China Packaging Holdings Development Limited

中華包裝控股發展有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code:1439

Annual Report 2015

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Chen Wei Wei *(Chairman)*
Mr. Sun Shao Hua
Ms. Zheng Li Fang

Independent Non-executive Directors
Mr. Liu Da Jin
Mr. Ma Yiu Ho, Peter
Mr. Wu Ping

BOARD COMMITTEES

Audit Committee
Mr. Ma Yiu Ho, Peter *(Chairman)*
Mr. Liu Da Jin
Mr. Wu Ping

Remuneration Committee
Mr. Liu Da Jin *(Chairman)*
Mr. Wu Ping
Mr. Sun Shao Hua

Nomination Committee
Mr. Chen Wei Wei *(Chairman)*
Mr. Liu Da Jin
Mr. Wu Ping

COMPANY SECRETARY

Mr. Hu Chung Ming (FCPA)

AUTHORISED REPRESENTATIVES

Mr. Sun Shao Hua
Mr. Hu Chung Ming

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

COMPLIANCE ADVISER

Oriental Patron Asia Limited

LEGAL ADVISER

TC & Co.,

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Hong Sheng Industrial Park
Yichun City, Jiangxi Province
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Office 2, 7th Floor
Wah Hing Commercial Building
283 Lockhart Road
Wanchai, Hong Kong

STOCK CODE

01439

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKER

Agricultural Bank of China (Fengxin Sub-branch)
China Construction Bank (Fengxin Sub-branch)
China Merchants Bank

COMPANY'S WEBSITE

www.hs-pack.com

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Chen Wei Wei (陳衛偉), aged 32, is our Chairman and Executive Director. He was appointed on 13 December 2013. He is also the Chairman of the Nomination Committee. Mr. Chen is primarily responsible for the overall management, market and business development, product development, production and operation management of our Group. Mr. Chen has more than 11 years of experience in management, business development and operation of manufacturing industry. Mr. Chen joined our Group on 17 April 2009 as a deputy general manager and had been, responsible for sales and research and development, and became the general manager of our Group on 1 July 2013. He graduated from both the Fuzhou Gongren Yeyu University (福州市工人業餘大學) and the Fujian Institute of Hydraulic and Electrical Engineering (福建水利電力學校) in July 2002, majoring in computer and information management and powerplant and electric power system respectively.

Ms. Zheng Li Fang (鄭麗芳), aged 31, was appointed as an Executive Director of our Company on 18 March 2016. She is responsible for overseeing the administration and human resources matters of our Group. Ms. Zheng graduated from the Fuzhou University (福州大學) with a Bachelor Degree in Enterprise Management in 2008. Prior to joining the Group, Ms. Zheng served as a general manager of the Xiamen Dahei Technology Co. Ltd. (廈門大黑科技有限公司) from 2013 to 2015. Before that, she served as an assistant president in the Gamewave Interactive (Xiamen) Technology Co. Ltd. (趣遊(廈門)科技有限公司) from 2009 to 2013.

Mr. Sun Shao Hua (孫少華), aged 44, is our founder and Executive Director. He was appointed on 13 December 2013. Mr. Sun is primarily responsible for the overall strategic planning and business development of our Group. Mr. Sun has approximately 15 years of experience in the packaging industry and corporate management. Mr. Sun established the business of our Group in 2006 and has been heading the Group since its incorporation. Mr. Sun was previously the standing director of the 7th China Packaging Federation Council (中國包裝聯合會第七屆理事會) in 2011. Mr. Sun was awarded the 5th Lake Poyang Printing Development Contribution Award (第五屆鄱陽湖(鴻聖)杯印刷發展貢獻獎) by the Association of Printing and Copying Industry in Jiangxi Province (江西省印刷複製業協會) in December 2011. Mr. Sun completed a postgraduate economics course at Jiangxi University of Finance and Economics (江西財經大學) in July 2005 and graduated from the Central Communist Party School Correspondence Institute (中共中央黨校函授學院) in December 2006, majoring in economic management. Mr. Sun completed the 2006 Chief Executive Course at Xiamen University School of Management in August 2007 and the GEM Financing and Private Fund Executive Course at Fudan University in April 2009.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Liu Da Jin (劉大進), aged 50, was appointed as an Independent Non-executive Director on 13 December 2013. Mr. Liu is also a member of the Audit Committee and the Nomination Committee and the chairman of the Remuneration Committee. Mr. Liu has been a non-practicing member of the Chinese Institute of Certified Public Accountants since June 1996. He has also been the consultant of the Xiamen City Economic Management Consultancy Association (廈門市經濟管理諮詢協會) since August 2008 and the council member of the Xiamen City Accounting Association (廈門市會計學會) since March 2005. Mr. Liu graduated from the Central University of Finance and Economics (中央財經大學) (originally named Central Institute of Finance and Banking 中央財政金融學院) in June 1989, majoring in accounting. He then obtained a postgraduate certificate from the Xiamen University Postgraduate School in September 1992. Mr. Liu worked as a teaching assistant at Jimei Finance and Economics School (集美財經學校) from the August 1984 to August 1987. Mr. Liu then served as the deputy director and instructor at the Department of Financial Management at Jimei College of Finance (集美財政專科學校) from July 1989 to August 1995. Mr. Liu worked as a certified accountant at the Xiamen Jiyou Accounting Firm (廈門集友會計師事務所) from June 1995 to May 1999. Mr. Liu worked in various faculties of the Jimei University (集美大學) since September 1995 and is currently the Associate Dean of its Faculty of Overseas Education.

Biographical Details of Directors and Senior Management

Mr. Ma Yiu Ho, Peter (馬遙豪), aged 51, was appointed as an Independent Non-executive Director on 13 December 2013. He is also the chairman of the Audit Committee. Mr. Ma is currently the financial controller of the Chyau Fwu Properties Limited, a company principally engaged in property development and hospitality. He has been a member of the Hong Kong Institute of Certified Public Accountants since February 1990 and a fellow member of the Association of Chartered Certified Accountants (UK) since April 1994. Mr. Ma obtained a Master Degree of Business Administration from the Hong Kong University of Science and Technology in November 1995. He is also a member of the Hong Kong Institute of Directors since December 2015. He has over 20 years of experience in the finance and accounting field and had been the financial controller and company secretary of The Hong Kong Parkview Group Limited (now named as Joy City Property Limited, stock code: 207) and the financial controller of VODone Limited (now named as V1 Group Limited, stock code: 82), shares of these two companies are listed on the Stock Exchange. He had also served as the chief financial officer of Superior Fastening Technology Limited, a Singapore listed company. Mr. Ma had also worked for the Standard Chartered Equitor Trustee HK Limited and the Hong Kong Government's Audit Department. He has been an independent non-executive director of the Sky Forever Supply Chain Management Group Limited (formerly known as Rising Power Group Holdings Limited) (stock code: 8047) from July 2014 to May 2015. Mr. Ma is currently and has been an independent non-executive director and chairman of the Audit Committee of Convoy Financial Holdings Limited (stock code: 1019) and Huisheng International Holdings Limited (stock code: 1340) since March 2010 and February 2014 respectively. Shares of these three companies are listed on the Stock Exchange.

Mr. Wu Ping (吳平), aged 53, was appointed as an Independent Non-executive Director on 13 December 2013. He is also a member of the Audit Committee, the Nomination Committee and the Remuneration Committee. Mr. Wu completed a monetary banking correspondence course at the Jiangxi University of Finance and Economics (江西財經大學) in July 1998. Mr. Wu obtained an intermediate level of finance qualification granted by the Ministry of Personnel of the PRC in November 2000. Mr. Wu held various positions in the Yichun branch and Fengxin branch of the China Construction bank from 1981 to 2012, including serving as the manager of the Credit Approval Commission of the Yichun branch, the manager of the Credit Approval Department of the Fengxin branch and the branch manager of the Fengxin branch.

SENIOR MANAGEMENT

Mr. Guo Xiu Peng (郭秀鵬), aged 38, joined the Group in October 2008 as the Director of Production. He is responsible for the production and equipment management of the Group. In July 2000, he graduated in the Jiangxi Normal University (江西師範大學) with a Bachelor Degree in Control Technology Engineering. He has over 9 years of experience in production management.

Mr. Li Jian Jie (李建捷), aged 43, joined the Group in March 2013 as the Director of Research and Development. He is responsible for the research, development and design of the Group. In July 1993, he completed a 2-year arts programme at the Sanming Normal College (三明師範專科學校). He has over 9 years of experience in the design and advertising industry.

Mr. Hu Chung Ming (胡宗明), aged 43, joined the Group in August 2013 as the Chief Financial Officer and the Company Secretary of the Company. He is responsible for the planning and management of accounting, financial related matters and corporate reporting of the Group. In December 1996, he graduated in the University of Queensland, Australia, with a Bachelor Degree in Commerce. He is a member of the Australian Society of Certified Practising Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Company, he had served international audit firms for three years and listed companies as financial controller and company secretary for more than 11 years. He is currently an Independent Non-executive Director of Leyou Technologies Holdings Limited (formerly known as Sumpo Food Holdings Limited) (stock code: 1089), the shares of which are listed on the Stock Exchange.

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors"), of China Packaging Holdings Development Limited (the "Company"), it is my great privilege to present to our shareholders the annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2015.

