machinery, prepaid land lease payments, investment properties and trade and bills receivables of the Group with carrying amounts of approximately RMB47,559,000, RMBNil, RMB11,131,000, RMB21,828,000 and RMB195,580,000 respectively as at 31 December 2015 (2014: RMB36,678,000, RMB8,835,000, RMB11,393,000, RMB21,187,000 and RMBNil respectively); and

iii) all equity interests in Anhui Jineyang Electronic Technology Co., Ltd., a subsidiary of the Company.

b) The secured bank loans of approximately RMB60,000,000 (2014: RMBNil) and RMB10,002,000 (2014: RMB67,364,000) are denominated in RMB and United States dollars, respectively.

c) The carrying amounts of the bank loans approximate their fair values.

d) The effective floating interest rate of bank loans is 2.07%-5.58% (2014: 3.04%-3.36%).

26. BOND PAYABLE

	2015 RMB'000	2014 RMB'000
Bond payable	**345,693**	–

On 14 August 2015, a wholly owned subsidiary of the Company issued a two-year corporate bond with a principal amount of HK$400,000,000 (equivalent to approximately RMB329,620,000) to an independent third party at an issue price equal to the face value of the bond. The bond is secured by all equity interests in two wholly owned subsidiaries of the Company. The bond payable bears interest at the rate of 8% per annum which is repayable on 13 August 2017, the maturity date of the bond.

The Group may at any time after the first anniversary of the issue date of the bond to the maturity date to early redeem the whole outstanding bond payable, including the principal amount of HK$400,000,000 and the interest accrued thereon, with the prior written consent from the bond holder provided that not less than 15 days' advance notice of such redemption intention shall have been given to the bond holder.

27. DEFERRED TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

a) Deferred tax assets

	Provision against slow-moving inventories RMB'000	Impairment of trade receivables RMB'000	Impairment of items of property, plant and equipment RMB'000	Impairment of other intangible assets RMB'000	Total RMB'000
At 1 January 2014	2,560	852	359	–	3,771
Effect of changes in tax rate	1,179	248	729	–	2,156
Credited to the consolidated statement of profit or loss and other comprehensive income during the year	1,769	371	1,078	–	3,218
At 31 December 2014 and 1 January 2015	5,508	1,471	2,166	–	9,145
(Charged)/credited to the consolidated statement of profit or loss and other comprehensive income during the year	(87)	31	3,146	29	3,119
At 31 December 2015	5,421	1,502	5,312	29	12,264

27. DEFERRED TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

b) Deferred tax liabilities

	Withholding taxes RMB'000
At 1 January 2014	6,031
Credited to the consolidated statement of profit or loss and other comprehensive income during the year	(2,397)
At 31 December 2014 and 1 January 2015	3,634
Credited to the consolidated statement of profit or loss and other comprehensive income during the year	(454)
At 31 December 2015	3,180

Pursuant to the PRC Enterprise Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2015, there was no significant unrecognised deferred tax liability (2014: nil) for taxes that would be payable on the unremitted earnings of certain Group's subsidiaries.

c) Deferred tax assets not recognised

As at 31 December 2015, the Group has unused tax losses of approximately RMB9,737,000 (2014: RMB22,629,000) available for offset against future profits. No deferred tax was recognised in the consolidated statement of financial position as at 31 December 2015 (2014: nil) since it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. Included in unrecognized tax losses are losses of RMB3,335,000, RMB2,037,000, RMB1,554,000, RMB1,878,000 and RMB933,000 that will expire in 2016, 2017, 2018, 2019 and 2020 respectively (2014: RMB1,319,000, RMB3,335,000, RMB2,994,000, RMB1,554,000 and RMB13,427,000 that will expire in 2015, 2016, 2017, 2018 and 2019 respectively).