BUSINESS REVIEW

Profit attributable to shareholders of the Company in 2015 amounted to approximately RMB54.8 million as compared to RMB62.1 million in 2014. The decline in net profit was mainly due to (i) loss on modification of convertible bonds, (ii) equity-settled share option expenses and (iii) the increase in finance costs.

During the year under review, with the full year contribution of new production lines established in late 2014, our annual production capacity has expanded to cope with the increasing demand of paper-based packaging products in the PRC. Leveraged on our extended sales network, enriched customer bases and enhanced production capacity, our Group achieved a record-high sales volume and revenue. Total sales volume was approximately 206.2 million square meter, up by approximately 25.3%, as compared to approximately 164.6 million square meter in 2014. The revenue of the Group amounted to approximately RMB615.4 million, up by approximately 25.2%, as compared to approximately RMB491.5 million in 2014. Gross profit reached approximately RMB148.5 million, surged by approximately 26.6% as compared to approximately RMB117.3 million in 2014.

EXPANDING INTO MOBILE GAME BUSINESS FOR BROADER PROSPECT

The Group always strives for business diversification. During the year, we have successfully signed a share purchase agreement to acquire the entire interest of Cable King Limited. Cable King Limited together with its subsidiaries are engaged in the development, distribution and operation of online gaming products in the PRC. The acquisition was approved by the Company's shareholders on 15 March 2016. Completion of the acquisition will be conditional upon the satisfaction of certain conditions and is currently expected to take place at the beginning of the second quarter of 2016. The acquisition of a mobile game developer is a good opportunity for the Company to expand beyond the packaging business into the mobile game industry. In view of the significant demand and rapid growth in the mobile games business of China in recent years, we are confident that the addition of a strong mobile game developer business to the Group's existing businesses will help to diversify our earnings base and strengthen our foundation for future growth.

PROSPECT

Looking ahead, the Group remains confident that the Chinese economy will continue with its stable growth trajectory with an increasing domestic demand. The Group will continue to strengthen its roots in China, take advantage of the opportunities offered by China's development and expand our market share. On one hand, we will continue to invest further in upgrading the existing production facilities with more advanced machinery and equipment to enhance our product quality, production capacity and efficiency. On the other hand, we are optimistic with the mobile game business, and will pay close attention to its development to plan for the future moves in the industry, in order to strive for optimum return on investment.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend my sincere appreciation to my fellow colleagues for their dedication and commitment as well as to our valued shareholders, customers, suppliers and other business partners for their support and encouragement to the Group in the past year.

China Packaging Holdings Development Limited
Chen Wei Wei
Chairman and Executive Director

Jiangxi Province, the PRC, 24 March 2016

Corporate Governance Report

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

The Company has adopted the code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The Board considers that up to the date of this annual report, in the opinion of the Board, saved as deviation from code provision A.2.1 (see section "Chairman and Chief Executive" below), the Company has complied with the CG Code. The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review its corporate governance practices from time to time to ensure they comply with the evolving regulatory requirements and to meet the rising expectations of the shareholders and other stakeholders.

CORPORATE GOVERNANCE PRACTICES

(A) Board of Directors

Responsibilities and Delegation

The Board is responsible for the leadership and control of the Company, overseeing the Group's businesses, strategic decisions, internal control, risk management systems and monitoring the performance of the senior management. The management is responsible for the daily operations of the Group under the leadership of the Chairman. The Directors have the responsibility to act objectively in the interests of the Company.

The Board has delegated various responsibilities to the Board Committees including the Audit Committee, the Remuneration Committee and the Nomination Committee. Further details of these Committees are set out below in section B of this corporate governance report.

Board Composition

The Board members during the year ended 31 December 2015 and up to the date of this report are as follows:

Executive Directors:

Mr. Chen Wei Wei	Chairman of the Board and Nomination Committee
Ms. Hu Li Yu	(resigned on 18 March 2016)
Mr. Sun Shao Hua	Member of the Remuneration Committee
Ms. Zheng Li Fang	(appointed on 18 March 2016)

Independent Non-Executive Directors:

Mr. Liu Da Jin	Chairman of the Remuneration Committee, Member of the Audit Committee and Nomination Committee
Mr. Wu Ping	Member of the Nomination Committee, Audit Committee and Remuneration Committee
Mr. Ma Yiu Ho, Peter	Chairman of the Audit Committee

The Board currently comprises three Executive Directors and three Independent Non-Executive Directors from different business and professional fields. The profiles of each Director are set out in the "Biographical Details of Directors and Senior Management" section in this annual report. The Directors, including the Independent Non-Executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective delivery of the Board functions.

The Board has adopted a board diversity policy setting out the approach to achieve diversity on the Board. The Company considered diversity of board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the board.

The Company has received annual confirmation from each of the Independent Non-executive Directors of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-executive Directors are independent.

Board Meetings

The Board is scheduled to meet regularly at least four times a year at approximately quarterly intervals, to discuss the overall strategy as well as the operation and financial performance of the Group. Ad-hoc meetings will also be convened when necessary. Such Board meetings involve the active participation, either in person or through other electronic means of communication, of a majority of Directors.

Agenda and Board papers together with all appropriate, complete and reliable information will be provided to all the Directors before meetings. All the Directors will be provided with sufficient resources to discharge their duties, and, upon reasonable request, the Directors will be able to seek independent professional advice in appropriate circumstances, at the Company's expenses. All Directors will have the opportunity to include matters in the agenda for board meetings. The company secretary of the Company is responsible to keep the minutes of board meetings and meetings of Board committees. All minutes are open for inspection by any Director at reasonable time on reasonable notice.

For the financial year ended 31 December 2015, five Board meetings were held.

The Company's Articles of Association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest. According to current Board practices, any material transaction, which involves a conflict of interests for a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting.

Chairman and Chief Executive

The Company is aware of the requirement under paragraph A.2.1 of the CG Code that the roles of chairman and chief executive should be separated and should not be performed by the same individual. The Company does not separately have any officer with the title of "chief executive". Mr. Chen Wei Wei, the Chairman of the Group, is also responsible for the leadership and effective running of the Board, ensuring that all material issues are decided by the Board in a conducive manner. The Board will meet regularly to consider major matters affecting the operations of the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The roles of the respective Executive Directors and senior management, who are in charge of different functions, complement the role of the chairman and chief executive. The Board is of the view that this structure provides the Group with strong and consistent leadership, facilitates effective and efficient planning and implementation of business decisions and strategies, and ensures the generation of shareholders' benefits.

Appointments, Re-election and Removal of Directors

Each of the Executive Directors has entered into a service contract with the Company for an initial fixed term of three years commencing from the Listing Date renewable automatically until terminated by not less than three months' notice in writing served by either party on the other expiring at the end of the initial term or any time thereafter. All of their appointments are subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company.

Each of the Independent Non-executive Directors has entered into a letter of appointment with our Company on 13 December 2013. Each letter of appointment is for an initial term commencing on the date of the letter of appointment and shall continue thereafter subject to a maximum of three years unless terminated by either party giving at least one month's notice in writing. All of their appointments are subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company.

In accordance with the Company's Articles of Association, all Directors shall be subject to retirement by rotation at least once every three years and any new Director appointed to fill a causal vacancy shall submit himself/herself for re-election by shareholders at the first general meeting after appointment. In accordance with the Articles of Association, Ms. Zheng Li Fang and Mr. Wu Ping will retire and, being eligible, will offer themselves for re-election at the forthcoming AGM of the Company.

Training Induction and Continuing Development of Directors

Directors keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.

Each newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. The Directors have provided to the Company their records of continuous professional development during the year ended 31 December 2015.

During the year ended 31 December 2015, all Directors have attended training courses and read articles and materials in relation to corporate governance, Listing Rules update or financial markets update arranged by professional firms/institutions. Besides, the company secretary also conducted briefings on corporate governance, directors' duties and responsibilities and provided materials on Listing Rules amendments to all Directors for their reference.

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Following a specific enquiry, all the Directors confirmed that they have complied with the Model Code throughout the year ended 31 December 2015.

When the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors in advance.

Non-Competition Undertakings

The Independent Non-executive Directors have also reviewed the confirmation given by Mr. Sun Shao Hua and Novel Blaze Limited, being controlling shareholders of the Company, in respect of each of their compliance with the non-competition undertakings as disclosed in the prospectus of the Company dated 27 December 2013.

(B) Board Committees

The Board has established three committees, namely the Audit Committee, Nomination Committee and Remuneration Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the websites of the Company and the Stock Exchange.

The majority of the members of each Board committee are Independent Non-executive Directors.

Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Company's expense.

Audit Committee

The primary duties of the Audit Committee, among other things, are to make recommendation to the Board on the appointment, re-appointment and removal of external auditors, review the financial statements and provide material advice in respect of financial reporting and oversee the internal control procedures of the Company. The Audit Committee consists of three Independent Non-executive Directors, namely Mr. Ma Yiu Ho, Peter (Chairman), Mr. Liu Da Jin and Mr. Wu Ping. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The Audit Committee has reviewed the Company's financial statements and the Group's consolidated financial statements for the year ended 31 December 2015 and the interim financial statements for the six months ended 30 June 2015, including the accounting principles and practices adopted by the Company and the Group.

The Audit Committee held two meetings during the year ended 31 December 2015, of which both meetings with external auditors' presence, and all members of the Audit Committee attended the meetings. At the meetings, the members reviewed the financial reporting and compliance procedures, the report of the internal auditor on the Company's internal control and risk management systems and processes, and the re-appointment of the external auditors. No major issue on the internal control system of the Group has been identified.

The Company had established a whistleblowing policy and system for employees to raise concerns of possible improprieties where all concerns are addressed to the Audit Committee.

Remuneration Committee

The primary duties of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to our Directors and senior management and to ensure none of the Directors determine their own remuneration. The emoluments of Executive Directors are determined based on their skills, knowledge, individual performance as well as contributions, the scope of responsibility and accountability of such Directors, taking into consideration the Company's performance and the prevailing market conditions. The remuneration policy of Independent Non-executive Directors is to ensure that they are adequately compensated for their efforts and time dedicated to the Company's affairs including their participation in their respective Board committees. The emoluments of Independent Non-executive Directors are determined with reference to their skills, experience, knowledge, duties and market trends. The Remuneration Committee consists of two Independent Non-executive Directors, namely Mr. Liu Da Jin (Chairman) and Mr. Wu Ping and one Executive Director, namely Mr. Sun Shao Hua.

For the year ended 31 December 2015, one meeting was held and all members attended the meeting.

Nomination Committee

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on regular basis; to identify individuals suitably qualified to become Board members; to assess the independence of Independent Non-executive Directors; and to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors. The Nomination Committee consists of two Independent Non-executive Directors, namely Mr. Liu Da Jin and Mr. Wu Ping and one Executive Director, namely Mr. Chen Wei Wei (Chairman).

When identifying suitable candidates for directorship, the Nomination Committee will carry out the selection process by making reference to the skills, experience, education background, professional knowledge, personal integrity and time commitments of the proposed candidates, and also the Company's needs and other relevant statutory requirements and regulations required for the positions. All candidates must be able to meet the standards as set forth in Rules 3.08 and 3.09 of the Listing Rules. A candidate to be appointed as an Independent Non-executive Director should also meet the independence criteria set out in Rule 3.13 of the Listing Rules. Qualified candidates will then be recommended to the Board for approval.

The Nomination Committee held one meeting during the year ended 31 December 2015 and all members of the Committee attended the meeting.

The attendance of each Director at the annual general meeting (the "AGM") and the meeting of the Board and other Board Committees held during the year is set out in the table below:

	Meeting attended/held				
	AGM	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors					
Mr. Chen Wei Wei	1/1	5/5	N/A	N/A	1/1
Mr. Sun Shao Hua	1/1	5/5	N/A	N/A	N/A
Ms. Hu Li Yu (resigned on 18 March 2016)	0/1	5/5	N/A	1/1	N/A
Ms. Zheng Li Fang (appointed on 18 March 2016)	N/A	N/A	N/A	N/A	N/A
Independent Non-executive Directors					
Mr. Liu Da Jin	0/1	5/5	2/2	1/1	1/1
Mr. Wu Ping	0/1	5/5	2/2	1/1	1/1
Mr. Ma Yiu Ho, Peter	1/1	5/5	2/2	N/A	N/A

(C) Accountability and Audit

Directors' Responsibility in respect of the Financial Statements

The Directors are responsible for overseeing the preparation of financial statements for the year ended 31 December 2015 with a view to ensuring that such financial statements 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 suitable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; judgments and estimates made are prudent and reasonable; and the financial statements are prepared on a going concern basis.

Management had provided monthly updates to Directors for giving a balanced and understandable assessment of the Company's performance, position and projects to enable the Directors to discharge their duties.

The Board is not aware of any material uncertainties relating to the events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

Auditor's Remuneration

For the year ended 31 December 2015, the analysis of the remuneration payable to the external auditor of the Company, HLB Hodgson Impey Cheng Limited, in respect of audit services and non-audit services is set out below:

	Amount (RMB'000)
Audit services	**800**
Non-audit services	**–**
Total	**800**

The Audit Committee will recommend the re-appointment of HLB Hodgson Impey Cheng Limited for audit service, and consider the engagement of the non-audit services to ensure the independence and objectivity of audit service.

(D) Internal Control and Risk Management

The Board is responsible for the internal control and risk management of the Group and for reviewing its effectiveness.

Procedures have been designed to safeguard the assets of the Company and ensure maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, ensure compliance of applicable laws, rules and regulations.

After reviewing the effectiveness of the Group's internal control and risk management systems, the Board considers that the internal control risk management systems are effective and adequate for the Group as a whole. The Board further considers that (i) there was no issue relating to the material controls, including financial, operational and compliance controls and risk management functions, of the Group; and (ii) that there were adequate staff with appropriate qualifications and experience, resources and budget of its accounting and financial reporting function, and adequate training programmes have been provided for the year ended 31 December 2015.

(E) Company Secretary

The Board appoints its Company Secretary in accordance with the Company's Articles of Association and in compliance with the requirements of the Listing Rules. Biographical details of the current Company Secretary is set out in the section headed "Biographical Details of Directors and Senior Management" on pages 3 to 4 of this annual report. The Company Secretary has complied with the professional training requirement as set out in the Rule 3.29 of the Listing Rules during the year ended 31 December 2015.

(F) Shareholders' Rights

The Board welcomes shareholders to present their views and shareholders may at any time submit their questions and concerns about the Group. Enquiries may be put to the Board or senior management by contacting the Company Secretary through our shareholders' email at info@hs-pack.com or by phone at 852-3468 3666 or directly by raising questions at the general meeting of the Company. Shareholder(s) holding not less than one-tenth of Company's paid-up capital may request the Board to convene an extraordinary general meeting. The objects of the meeting must be stated in the related requisition deposited at the Company's registered office and addressing to the Company Secretary at the Company's principal place of business in Hong Kong. The extraordinary general meeting will be held within 2 months after the deposition of such requisition.

To safeguard shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors.

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Any shareholder may appoint a proxy or representative to attend the general meeting, and they are entitled to exercise the same voting rights in the meeting.

(G) Investor Relations and Communication with Shareholders

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. To promote effective communication, the Company maintains a website at http://www.hs-pack.com, where up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are posted.

The Company endeavours to maintain an ongoing dialogue with its shareholders and in particular, through AGMs or other general meetings to communicate with the shareholders. Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf.

The forthcoming AGM of the Company will be held on 20 May 2016. The notice of AGM will be sent to shareholders at least 20 clear business days before the AGM.

Constitutional Documents

There is no change in the Company's constitutional documents during the year ended 31 December 2015.

Management Discussion and Analysis

BUSINESS REVIEW

The Group mainly provides one stop solution which includes designing, manufacturing, and printing of paper-based packaging products to its customers which are mostly based in Jiangxi Province. Our products include flexo-printed cartons and offset-printed cartons of different sizes, shapes and design. The Group's products are generally used in packaging of a wide variety of products such as food and beverage, glass and ceramics articles, metal hardware and chemicals products, bamboo articles, etc. Currently, we have extended the application of our stone paper to shopping bags for department stores. The Group has a production base which is located in Fengxin County, Yi Chun City of Jiangxi Province, the People's Republic of China ("the PRC"). The Group has received various awards and recognitions in respect of its quality management system, credit rating, business reputation and industry position.

With the increased production capacity (2 new printing production lines, 1 corrugated paperboard production line and 1 stone paper production line) established in late 2014, the Group's revenue has achieved steady growth and its gross profit margin remained stable in 2015 as compared to the corresponding year amidst of the increasing competitive market condition. The decline in net margin was mainly due to the impact of two once-off expenses, namely, loss on modification of convertible bonds and equity-settled share option expenses.

In 2015, the Group expanded its customer base by extended the application of our stone paper to shopping bags for department stores. The Group will continue to look for opportunities to expand its customer base through collaboration in product development and marketing, as well as through referral by its existing customers.

In addition to develop the existing business actively, in order to maximise the return to shareholders, the Group is also committed to business diversification. On 17 November 2015, the Company entered into a share purchase agreement in relation to the acquisition of entire interest of Cable King Limited. Cable King Limited together with its subsidiaries are engaged in the development, distribution and operation of online gaming products in the PRC. The acquisition was approved by the Company's shareholders on 15 March 2016. Completion of the acquisition will be conditional upon the satisfaction of certain conditions and is currently expected to take place at the beginning of the second quarter of 2016.

FINANCIAL REVIEW

The revenue for 2015 was approximately RMB615.4 million, representing an increase of approximately RMB123.9 million or approximately 25.2% as compared to that of approximately RMB491.5 million in 2014. The increase in revenue was mainly attributable to the substantial increase in sales volume from approximately 164.6 million square meter to approximately 206.2 million square meter, which was driven by increasing demand from existing customers and new orders placed by new customers in the PRC. All the sales of the Group were generated from the PRC, revenue from flexo-printed cartons and offset printed cartons represented about approximately 53.5% and 46.5% respectively of the total revenue of the Group as compared to that of approximately 54.1% and 45.9% respectively in 2014.

Revenue by products

	2015		2014	
	RMB'000	**% of Total**	RMB'000	% of Total
Flexo-printed cartons	**329,046**	**53.5**	265,760	54.1
Offset-printed cartons				
– Traditional paper-based cartons	**161,961**	**26.3**	147,223	29.9
– Stone-paper based cartons	**124,365**	**20.2**	78,540	16.0
Sub-total	**286,326**	**46.5**	225,763	45.9
Total	**615,372**	**100**	491,523	100

Management Discussion and Analysis

Flexo-printed cartons

The Group's flexo-printed cartons targeted the huge customer market with food and beverage companies as its main target customer to provide products of good quality, load capacity and protection. Revenue from sales of flexo-printed cartons for 2015 was approximately RMB329.0 million (2014: approximately RMB265.8 million), accounted for approximately 53.5% (2014: approximately 54.1%) of our total revenue. The increase in approximately RMB63.2 million or approximately 23.8% was mainly contributed to the increase in sales orders received from our customers in the electronic products industry.