28. EQUITY-SETTLED SHARE-BASED TRANSACTION

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include (a) any proposed employee, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group; (b) a director or proposed director (including an independent non-executive director) of any member of the Group; (c) a direct or indirect shareholder of any member of the Group; (d) a supplier of goods or services to any member of the Group; (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; and (g) an associate of any of the foregoing persons. The Scheme became effective on 30 November 2007 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares in respect of which share options may be granted under the Scheme shall not exceed 10% of the Shares in issue as at the date of listing of the Shares on the Main Board of the Stock Exchange (which is 21 December 2007) (the "Scheme Mandate Limit") provided that the Company may at any time as the Board may think fit seek approval from its shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all share options to be granted under the Scheme and any other schemes of the Company shall not exceed 10% of the Shares in issue as at the date of approval by the shareholders of the Company in general meeting where the Scheme Mandate Limit is refreshed. The maximum number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Scheme and any other share options granted and yet to be exercised under any other schemes shall not exceed 30% of the Company's issued share capital from time to time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

The total number of securities available for issue under the share option scheme as at 31 December 2015 was nil (2014: 13,700,000) shares which represented approximately 0% (2014: 3%) of the issued share capital of the Company at 31 December 2015.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the Independent Non-executive Directors. In addition, any share options granted to a substantial shareholder or an Independent Non-executive Director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted under the Scheme is determinable by the directors of the Company, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of offer of the share options or the expiry of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than whichever the highest of (i) the nominal value of the Company's shares; (ii) the Stock Exchange closing price of the Company's shares on the date of grant of the share options; and (iii) the average Stock Exchange closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

28. EQUITY-SETTLED SHARE-BASED TRANSACTION (Continued)

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

Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

a) Terms of unexpired and unexercised share options at the end of the reporting period:

	Exercise price per share	**2015 Number of shares issuable under options**	2014 Number of shares issuable under options
Exercisable period			
2011 results announcement date to 29 November 2017	HK$1.052	**–**	13,700,000

b) The number and weighted average exercise prices of share options are as follows:

	2015		2014	
	Weighted average exercise price per share	**Number of shares issuable under options**	Weighted average exercise price per share	Number of shares issuable under options
Outstanding at 1 January	**HK$1.052**	**13,700,000**	HK$1.052	14,800,000
Lapsed during the year	**HK$1.052**	**(3,800,000)**	HK$1.052	(1,100,000)
Exercised during the year#	**HK$1.052**	**(9,900,000)**		–
Outstanding at 31 December*		**–**	HK$1.052	13,700,000
Exercisable at 31 December		**–**	HK$1.052	13,700,000

\# The weighted average share price on the dates of exercise for share options exercised during the year was HK$2.07 (2014: not applicable).

* At 31 December 2014, the options outstanding had an exercise price of HK$1.052 and a weighted average remaining contractual life of 2.9 years.

All share options are vested in prior years and there are no options outstanding as at 31 December 2015.

29. EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plan

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (HK$25,000 prior to June 2014). Contributions to the plan vest immediately.

The Group also participates in a state-managed retirement benefit scheme operated by the government of the PRC. The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme. The subsidiaries are required to contribute certain portion of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to profit or loss of RMB9,258,000 (2014: RMB10,041,000) represents contributions paid to these schemes by the Group for the year ended 31 December 2015. As at 31 December 2015, there were no material forfeitures available to offset the Group's future contributions (2014: nil).

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2015 **RMB'000**	2014 RMB'000
Non-current assets		
Property, plant and equipment	**5**	6
Investments in subsidiaries	**275,817**	319,550
	275,822	319,556
Current assets		
Due from subsidiaries	**109,293**	98,722
Prepayment	**158**	–
Cash and bank balances	**415,261**	220
	524,712	98,942
Current liabilities		
Other payables and accruals	**809**	776
Dividends payable	**88**	84
Due to subsidiaries	**360,196**	13,638
	361,093	14,498
Net current assets	**163,619**	84,444
NET ASSETS	**439,441**	404,000
CAPITAL AND RESERVES		
Share capital	**4,571**	3,824
Reserves	**434,870**	400,176
TOTAL EQUITY	**439,441**	404,000