Offset-printed cartons

The Group's offset-printed cartons include traditional paper-based cartons and stone-paper based cartons. Revenue from sales of offset-printed cartons for the 2015 was approximately RMB286.3 million (2014: approximately RMB225.8 million), accounted for approximately 46.5% (2014: approximately 45.9%) of our total revenue. The increase in approximately RMB60.5 million or approximately 26.8% was mainly contributed from the increase in our sales of stone-paper based bags. The acceptance of our stone-paper based materials and recognition of our quality traditional offset-printed cartons has attracted more sales orders from our high-end customers in various industries.

Revenue by product categories of our customers

	2015		2014	
	RMB'000	**% of Total**	RMB'000	% of Total
Food and beverages	**206,652**	**33.5**	204,049	41.5
Glass and ceramics articles	**71,212**	**11.6**	64,165	13.1
Metal hardware and chemical products	**90,549**	**14.8**	57,317	11.7
Bamboo articles	**44,836**	**7.3**	33,059	6.7
Department stores	**68,882**	**11.2**	–	–
Others	**133,241**	**21.6**	132,933	27.0
Total	**615,372**	**100**	491,523	100

Note: Other products mainly include stationary, energy and electronic products, textile and pharmaceutical products.

The Group's main customers are manufacturers of food and beverages in the PRC. Revenue derived from food and beverages manufacturers was approximately RMB206.7 million (2014: approximately RMB204.0 million), representing approximately 33.5% (2014: approximately 41.5%) of the total revenue. The decrease in proportion of revenue from food and beverages manufacturers was mainly because while the demand for sophisticated printed packaging materials and design is increasing, the Group has captured more market share in department stores, electronic products and pharmaceutical products.

Gross profit and gross profit margin

	2015 RMB'000	2015 GP margin (%)	2014 RMB'000	2014 GP margin (%)
Flexo-printed cartons	**65,862**	**20.0**	54,210	20.4
Offset-printed cartons				
– Traditional paper-based cartons	**36,260**	**22.4**	37,532	25.5
– Stone-paper based cartons	**46,387**	**37.3**	25,536	32.5
Sub-total	**82,647**	**28.9**	63,068	27.9
Total	**148,509**	**24.1**	117,278	23.9

The overall gross profit of the Group for 2015 was approximately RMB148.5 million, representing an improvement of approximately 26.6% or approximately RMB31.2 million as compared to approximately RMB117.3 million in 2014. Gross profit margin increased from approximately 23.9% for 2014 to approximately 24.1% for 2015.

The gross profit from flexo-printed cartons for 2015 was approximately RMB65.9 million, representing a growth of approximately 21.6% as compared to approximately RMB54.2 million in 2014. The gross profit margin for flexo-printed cartons decreased slightly from approximately 20.4% for 2014 to approximately 20.0% for 2015. This was mainly due to the slightly decrease in its average selling price.

The gross profit from offset-printed cartons for 2015 was approximately RMB82.6 million, representing a growth of approximately 30.9% as compared to approximately RMB63.1 million in 2014. The gross profit margin for offset-printed cartons increased from approximately 27.9% in 2014 to approximately 28.9% for 2015. The increase was mainly attributable to increase in sales of higher margin stone-paper based cartons.

OTHER REVENUE AND INCOME

Other revenue and income of the Group decreased by approximately 17.6% or approximately RMB2.1 million from approximately RMB11.9 million in 2014 to approximately RMB9.8 million in 2015. The decrease was mainly attributable to (i) the decrease in tax concession in relation to the partial refund of the enterprise income tax paid in the PRC by the local government. The enterprise income tax paid by our PRC subsidiary was significantly reduced in 2015 as compared to 2014 due to the reduction of tax rate from 25% to 15% after it has been qualified as a High and New Technology Enterprise in April 2014; and (ii) the tax concession was expired in the fourth quarter of 2015.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses of the Group increased by approximately 43.3% or approximately RMB8.8 million from approximately RMB20.3 million in 2014 to approximately RMB29.1 million in 2015. The increase was mainly due to the composite effect of (i) an increase in distribution and delivery costs which was resulted from the increase in sales volume and number of customers located in different cities or provinces in the PRC and (ii) an increase in sales commission and salary to sales staff due to the increase in sales activities. With the increase in selling activities in order to cope with the new capacity from our new production lines, our selling and distribution expenses as a percentage of our total revenue increased from approximately 4.1% in 2014 to approximately 4.7% in 2015.

ADMINISTRATIVE EXPENSES

Administrative expenses of the Group increased slightly by approximately 1.9% or approximately RMB0.5 million from approximately RMB26.9 million in 2014 to approximately RMB27.4 million in 2015. The increase was mainly due to an increase in salaries and wages amounted to approximately RMB4.5 million and this was offset by a reduction in listing expenses amounted to approximately RMB7.5 million which was recognised in 2014.

LOSS ON MODIFICATION OF CONVERTIBLE BONDS

On 10 September 2015, The Group entered into a supplemental deed with an investor to amend the terms of the convertible bonds issued on 17 June 2015. Under the revised terms, there was a change in the fair value of the consideration that the investor will receive on conversion. Such change in fair value of approximately RMB7.0 million was charged to profit or loss (2014: nil).

FINANCE COSTS

Finance costs of the Group increased by approximately 366.7% or approximately RMB6.6 million from approximately RMB1.8 million in 2014 to approximately RMB8.4 million in 2015. The increase was mainly attributable to the increase in bank borrowings, promissory note and convertible bonds during the year.

INCOME TAX EXPENSES

Income tax expenses of the Group increased by approximately 8.6% or approximately RMB1.2 million from approximately RMB13.9 million in 2014 to approximately RMB15.1 million in 2015. The increase was attributable to the increase in profit from the Group's PRC subsidiary. The Group's effective tax rate for 2015 was approximately 21.6% as compared to approximately 18.3% for 2014.

PROFIT FOR THE YEAR

As a combined result of the factors discussed above, our profit for 2015 decreased by approximately RMB7.3 million or approximately 11.8% to approximately RMB54.8 million in 2015 from approximately RMB62.1 million in 2014. Our net profit margin decreased from approximately 12.6% in 2014 to approximately 8.9% in 2015.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has maintained in healthy liquidity position with working capital financed by internal resources, bank borrowings, promissory note and convertible bonds. As at 31 December 2015, the cash and cash equivalents were approximately RMB266.2 million (2014: approximately RMB92.5 million), mainly denominated in Renminbi and Hong Kong Dollars. The Group's total borrowings which includes bank borrowings, promissory note and convertible bonds amounted to approximately RMB211.0 million (2014:

approximately RMB11 million). As at 31 December 2015, approximately 58.8% (2014: 100%) of the total borrowing were denominated in Renminbi and approximately 41.2% (2014: nil) of the total borrowings were denominated in Hong Kong Dollars. The Group's gearing ratio is calculated as total borrowings, which is the summation of bank borrowings, promissory note and convertible bonds, divided by total equity. The gearing ratio of the Group as at 31 December 2015 and 31 December 2014 were approximately 60.1% and approximately 4.0% respectively.

On 19 June 2015, the Group issued promissory note and convertible bonds ("Note and Bonds") with principal amount of HK$80,000,000 and HK$20,000,000 respectively. The Note and Bonds will be repayable in full by 19 June 2016 and shall be extended for a further term of one year, provided that they shall not be extended for more than two years. The Note and Bonds may be redeemed at the option of the Group in whole at any time during the period between the first day of the twelfth month following the date of issue and the last day immediately preceding the maturity date. The Note and Bonds bear a fixed coupon interest rate at 7.5% and 1% handling fee per annum payable semi-annually, commencing on 19 December 2015.

The Bonds entitle the holder to convert to ordinary shares of the Company at a conversion price of HK$0.85 per share. Upon the exercise of the conversion rights in full, approximately 23,529,411 shares will be issued, representing approximately 2.86% of the issued share capital of the Company as enlarged by the allotment and issue of the shares on conversion.

The net proceeds from the issue of Note and Bonds was approximately HK$97.5 million. The Company shall use net proceeds for capital expenditure (including those related to mergers and acquisitions) and financing the general working capital.

INVENTORIES

The inventories increased from approximately RMB17.9 million in 2014 to approximately RMB25.2 million in 2015, representing an increase in approximately 40.8% or approximately RMB7.3 million. The increase in inventories was mainly due to the increase in production capacity and sales volume during the year which has resulted in the need for the stock to be maintained at a higher level. The inventory turnover increased by 3 days to 17 days in 2015 as compared to 14 days in 2014.

TRADE RECEIVABLES

As at 31 December 2015, the trade receivables amounted to approximately RMB147.5 million (2014: approximately RMB105.8 million). The increase is consistent with the increase in revenue. The trade receivable turnover days remained unchanged at 64 days in 2015 which is within our normal trade terms.

TRADE PAYABLES

As at 31 December 2015, the trade payables amounted to approximately RMB74.9 million (2014: approximately RMB76.9 million). The Group normally obtain a credit period of 60 days from the majority of its suppliers. The trade payables turnover days decreased by 9 days in 2015 to 52 days compared to 61 days in 2014.

EXCHANGE RISK EXPOSURE

The Group mainly operates in the PRC and most of its operating transactions are settled in RMB. Most of its assets and liabilities are denominated in RMB. Although the Group may be exposed to foreign currency exchange risks, the Board does not expect future currency fluctuations to materially impact the Group's operations. The Group did not adopt formal hedging policies and no instruments have been applied for foreign currency hedging purposes during the year ended 31 December 2015.

Management Discussion and Analysis

CAPITAL COMMITMENTS

As at 31 December 2015, the Group's capital commitments were approximately RMB68.4 million (2014: approximately RMB67.9 million). All the capital commitments were related to capital contribution payable to subsidiaries.

CONTINGENT LIABILITIES

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

EVENTS AFTER THE REPORTING PERIOD

On 17 November 2015, the Company entered into a share purchase agreement with an independent third party to acquire the entire equity interest in Cable King Limited and its subsidiaries at consideration of HK$440,000,000. The consideration shall be satisfied by cash of HK$20,000,000, issuance of consideration shares of approximately HK$220,000,000 and promissory note of approximately HK$200,000,000. Please refer to the circular of the Company dated 29 February 2016 for details.

The proposed acquisition was approved by the shareholders of the Company on 15 March 2016. However, the completion of the proposed acquisition is still subject to the satisfaction of certain conditions.

PLEDGE OF ASSETS

As at 31 December 2015, the Group pledged certain assets with a carry value of approximately RMB194.5 million (2014: approximately RMB15.6 million) as collateral for the Group's bills payable and bank borrowings.

INFORMATION ON EMPLOYEES

As at 31 December 2015, the Group had a total of 527 full time employees, including the Executive Directors (2014: 458). Total staff costs (including Director's emoluments) were approximately RMB43.9 million, as compared to approximately RMB29.2 million for the year ended 31 December 2014. The Group remunerates its employees based on their performance, experience and prevailing industry practice. Competitive remuneration package is offered to retain elite employees. The package includes salaries, medical insurance, discretionary bonus, other benefits as well as mandatory provident fund schemes for employees in Hong Kong and state-managed retirement benefit schemes for employees in the PRC.

OUTLOOK

Business Expansion:

The Group closely reviews its existing business and explores potential investment opportunities from time to time. In recent year, the mobile games business has experienced rapid growth in China with the unprecedented growth of smartphone and other mobile devises users. The mobile game market in China is expected to achieve a size of RMB45 billion in 2015, up 64% from the prior year. The growth is expected to continue in the coming years driven by the rapid growth of smartphone penetration. As such, the Group has planned to diversify its business into the high growth mobile game industry. On 17 November 2015, the Company entered into a share purchase agreement in relation to the acquisition of entire interest of Cable King Limited. Cable King Limited together with its subsidiaries is engaged in the development, distribution and operation of online gaming products in the PRC.

With the completion of such acquisition, it enables the Group to diversify its existing business portfolio into a new line of business with higher growth potential. Moreover, the new business could also broaden the Group's source of income and eventually enhance the Group's intrinsic market value for the shareholders.

Packaging Business

The Group will continue to develop new products with high gross profits and high demand, while continuing to diversify the products of the Group. In particular, we will continue to regard stone-paper based material as the key products of the Group and continue to invest substantial resources to capture a larger market share. By utilizing many years of experience and well-established scale of advantages, it is expected to further drive the growth of finished products, increase the proportion of sales, and contribute more profits to the Group.

The Group will continue to invest further in upgrading the existing production facilities with more advanced machinery and equipment to enhance our product quality, production capacity and efficiency in order to cope with the recent development trends in the high end packaging markets. High end consumer products manufacturer requires cartons with high resolution prints or graphics for packaging purposes. These production methods, with precise specifications and lamination requirements, will inevitably involve offset-printing method that would enhance the appeal of the underlying products. With the upgrading of existing facilities, it is expected that our product range will be widen to satisfy the ever changing customers' need.

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and those of the principal subsidiaries of the Company are set out in Note 30 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

BUSINESS REVIEW

A review of the business, financial key performance indicators and outlook of the Group for the year ended 31 December 2015 are provided in the Chairman's Statement and Management Discussion and Analysis on page 5 and pages 13 to 19 of this annual report.

ENVIRONMENTAL POLICY

The Group recognizes the importance of environmental protection. We have imposed the following measures to control our pollutant emissions during our production process:

(1) Waste water is processed by our sewage treatment station to reach national safety standards for discharge;

(2) A desulfurization device was in place to monitor the emission of sulfur dioxide so as to ensure that the waste gas emitted from our steam boiler in our boiler room is within the national permissible level; and

(3) Solid waste such as scrap paper and various residues from production will be sold to scrap paper recycling companies for recycling.

For administrative office, we also implement green office practices such as double-sided printing and copying, promoting using recycled paper and reducing energy consumption by switching off idle lightings and electrical appliance.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by our Group that has a significant impact on the business and operations of our Group.

PRINCIPAL RISKS AND UNCERTAINTIES

Our Group's financial condition, results of operations, and business prospect may be affected by a number of risks and uncertainties directly or indirectly pertaining to our Group's businesses. Major risks are summarized below.

Competition risk

The industries in which the Group operates in the PRC are highly competitive. The Group's ability to compete is, to a significant extent, dependent on its ability to provide high quality products at a reasonable prices that suit our customer's need. The Group's competitors have varying abilities to withstand changes in market conditions. Some of the competitors have larger market shares, have operated their respective businesses longer than the Group has, have wider geographical coverage for its products, have substantially greater financial and other resources than the Group has and may be better established in the market.

Financial Risk

The financial risk management policies and practices of the Group are shown in Note 5 to the consolidated financial statements.

There may be other risks and uncertainties in addition to those mentioned above which are not known to the Group or which may not be material now but could turn out to be material in the future.

Directors' Report

RELATIONSHIPS WITH STAKEHOLDERS

Employees

The Company recognizes that employees are our valuable assets. Thus our Group provide competitive remuneration package to attract and motivate the employees. Our Group regularly reviews the remuneration package of employees and make necessary adjustment to conform to the market standard.

Suppliers

We have developed long-standing relationships with a number of our suppliers and conducts a fair and strict appraisal on an annual basis.

Customers

We are committed to provide our customers with high quality products and deliver on a timely basis. We also stay connected with our customers to keep abreast of the changing customer preference through regular visits of our sales teams.

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 29.

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

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last five financial years is set out on page 92 of this annual report.

SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in Note 28 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The Company did not have any reserves available for distribution to the Shareholders as at 31 December 2015.

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 31 of this annual report.

CONVERTIBLE BONDS

Details of movements in the convertible bonds of the Group during the year are set out in Note 25 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's largest and five largest customers accounted for approximately 5.8% and 18.8% of the total revenue for the year 2015 respectively. Purchases from the Group's largest and five largest suppliers accounted for approximately 21.2% and 67.2% of the total purchases for the year 2015 respectively.

To the best knowledge of the Directors, neither the Directors, their associates, nor any shareholders who owned more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers or suppliers during the year ended 31 December 2015.

SUBSIDIARIES

Details of the principal subsidiaries of the Company are set out in Note 30 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year are set out in Note 16 to the consolidated financial statements.

CHARITABLE CONTRIBUTIONS

During the year, the Group did not make charitable contributions (2014: Nil).

DIRECTORS AND DIRECTORS' SERVICE AGREEMENTS

The Directors of the Company who hold office during the year and up to the date of this report are:

Executive Directors
Mr. Chen Wei Wei *(Chairman)*
Mr. Sun Shao Hua
Ms. Hu Li Yu *(resigned on 18 March 2016)*
Ms. Zheng Li Fang *(appointed on 18 March 2016)*

Independent Non-executive Directors
Mr. Liu Da Jin
Mr. Wu Ping
Mr. Ma Yiu Ho, Peter

In accordance with the provisions of the Company's Articles of Association, Ms. Zheng Li Fang and Mr. Wu Ping will retire and, being eligible, will offer themselves for re-election at the forthcoming Annual General Meeting ("AGM").

None of the Directors, including two proposed for re-election at the forthcoming AGM, has a service agreement which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

The Company has received annual confirmation on independence from each of the Independent Non-executive Directors pursuant to Rule 3.13 of the Listing Rules and all of them are considered to be independent.

DIRECTORS' REMUNERATION

The remuneration of the Directors is determined with reference to Directors' duties, responsibilities and performance and the results of the Group.

Details of the remuneration of the Directors are set out in Note 11 to the consolidated financial statements.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management of the Group are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 3 to 4 of this annual report.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Company has entered into a share purchase agreement to acquire Cable King Limited on 17 November 2015. The completion of the acquisition is conditional upon the satisfaction of certain conditions and is currently expected to take place before the end of first half of 2016.

Save as disclosed above, there was no major acquisition and disposal of subsidiaries and associated companies during the year ended 31 December 2015.