31. CAPITAL AND RESERVES

a) Share capital

i) Authorised and issued share capital

	2015 HK$000	2014 HK$000
Authorised:		
1,000,000,000 ordinary shares of HK$0.01 each	**10,000**	10,000
Issued and fully paid:		
At the beginning of the year 405,500,000 ordinary shares of HK$0.01 each	**4,055**	4,055
Shares issued under share option scheme (9,900,000 ordinary shares of HK$0.01 each)	**99**	–
Shares issued upon placing of shares (81,100,000 ordinary shares of HK$0.01 each)	**811**	–
At the end of the year 496,500,000 ordinary shares of HK$0.01 each (2014: 405,500,000 ordinary shares of HK$0.01 each)	**4,965**	4,055
Equivalent to RMB'000	**4,571**	3,824

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

ii) Shares issued under share option scheme

During the year ended 31 December 2015, 9,900,000 options were exercised to subscribe for 9,900,000 ordinary shares of the Company at a total consideration of HK$10,415,000 (equivalent to approximately RMB8,354,000), of which HK$99,000 (equivalent to approximately RMB80,000) was credited to share capital and HK$10,316,000 (equivalent to approximately RMB8,274,000) was credited to share premium account and RMB2,835,000 was transferred from the share option reserve to the share premium account.

During the year ended 31 December 2014, no share options were exercised.

iii) Shares issued upon placing of shares

On 7 September 2015, the Company entered into a placing agreement with a placing agent pursuant to which the Company agreed to place, through the placing agent, 81,100,000 new shares of the Company to not less than six independent placees at the placing price of HK$1.15 per placing share. On 23 September 2015, the placing of the shares was completed and 81,100,000 new shares of the Company were issued to not less than six independent placees. Of the net proceeds of approximately HK$90,813,000 (equivalent to approximately RMB74,728,000) from the issue of the shares upon placing, approximately HK$811,000 (equivalent to approximately RMB667,000) was credited to share capital and the remaining balance of approximately HK$90,002,000 (equivalent to approximately RMB74,061,000) was credited to share premium account.

31. CAPITAL AND RESERVES (Continued)

b) Capital and Reserves

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

Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Attributable to owners of the Company					
	Share capital RMB'000	Share premium account RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000	Accumulated loss RMB'000	Total equity RMB'000
At 1 January 2014	3,824	104,657	364,952	4,190	(52,624)	424,999
Loss and total comprehensive loss for the year	–	–	–	–	(20,999)	(20,999)
Transfer to accumulated loss upon lapse of share options	–	–	–	(267)	267	–
At 31 December 2014	3,824	104,657	364,952	3,923	(73,356)	404,000
At 1 January 2015	3,824	104,657	364,952	3,923	(73,356)	404,000
Loss and total comprehensive loss for the year	–	–	–	–	(47,641)	(47,641)
Shares issued upon placing of shares	667	74,061	–	–	–	74,728
Shares issued under share option scheme	80	11,109	–	(2,835)	–	8,354
Transfer to accumulated loss upon lapse of share options	–	–	–	(1,088)	1,088	–
At 31 December 2015	4,571	189,827	364,952	–	(119,909)	439,441

31. CAPITAL AND RESERVES (Continued)

c) Nature and purpose of reserves

i) Share premium

Under the Companies Law (Revised) of the Cayman Islands, the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which a dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

ii) Contributed surplus

The contributed surplus of the Group represents:

– the difference of RMB203,536,000 being the excess of the nominal value of the shares and contributed surplus of the subsidiaries acquired pursuant to the group reorganisation over the nominal value of the Company's shares issued in exchange therefor;

– the deficit of RMB2,823,000 arising from the acquisition of Dongguan Eyang Technology Development Co., Ltd ("DG Eyang") from the non-controlling shareholders of DG Eyang;