SHARE OPTION SCHEME

The Company adopted a share option scheme pursuant to a shareholders' resolution passed on 13 December 2013 (the "Share Option Scheme") as incentives or rewards to eligible participants who means full-time or part-time employees of our Company or members of our Group, including Executive Directors, Non-executive Directors and Independent Non-executive Directors, advisors, consultants of our Group. The Share Option Scheme constitutes a share option scheme governed by Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Share Option Scheme is valid and effective during the period commencing on 13 January 2014 and ending on 12 January 2024, being the date falling 10 years from the date on which the Share Option Scheme becomes unconditional. The Share Option Scheme has a remaining term of approximately 8 years as the date of this report. A summary of the Share Option Scheme is as follows:

Basis of determining the exercise/subscription price

The subscription price for the shares subject for any option under the Share Option Scheme shall be the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant of the option; and (iii) the nominal value of the Company's share. A total of 80,000,000 share options have been granted under Share Option Scheme since its adoption.

Maximum number of shares

The total number of shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme must not, in aggregate, exceed 10 percent of the shares in issue as at 12 December 2013 (i.e. 800,000,000 shares) i.e. 80,000,000 shares unless refreshed by the shareholders. However, the Company may not grant any option if the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and other share option schemes adopted by the Group from time to time exceeds 30 percent of the shares in issue.

Maximum entitlement of each participant

The total number of shares issued and to be issued upon exercise of the option granted to a participant under the Share Option Scheme in any 12-month period must not exceed one percent of all the shares in issue from time to time unless a further grant to such participant is approved by the shareholders in general meeting.

Time for acceptance of option

A share option will be offered for acceptance for a period of 28 days from the date on which the option is granted.

Amount payable on application or acceptance of option

HK$1.00

Minimum and maximum period for the holding of a share option before it can be exercised

Unless otherwise determined by the Directors and stated in the offer of grant of the share options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of a share option before it can be exercised provided that the period within which the option must be exercised must not be more than 10 years from the date of the grant of the option.

The following table disclosed movements in the Company's share options granted under the Share Option Scheme during the year ended 31 December 2015:

Name and category of grantee	Date of grant (dd/mm/yy)	Exercisable period (dd/mm/yy)	Exercise price per Share HK$	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	Outstanding at end of the year
Directors								
Mr.Chen Wei Wei	18/12/14	18/12/14 to 17/12/17	0.65	3,450,000	–	–	–	3,450,000
	18/12/14	18/12/15 to 17/12/17	0.65	3,450,000	–	–	–	3,450,000
Mr. Sun Shao Hua	18/12/14	18/12/14 to 17/12/17	0.65	3,750,000	–	–	–	3,750,000
	18/12/14	18/12/15 to 17/12/17	0.65	3,750,000	–	–	–	3,750,000
Ms. Hu Li Yu	18/12/14	18/12/14 to 17/12/17	0.65	3,300,000	–	–	–	3,300,000
	18/12/14	18/12/15 to 17/12/17	0.65	3,300,000	–	–	–	3,300,000
				21,000,000	–	–	–	21,000,000
Other employees	18/12/14	18/12/14 to 17/12/17	0.65	9,500,000	–	–	–	9,500,000
	18/12/14	18/12/15 to 17/12/17	0.65	9,500,000	–	–	–	9,500,000
	24/4/15	24/4/15 to 23/4/18	1.09	–	20,000,000	–	–	20,000,000
	24/4/15	24/4/16 to 23/4/18	1.09	–	20,000,000	–	–	20,000,000
				19,000,000	40,000,000	–	–	59,000,000
Total of all categories				40,000,000	40,000,000	–	–	80,000,000

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

As at 31 December 2015, the Directors of the Company had the following interests in the shares, underlying shares and debentures of the Company, its Group members and/or associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

Long positions in shares of the Company

Name of director	Capacity	Number of Shares held	Approximate percentage of shareholding
Mr. Sun Shao Hua	Interest of a controlled corporation	408,000,000	51.0%

Note: These shares are registered in the name of Novel Blaze Limited ("Novel Blaze"), the entire issued share capital of which is wholly and beneficially owned by Mr. Sun Shao Hua. Therefore, Mr. Sun is deemed to be interested in all the Shares held by Novel Blaze by virtue of the SFO.

Save as disclosed above, as at 31 December 2015, none of the Directors and chief executives of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company, any of its Group members or its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES

As at 31 December 2015, so far as is known to the Directors, the following entities, not being a Director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions in shares of the Company

Name of entity	Capacity	Number of Shares held	Approximate percentage of shareholding
Novel Blaze Limited	Beneficial owner	408,000,000	51.0%
Mr. Zhuo Longwang	Beneficial owner	68,180,000	8.5%
Qi Yuan Assets Management (HK) Ltd.	Investment manager	58,450,000	7.3%
Mr. Wu Shifa	Beneficial owner	51,000,000	6.4%

DIRECTORS' AND CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company or its subsidiaries was a party and in which the controlling Shareholder or a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year, there were no connected transactions and continuing connected transactions between the Group and its connected persons (as defined under the Listing Rules) which are subject to the reporting, announcement and the independent shareholders' approval requirement under the Listing Rules.

The material related party transactions as disclosed in Note 32 to the consolidated financial statements are connected transactions exempt from reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

COMPETITION AND CONFLICT OF INTEREST

None of the Directors or any of their respective associates, has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interest with the Group.

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

During the year, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

MANAGEMENT CONTRACTS

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

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules as at the date of this annual report.

CORPORATE GOVERNANCE

The Company is committed to adopt corporate governance practice. The Company's corporate governance practices are set out in the Corporate Governance Report on pages 6 to 12.

AUDITORS

The consolidated financial statements for the year ended 31 December 2015 have been audited by HLB Hodgson Impey Cheng Limited which retires, and being eligible, offer itself for re-appointment at 2016 AGM. A resolution to re-appoint HLB Hodgson Impey Cheng Limited and to authorise the Directors to fix its remuneration will be proposed at the 2016 AGM.

On behalf of the Board
Chen Wei Wei
Chairman and Executive Director
Jiangxi Province, the PRC, 24 March 2016

國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF CHINA PACKAGING HOLDINGS DEVELOPMENT LIMITED
(Incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Packaging Holdings Development Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 29 to 91, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

OPINION

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

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Ng Ka Wah
Practising Certificate Number: P06417

Hong Kong, 24 March 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	Notes	**2015** **RMB'000**	2014 RMB'000
Revenue	7	**615,372**	491,523
Cost of sales		**(466,863)**	(374,245)
Gross profit		**148,509**	117,278
Other revenue	8	**1,886**	1,165
Other income	9	**7,902**	10,767
Selling and distribution expenses		**(29,126)**	(20,280)
Administrative expenses		**(27,377)**	(26,874)
Change in fair value of derivative financial instruments	24, 25	**(624)**	–
Loss on modification of convertible bonds		**(7,021)**	–
Equity-settled share option expenses		**(15,931)**	(4,274)
Profit from operating activities		**78,218**	77,782
Finance costs	12	**(8,374)**	(1,781)
Profit before tax	10	**69,844**	76,001
Income tax expenses	13	**(15,079)**	(13,879)
Profit for the year		**54,765**	62,122
Other comprehensive (loss)/income for the year, net of tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(661)**	220
Other comprehensive (loss)/income for the year, net of tax		**(661)**	220
Total comprehensive income for the year, net of tax		**54,104**	62,342
Profit attributable to owners of the Company		**54,765**	62,122
Total comprehensive income attributable to owners of the Company		**54,104**	62,342
Earnings per share attributable to owners of the Company			
– Basic (RMB cents)	15	**6.85**	7.83
– Diluted (RMB cents)	15	**6.77**	7.83

Consolidated Statement of Financial Position

At 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment	16	**138,996**	153,034
Prepaid lease payments	17	**2,315**	2,375
		141,311	155,409
Current assets			
Inventories	18	**25,160**	17,890
Trade receivables	19	**147,540**	105,797
Prepayments, deposits and other receivables	20	**16,422**	9,587
Derivative financial instruments	27	**5,796**	–
Tax recoverable		**–**	960
Pledged bank deposits	21	**80,602**	660
Cash and bank balances	21	**266,206**	92,481
		541,726	227,375
Current liabilities			
Trade, bills, other payables and accruals	22	**113,640**	95,615
Bank borrowings	23	**21,270**	11,000
Derivative financial instrument	27	**3,434**	–
Promissory note	24	**67,673**	–
Convertible bonds	25	**19,346**	–
Tax payables		**3,897**	–
		229,260	106,615
Net current assets		**312,466**	120,760
Total assets less current liabilities		**453,777**	276,169
Non-current liabilities			
Deferred taxation	26	**55**	–
Bank borrowings	23	**102,700**	–
		102,755	–
Net assets		**351,022**	276,169
Capital and reserves attributable to owners of the Company			
Share capital	28	**6,287**	6,287
Reserves		**344,735**	269,882
Total equity		**351,022**	276,169

Approved by the Board on 24 March 2016 and signed on its behalf by:

Mr. Chen Wei Wei
Chairman

Mr. Sun Shao Hua
Executive Director

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Attributable to owners of the Company								
		Reserves							
	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000 (Note 28(b))	Convertible bonds reserve RMB'000	Statutory reserve RMB'000 (Note 28(b))	Other reserve RMB'000 (Note 28(b))	Exchange reserve RMB'000 (Note 28(b))	Retained profit RMB'000	Total RMB'000
At 1 January 2014	–	–	–	–	12,559	15,901	2,731	107,487	138,678
Profit for the year	–	–	–	–	–	–	–	62,122	62,122
Other comprehensive income for the year	–	–	–	–	–	–	220	–	220
Total comprehensive income for the year	–	–	–	–	–	–	220	62,122	62,342
Equity-settled share option expenses	–	–	4,274	–	–	–	–	–	4,274
Issue of shares									
– Capitalisation issue	4,715	(4,715)	–	–	–	–	–	–	–
– Share offer	1,572	78,580	–	–	–	–	–	–	80,152
Expenses incurred in connection with the issue of shares	–	(9,277)	–	–	–	–	–	–	(9,277)
Transfer to statutory reserve	–	–	–	–	7,546	–	–	(7,546)	–
At 31 December 2014 and 1 January 2015	6,287	64,588	4,274	–	20,105	15,901	2,951	162,063	276,169
Profit for the year	–	–	–	–	–	–	–	54,765	54,765
Other comprehensive loss for the year	–	–	–	–	–	–	(661)	–	(661)
Total comprehensive income for the year	–	–	–	–	–	–	(661)	54,765	54,104
Equity-settled share option expenses	–	–	15,931	–	–	–	–	–	15,931
Issue of convertible bonds	–	–	–	915	–	–	–	–	915
Deferred tax on convertible bonds	–	–	–	(164)	–	–	–	–	(164)
Derecognition upon modification of convertible bonds	–	–	–	(751)	–	–	–	751	–
Recognition upon modification of convertible bonds	–	–	–	4,067	–	–	–	–	4,067
Transfer to statutory reserve	–	–	–	–	9,037	–	–	(9,037)	–
At 31 December 2015	**6,287**	**64,588**	**20,205**	**4,067**	**29,142**	**15,901**	**2,290**	**208,542**	**351,022**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
OPERATING ACTIVITIES			
Profit before tax		**69,844**	76,001
Adjustments for:			
Amortisation of prepaid lease payments	10	**60**	60
Depreciation of property, plant and equipment	10,16	**14,152**	7,403
Equity-settled share option expenses		**15,931**	4,274
Finance costs	12	**8,374**	1,781
Change in fair value of derivative financial instruments		**624**	–
Loss on modification of convertible bonds		**7,021**	–
Loss on disposal of property, plant and equipment	10	**2**	–
Interest income	8	**(610)**	(362)
Operating cash flows before movement in working capital		**115,398**	89,157
Increase in inventories		**(7,270)**	(7,063)
Increase in trade receivables		**(41,743)**	(10,460)
Increase in prepayments, deposits and other receivables		**(6,830)**	(6,923)
Decrease in amount due to a director		**–**	(2,808)
Increase in trade, bills, other payables and accruals		**17,577**	11,465
(Increase)/decrease in pledged bank deposits		**(77,119)**	1,618
Cash generated from operations		**13**	74,986
PRC tax paid		**(10,360)**	(19,791)
Net cash (used in)/generated from operating activities		**(10,347)**	55,195
INVESTING ACTIVITIES			
Interest received		**610**	362
Proceeds from disposal of property, plant and equipment		**4**	–
Purchase of property, plant and equipment	16	**(118)**	(68,031)
Net cash generated from/(used in) investing activities		**496**	(67,669)
FINANCING ACTIVITIES			
Interest paid on convertible bonds and promissory note		**(3,413)**	–
Proceeds from bank borrowings		**123,970**	14,000
Repayments of bank borrowings		**(11,000)**	(24,200)
Bank borrowings interest paid		**(4,603)**	(1,781)
Net proceeds from issue of promissory note		**61,677**	–
Net proceeds from issue of convertible bonds		**15,417**	–
Net proceeds from issue of ordinary shares		**–**	70,875
Net cash generated from financing activities		**182,048**	58,894
Net increase in cash and cash equivalents		**172,197**	46,420
Cash and cash equivalents at the beginning of the year		**92,481**	45,834
Effect of exchange rate changes on the balance of cash held in foreign currencies		**1,528**	227
Cash and cash equivalents at the end of the year		**266,206**	92,481

The accompanying notes form an integral part of these consolidated financial statements.

1. CORPORATE INFORMATION

The Company was incorporated in Cayman Islands on 12 July 2013 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at Unit 2, 7th Floor, Wah Hing Commercial Building, 283 Lockhart Road, Wanchai, Hong Kong. The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 13 January 2014.

The Company acts as an investment holding company while its principal operating subsidiary is engaged in manufacturing and sales of packaging materials.

The Directors of the Company consider the parent and the ultimate holding company of the Company to be Novel Blaze Limited ("Novel Blaze"), a company incorporated in the British Virgin Islands (the "BVI") with limited liability. Its ultimate controlling party is Mr. Sun Shao Hua, who is also the executive director of the Company.

The consolidated financial statements are presented in Renminbi ("RMB") and rounded to the nearest thousand (RMB'000), unless otherwise stated. RMB is the Company's presentation currency and the functional currency of the principal operating subsidiary of the Group. The functional currency of the Company is Hong Kong dollars ("HK$"). The Directors consider that choosing Renminbi as the presentation currency best suits the needs of the shareholders and investors.

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

In the current year, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). A summary of the new HKFRSs are set out as below:

HKAS 19 (Amendments)	Defined benefit plans: Employee contributions
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle

The application of these new HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and on the disclosures set out in these consolidated financial statements.

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

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

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

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

[1] Effective for annual periods beginning on or after 1 January 2016
[2] Effective for annual periods beginning on or after 1 January 2018
[3] Effective for annual periods beginning on or after a date to be determined
[4] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

HKFRS 9 – Financial Instruments

Key requirements of HKFRS 9 are described below:

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

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

HKFRS 9 – Financial Instruments (continued)

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

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

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components.

The Directors anticipate that the application of HKFRS 9 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

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

HKFRS 15 Revenue from Contracts with Customers

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

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

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

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

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

The Directors do not anticipate that the application of other new HKFRSs will have a material effect on the Group's consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of preparation

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation (continued)

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

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

Business combinations

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

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

(i) deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

(ii) liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (continued)

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

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Consolidation

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

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

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

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Consolidation (continued)

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

Revenue recognition

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

Sale of goods

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

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (continued)

Sale of goods (continued)

- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income

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

Leases

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

The Group as lessee

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

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasehold land for own use

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 lump-sum 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 lease payments' in the consolidated statements of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

Items included in the consolidated financial statements of each of the companies now comprising the Group are measured using the currency of the primary environment in which the companies operate (the "functional currency").

In preparing the financial information of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (continued)

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Group are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity under the heading of exchange reserve.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Research and development expenditure

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

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

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

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

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

Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

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

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

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

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Retirement benefit costs

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

In the reporting period in which an employee has rendered services, the Group recognises the employee benefits expenses for those services in profit or loss.

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

Social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the Government of the People's Republic of China (the "PRC"), including social pension insurance, health care insurance, housing funds and other social welfare contributions. The Group contributes on a monthly basis to these funds based on certain percentage of the salaries of the employees and the contributions are recognised in profit or loss for the period when employees have rendered service entitling them to the contribution. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share option expenses

The Group operates a share option scheme for the purpose of providing incentives and rewards to eligible persons for their contributions to the Group.

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

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

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

Taxation

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

Current tax

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

Deferred tax

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (continued)

Deferred tax (continued)

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

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

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

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

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

Current and deferred tax for the year

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

Property, plant and equipment

Property, plant and equipment including buildings and leasehold land (classified as finance leases) held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (continued)

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognized impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property and equipment, less their residual values over their estimated useful lives, using straight-line method.

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

	Useful lives
Buildings	20 years
Machinery	10 years
Computer and office equipment	5 years
Motor vehicles	5 years
Leasehold improvements	Over the lease terms

Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

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

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

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (continued)

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at fair value though profit or loss

Financial assets are classified as at fair value though profit or loss when the financial asset is either held for trading or it is designated as at fair value though profit or loss.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at fair value though profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at fair value though profit or loss.

Financial assets at fair value though profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item. Fair value is determined in the manner described in Note 5.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, pledged bank deposits and cash and cash balances) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

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

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

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

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 to 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (continued)

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at FVTPL when the financial liabilities are designated at FVTPL on initial recognition.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with changes at fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (continued)

Other financial liabilities

Other financial liabilities (including trade, bills, other payables and accruals, bank borrowings and amount due to a director) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (continued)

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or losses on fair value changes is recognised in profit or loss.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their economic risks and characteristics are not closely related to those of the host contacts and the host contacts are not measured at fair value with changes in fair value recognised in profit or loss.

Convertible bonds

The component parts of compound instruments (convertible bonds) issued by the Company are classified separately as financial liabilities, equity and derivatives in accordance with the substance of the contractual arrangements and the definitions of a financial liability, an equity instrument and derivative financial instruments. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible bonds, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible bonds using the effective interest method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and bank balances

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted to use.

Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

Related parties transactions

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

(1) 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 of a parent of the Group.

(2) An entity is related to the Group if any of the following condition 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 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 party.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsorship employers are also related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (1).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties transactions (continued)

(2) An entity is related to the Group if any of the following condition applies: (continued)

(vii) A person identified in (1)(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 family members of an individual are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

A transaction is considered to be a related party transaction when there is a transfer of resources and obligations between related parties.

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management 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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in Note 3, management has made certain key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next year, are discussed below:

Income taxes and deferred taxation

The Company is subject to PRC income taxes. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

Useful lives and residual values of property, plant and equipment

In determining the useful life and residual value of an item 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.

Fair value measurement of derivative financial instruments

The derivative financial instruments have been value based on valuation technique. The valuation required the Group to make estimates about earning volatility, earning growth rate and discount rate, and hence they are subject to uncertainty. Further details are contained in Notes 5, 24 and 25 to the consolidated financial statements.