– the deficit of RMB1,774,000 arising from the disposal of Shenzhen Eycom Technology Co., Ltd. ("SZ Eycom") to the related party;

– the credit of RMB9,468,000 arising from the deemed contribution from the shareholders when acquiring Shenzhen Eyang Energy Company Limited and its subsidiary (the "Energy Group") during the year ended 31 December 2012; and

– the deficit of RMB650,000 arising from deemed distribution to the shareholders when disposing the Energy Group during the year ended 31 December 2013.

iii) Share option reserve

The share option reserve comprises the portion of the fair value of unexercised share options granted that has been recognised in accordance with the accounting policy adopted for share-based payments in note 2(o)(ii).

iv) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(s).

31. CAPITAL AND RESERVES (Continued)

c) Nature and purpose of reserves (Continued)

v) Statutory reserve

Pursuant to applicable PRC regulations, certain PRC subsidiaries in the Group are required to appropriate 10% of their profit after tax (after offsetting prior year losses) to the statutory reserve until such reserve reaches 50% of their registered capital. Transfers to the reserve must be made before distribution of dividends to shareholders. Upon approval by relevant authorities, the statutory reserve can be utilised to offset the accumulated loss or to increase the registered capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

d) Distributability of reserves

At 31 December 2015, the aggregate amount of reserves available for distribution to owners of the Company was RMB434,870,000 (2014: RMB396,253,000).

e) Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015 and 2014.

The Group is not subject to any externally imposed capital requirements.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt is calculated as the sum of bank loans, bond payable, trade and bills payables, and accruals and other payables (excluding deferred income) less cash and cash equivalents. Capital represents equity attributable to owners of the Company (excluding share capital). The Group's policy is to keep the gearing ratio at a reasonable level. The gearing ratios as at the end of the reporting periods are as follows:

31. CAPITAL AND RESERVES (Continued)

e) Capital management (Continued)

	2015 RMB'000	2014 RMB'000
Bank loans	**70,002**	67,364
Bond payable	**345,693**	–
Trade and bills payables	**121,240**	93,071
Other payables and accruals	**37,082**	31,353
Less: Cash and cash equivalents *(note 21)*	**(472,168)**	(52,437)
Net debt	**101,849**	139,351
Total equity excluding share capital	**438,219**	389,810
Equity and net debt	**540,068**	529,161
Gearing ratios	**19%**	26%

32. COMMITMENTS

a) Operating lease commitments

i) As lessor

The Group leases its investment properties (note 15) under operating lease arrangements, with leases negotiated for terms ranging from one to twenty years.

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

	2015 RMB'000	2014 RMB'000 (Restated)
Within one year	**6,175**	5,064
In the second to fifth years, inclusive	**1,114**	4,686
After five years	**504**	540
	7,793	10,290

32. COMMITMENTS (Continued)

a) Operating lease commitments (Continued)

ii) As lessee

The Group leases certain of its factories and office premises under operating lease arrangements. Leases for properties are negotiated for terms of two years.

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

	2015 **RMB'000**	2014 RMB'000
Within one year	**141**	115

b) Capital commitments

	2015 **RMB'000**	2014 RMB'000
Contracted, but not provided for:		
Plant and machinery	**14,271**	873

Notes to the Financial Statements

For the year ended 31 December 2015

33. RELATED PARTY TRANSACTIONS AND BALANCES

The Group had the following material transactions with related parties during the year and balances with related parties at the end of the reporting period:

a) Recurring transactions

Name of parties	Nature of transactions	2015 RMB'000	2014 RMB'000
Dongguan Guangtong Enterprise Co., Ltd. ("DG Guangtong") (東莞市光通實業有限公司) (i)	Rental income received from DG Guangtong (iv)(vi)	**38**	57
	Purchase of materials (v)	**1,318**	430
SZ Eycom (ii)	Sale of MLCC to SZ Eycom (v)	**2,761**	4,109
	Rental income received from SZ Eycom (iv)(vii)	**1,736**	1,985
Anhui Century Eycom Digital Technology Co., Ltd ("Anhui Eycom") (安徽世紀億通數碼科技有限公司) (iii)	Rental income received from Anhui Eycom (iv)	**205**	135
	Management fee income received from Anhui Eycom (iv)	**267**	339

Notes:

(i) The shareholders of DG Guangtong are the brother and sisters of Mr. Chen, a key management personnel of the Group.

(ii) One of the ultimate shareholders of SZ Eycom is Mr. Chen, a key management personnel of the Group.

(iii) One of the ultimate shareholders of Anhui Eycom is Mr. Chen.

(iv) The tenancy agreements entered into between the Group and the related parties and the management fee are based on mutually agreed terms.

(v) The transactions were conducted in accordance with normal commercial terms.

(vi) At 31 December 2015, RMBNil (2014: RMB113,000) was included in operating lease commitments as lessor as set out in note 32(a)(i).

(vii) At 31 December 2015, RMB1,099,000 (2014: RMB1,243,000) was included in operating lease commitments as lessor as set out in note 32(a)(i).

33. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

b) Balances with related parties

	The Group		Maximum amount outstanding	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
Due from				
DG Guangtong	**–**	790	**1,313**	1,384
Dongguan Deyang Industrial Co. Ltd	**–**	3	**72**	68
SZ Eycom	**–**	1,853	**2,684**	3,713
Anhui Eycom	**–**	104	**190**	231
Shenzhen Eyang Energy Company Ltd ("Eyang Energy") (i)	**–**	2,660	**2,660**	3,410
	–	5,410		

Notes:

(i) The director of Eyang Energy is Mr. Chen, a key management personnel of the Group.

(ii) For the years ended 31 December 2015 and 2014, the balances with related parties are unsecured, interest-free and repayable on demand.

(iii) The carrying amounts of these balances approximate their fair values.

c) Key management personnel remuneration

The key management personnel include directors of the Company (the remuneration for them disclosed in note 10) and Mr. Chen, being a director of a principal subsidiary, as follows:

	2015	2014
	RMB'000	RMB'000
Short-term employee benefits	**1,597**	1,401
Post-employment benefits	**43**	43
	1,640	1,444

34. PARTICULAR OF SUBSIDIARIES OF THE COMPANY

Particulars of the principal subsidiaries as at 31 December 2015 are as follows:

Name	Place of incorporation/ operation	Issued and fully paid-up/ registered capital	Percentage of equity attributable to the Company Direct %	Percentage of equity attributable to the Company Indirect %	Principal activities
Eyang Management Co., Ltd.	BVI/HK	10,000 ordinary shares of US$1 each	100	–	Investment holding
Hong Kong Eyang Holdings (Group) Co., Ltd. (香港宇陽控股(集團)有限公司)	HK/PRC	10,000 ordinary shares	–	100	Investment holding and trading of MLCC
Hong Kong Eyang Technology Co., Ltd. (香港宇陽科技有限公司)	HK/PRC	500,000 ordinary shares	–	100	Trading of MLCC
SZ Eyang *	PRC/PRC	Registered capital of RMB350,000,000	–	100	Manufacture and sale of MLCC
Donnguan Eyang Technology Development Co., Ltd. ("DG Eyang") (東莞市宇陽科技發展有限公司) #	PRC/PRC	Registered capital of RMB20,000,000	–	100	Lease of properties and trading of MLCC
Anhui Jineyang Electronic Technology Co., Ltd. (安徽金宇陽電子科技有限公司) #	PRC/PRC	Registered capital of RMB5,000,000	–	100	Manufacture of MLCC
NER Management Ltd.	BVI/HK	1 ordinary share of US$1 each	100	–	Inactive
Eyang Energy Management Co., Limited	BVI/HK	100 ordinary shares of US$1 each	100	–	Investment holding
Shenzhen Weichang New Energy Co., Ltd. (深圳市威長新能源有限公司) *	PRC/PRC	Registered capital of HK$3,000,000	–	100	Investment holding

* These companies were established in the PRC in the form of wholly-foreign-owned enterprises.

\# These companies were established in the PRC as PRC domestic-invested companies.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include the followings:

Categories of financial instruments

	2015 RMB'000	2014 RMB'000
Financial assets		
Trade and bills receivables	**228,119**	188,228
Other receivables	**975**	–
Due from related parties	**–**	5,410
Pledged bank deposits	**7,525**	24,691
Cash and bank balances	**464,643**	27,746
Loans and receivables	**701,262**	246,075
Financial liabilities		
Trade and bills payables	**121,240**	93,071
Accruals and other payables	**30,220**	27,100
Bank loans	**70,002**	67,364
Bond payable	**345,693**	–
Dividends payable	**88**	84
Financial liabilities measured at amortised cost	**567,243**	187,619

The Group's principal financial instruments comprise bank loans, bond payable, cash and bank balances and pledged bank deposits. The main purpose of these financial instruments is to raise/provide finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables and trade and other payables, which arise directly from its operations.

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

a) Fair values

All financial instruments are carried at amounts not materially different from their fair values at 31 December 2015 and 2014.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

b) Credit risk

i) Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

ii) In respect of trade and other receivables and amounts due from related parties, in order to minimise risk, the management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis. Credit evaluation of debtors' financial position and condition is performed on each and every major debtor periodically. These evaluations focus on the debtors' past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the debtor operates. The Group does not require collateral in respect of its financial assets. Trade receivables are usually due within 2 to 4 months from the date of billing.

iii) In respect of trade receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry in which customers operate also has an influence on credit risk. At the end of the reporting period, the Group has a certain concentration of credit risk as 4% (2014: 4%) and 17% (2014: 15%) of the trade and bills receivables and amount due from related parties were due from the Group's largest customer and the five largest customers respectively. Taking into account the creditworthiness of the Group's customers, the credit risk measures and the historical levels of the bad debts, the directors consider that such concentration of credit risk would not result in significant credit default exposure to the Group.

iv) In respect of the credit risk on liquid funds, the risk is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

c) Interest rate risk

The Group's interest rate risk arises primarily from bank deposits, bank loans and bond payable.

Bank deposits and bank loans at variable rates and time deposits and bond payable at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The management continuously monitors interest rate fluctuation and will consider further hedging interest rate risk should the need arise.

Bank deposits are carried at low interest rates and the interest income thereon is not significant.

The effective interest rates of the bank loans and bond payable of the Group are set out below. The terms of repayment are set out in notes 25 and 26 to the financial statements.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

c) Interest rate risk (Continued)

i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period:

	2015		2014	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000
Variable rate borrowings:				
Bank loans	**2.07-5.58**	**70,002**	3.04-3.36	67,364
Fixed rate borrowings:				
Bond payable	**7.412**	**345,693**	–	–
Total borrowings		**415,695**		67,364

ii) Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative financial instruments at the end of the reporting period. For variable-rate borrowings, the analysis is prepared assuming the borrowings outstanding at the end of the reporting period were outstanding for the whole year. The analysis is performed on the same basis for 2014.

At 31 December 2015, it is estimated that a general increase/decrease of 100 basis points in interest rates for variable-rate borrowings, with all other variables held constant, would increase/decrease the Group's loss after tax and increase/decrease the Group's accumulated loss by approximately RMB523,000 (2014: RMB527,000). Other components of consolidated equity would not change in response to the general increase/decrease in interest rates.

d) Currency risk

The Group has transactional currency exposures. Such exposures arise from sales, purchases or bank loans by operating group entities in currencies other than the entities' functional currencies. The Group tends to accept foreign currency exchange risk avoidance when arriving at purchase and sale contracts to minimise its transactional currency exposures. The Group takes rolling forecast on the foreign currency revenue and expenses, and matches the currency and the amounts incurred, so as to alleviate the impact on business due to exchange rate fluctuations.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

d) Currency risk (Continued)

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date.

	Exposure to foreign currencies (expressed in RMB)					
	2015			2014		
	United States Dollars RMB'000	**Hong Kong Dollars RMB'000**	**Japanese Yen RMB'000**	United States Dollars RMB'000	Hong Kong Dollars RMB'000	Japanese Yen RMB'000
Trade and bills receivables and other receivables	**36,609**	**1,551**	**–**	20,317	4,043	–
Pledged bank deposits and cash and bank balances	**10,477**	**419,292**	**–**	10,757	939	–
Trade and bills payables and other payables	**(75,540)**	**(2,663)**	**(4,987)**	(53,087)	(3,646)	(5,390)
Bank loans	**(10,002)**	**–**	**–**	(67,364)	–	–
Dividends payable	**–**	**(88)**	**–**	–	(84)	–
Net exposure arising from recognised assets and liabilities	**(38,456)**	**418,092**	**(4,987)**	(89,377)	1,252	(5,390)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the United States dollar, Hong Kong dollar and Japanese yen exchange rates, with all other variables held constant, of the Group's loss before tax.

	2015		2014	
	Increase/ (decrease) in rate	**(Increase)/ decrease in loss before income tax RMB'000**	Increase/ (decrease) in rate	(Increase)/ decrease in loss before income tax RMB'000
United States dollars	**5**	**(1,923)**	5	(4,469)
	(5)	**1,923**	(5)	4,469
Hong Kong dollars	**5**	**20,905**	5	63
	(5)	**(20,905)**	(5)	(63)
Japanese Yen	**5**	**(249)**	5	(270)
	(5)	**249**	(5)	270

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

e) Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial liabilities and financial assets (for example, trade receivables) and projected cash flows from operations.

The Group's policy is to maintain sufficient cash and cash equivalents and have available funding through bank loans to meet its working capital requirements.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay, is as follows:

	2015				
	Contractual undiscounted cash outflow				
	On demand RMB'000	**Less than 1 year RMB'000**	**More than 1 year but less than 2 years RMB'000**	**Total RMB'000**	**Carrying amount at 31 December RMB'000**
Bank loans	**–**	**71,531**	**–**	**71,531**	**70,002**
Bond payable	**–**	**–**	**389,324**	**389,324**	**345,693**
Trade and bills payables	**–**	**121,240**	**–**	**121,240**	**121,240**
Accruals and other payables	**–**	**30,220**	**–**	**30,220**	**30,220**
Dividends payable	**–**	**88**	**–**	**88**	**88**
	–	**223,079**	**389,324**	**612,403**	**567,243**

	2014				
	Contractual undiscounted cash outflow				
	On demand RMB'000	Less than 1 year RMB'000	More than 1 year but less than 2 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000
Bank loans	–	67,894	–	67,894	67,364
Trade and bills payables	–	93,071	–	93,071	93,071
Accruals and other payables	–	27,100	–	27,100	27,100
Dividends paybles	–	84	–	84	84
	–	188,149	–	188,149	187,619

36. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2015

Up to the date of issue of the financial statements, the IASB has issued the following amendments and new standards which are not yet effective for the year ended 31 December 2015 and which have not been adopted in the financial statements. These include the following which may be relevant to the Group.

IFRS 9	Financial Instruments[1]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[3]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
Amendments to IAS 1	Disclosure Initiative[4]
Amendments to IAS 7	Discloure Initiative[6]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[6]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[4]
Amendments to IAS 27	Equity Method in Separate Financial Statements[4]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[4]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[4]

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

The Group is in the process of making an assessment of what the impact of these new and revised IFRSs is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.