5. FINANCIAL INSTRUMENTS

Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follow:

	2015 RMB'000	2014 RMB'000
Financial assets		
At amortised cost		
Loan and receivables		
– Trade receivables	**147,540**	105,797
– Pledged bank deposits	**80,602**	660
– Cash and bank balances	**266,206**	92,481
	494,348	198,938
At fair value through profit or loss		
Derivative financial instruments	**5,796**	–
	500,144	198,938
Financial liabilities		
At amortised cost		
– Trade, bills, other payables and accruals	**113,640**	95,615
– Promissory note	**67,673**	–
– Convertible bonds	**19,346**	–
– Bank borrowings	**123,970**	11,000
	324,629	106,615
At fair value through profit or loss		
Derivative financial instrument	**3,434**	–
	328,063	106,615

Financial risk management objective and policies

The Company's major financial instruments include trade receivables, pledged bank deposits, cash and bank balances, trade, bills, other payables and accruals, bank borrowings, promissory note, convertible bonds and derivative financial instruments. The details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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

5. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objective and policies (continued)

Credit risk

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

The Group has concentration of credit risk on the trade receivables from its major customers. The management is of the view that these trade debtors of the Group have good trade record without default history and consider that the trade receivable from these customers is recoverable.

In order to minimise the credit risk, the management of the Group has credit approvals and other monitoring procedures to ensure that follow-up action is taken on a timely basis and adequate impairment losses are made for irrecoverable amounts overdue. In this regards, the Directors consider that the Group's credit risk is significantly reduced.

Substantially all of the Group's cash and bank balances are mainly deposited in the state controlled PRC banks which the Directors assessed the credit risk to be insignificant.

Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due, and it results from amount and maturity mismatches of assets and liabilities. The Group will consistently maintain a prudent financial policy and ensure that it maintains sufficient cash to meet its liquidity requirements.

The Group's financial liabilities are analysed into relevant maturity groupings based on the remaining period at the respective end of the reporting periods to the contractual maturity date, using the contractual undiscounted cash flows, as follows:

	Weighted average interest rate %	Carrying amount RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 year RMB'000	More than 5 year RMB'000	Total undiscounted cash flows RMB'000
31 December 2015							
Non-derivative financial liabilities							
Trade, bills, other payables and accruals	–	113,640	113,640	–	–	–	113,640
Promissory note	6.30	67,673	69,670	–	–	–	69,670
Convertible bonds	14.31	19,346	20,394	–	–	–	20,394
Bank borrowings	5.83	123,970	27,818	90,869	15,044	–	133,731
		324,629	231,522	90,869	15,044	–	337,435
Derivative financial liability							
Derivative financial instrument	–	3,434	3,434	–	–	–	3,434

5. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objective and policies (continued)

Liquidity risk (continued)

	Weighted average interest rate %	Carrying amount RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 year RMB'000	More than 5 year RMB'000	Total undiscounted cash flows RMB'000
31 December 2014							
Non-derivative financial liabilities							
Trade, bills, other payables and accruals	–	95,615	95,615	–	–	–	95,615
Bank borrowings	7.15	11,000	11,000	–	–	–	11,000
		106,615	106,615	–	–	–	106,615

Interest rate risk

The Group considers that there is no significant cash flow interest rate risk and fair value interest rate risk as the Group does not have variable rate borrowings. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group currently does not have any interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

No sensitivity analysis is prepared since the Group is not subject to significant cash flow interest rate risk and fair value interest rate risk.

Currency risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The main operations of the Group were in the PRC and most of the transactions were denominated in RMB. The Company did not use any derivative financial instruments to hedge for its foreign exchange risk exposure during the year.

5. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objective and policies (continued)

Currency risk (continued)

The foreign currency assets and liabilities held by the Group are not material compared to the total assets and liabilities. In terms of the Group's revenue structure, a majority of the business transactions are denominated in RMB, and the proportion of foreign currency transactions are not significant to the Group.

The Directors consider that the currency risk of the Group's operations is immaterial due to the relatively low proportion of the Group's foreign currency denominated assets, liabilities, income and expense, as compared to the Group's total assets, liabilities, income and expense. Hence, no further analysis is presented.

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

(i) the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;

(ii) the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and

(iii) the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

Except for the liability component of convertible bonds which recorded at amortised cost as below, the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Group's statement of financial position approximate to their fair values.

	31 December 2015		31 December 2014	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000	Fair value RMB'000
Convertible bonds	**19,346**	**19,031**	–	–

The fair value of the liability component is the present value of the contractually determined stream of future cash flows discounted at the interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without conversion option.

5. FINANCIAL INSTRUMENTS (Continued)

Fair value estimation

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value as at 31 December 2015, grouped into Level 1 to Level 3 based on the degree to which the fair value is observable.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
31 December 2015				
Assets				
Derivative financial instruments	–	–	5,796	5,796
Liability				
Derivative financial instrument	–	–	3,434	3,434
31 December 2014				
Asset				
Derivative financial instrument	–	–	–	–
Liability				
Derivative financial instrument	–	–	–	–

There were no transfers between Level 1, 2 and 3 in both years.

5. FINANCIAL INSTRUMENTS (Continued)

Fair value estimation (continued)

Some of the Group's and the Company's financial assets and financial liabilities are measured at fair value at 31 December 2015. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

	Fair value as at				
	31 December 2015 RMB'000	31 December 2014 RMB'000	**Fair value hierarchy**	**Valuation techniques and key inputs**	**Significant unobservable inputs**
Assets					
Derivative financial instrument – Term extension derivative embedded in the promissory note	**5,543**	–	**Level 3**	Discounted cash flow and Monte Carlo Simulation Method **Key inputs:** Discounted rate adopted and earning volatility	Discount rate adopted ranging from 15.35% to15.83% Earning volatility from 75.38%to 83.95% (Note (i))
Derivative financial instrument – Redemption option derivative embedded in the promissory note	**–**	–	**Level 3**	Monte Carlo Simulation Method **Key inputs:** Discounted rate adopted	Discount rate adopted ranging from 15.35% to 15.83% (Note (ii))
Derivative financial instrument – Redemption option derivative embedded in the convertible bonds	**253**	–	**Level 3**	Bionominal option Pricing Model **Key inputs:** Discounted rate adopted and share price volatility	Discount rate adopted ranging from 15.35% to 15.83% Share price volatility ranging from 75.83% to 83.95% (Note (iii))
Liability					
Derivative financial instruments – Term extension derivative embedded in the convertible bonds	**3,434**	–	**Level 3**	Bionominal Option Pricing Model and Monte Carlo Simulation Method **Key inputs:** Discount rate adopted, Earnings volatility and Share price volatility	Discount rate adopted ranging from 15.35% to 75.38% Earning volatility ranging from 75.38% to 83.95% Share price volatility ranging from 72.09% to 83.95% (Note (iv))

5. FINANCIAL INSTRUMENTS (Continued)

Fair value estimation (continued)

Notes:

(i) An increase in the discount rate adopted in isolation would result in an increase in the fair value measurement of term extension derivative embedded in the promissory note.

An increase in the earnings volatility used in isolation would result in a decrease in the fair value measurement of term extension derivative embedded in the promissory note.

(ii) An increase in the discount rate adopted in isolation would result in an increase in the fair value measurement of redemption option derivative embedded in the promissory note.

(iii) An increase in the discount rate adopted in isolation would result in a decrease in the fair value measurement of redemption option derivative embedded in the convertible bonds.

An increase in the share price volatility used in isolation would result in an increase in the fair value measurement of redemption option derivative embedded in the convertible bonds.

(iv) An increase in the discount rate adopted in isolation would result in a decrease in the fair value measurement of term extension derivative embedded in the convertible bonds.

An increase in the earnings volatility used in isolation would result in a decrease in the fair value measurement of term extension derivative embedded in the convertible bonds.

An increase in the share price volatility used in isolation would result in an increase in the fair value measurement of term extension derivative embedded in the convertible bonds.

Please refer to Notes 24 and 25 for the movement of the fair values of the financial assets and financial liabilities included in Level 3 categories.

Capital risk management

The primary objective of the Group's capital management is 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 the 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.

5. FINANCIAL INSTRUMENTS (Continued)

Capital risk management (continued)

The Directors monitor capital using a gearing ratio, which is total debts divided by total equity. The Group's policy is to keep the gearing ratio at a reasonable level. The gearing ratios at the end of the reporting periods are as follows:

	2015 **RMB'000**	2014 RMB'000
Total debts	**210,989**	11,000
Total equity	**351,022**	276,169
Gearing ratio	**60.1%**	4.0%

6. OPERATING SEGMENT

The Group currently operates in one operating segment which is the sales of paper-based packaging products. The chief operating decision makers who allocates resources and assesses performance based on the results of the year for the entire business comprehensively. Accordingly, the Group does not present separately segment information.

Segment revenue reported represents revenue generated from external customers. There were no inter-segment sales for the year ended 31 December 2015 (2014: Nil).

During the years ended 31 December 2015 and 2014, all revenue is derived from customers in the PRC.

As at 31 December 2015 and 2014, most of the Group's non-current assets were located in the PRC. Accordingly, no analysis of the Group's result and assets by geographical area is disclosed.

Included in revenue arising from sales of paper-based packaging products for the year ended 31 December 2015, approximately RMB35,983,000 (2014: RMB37,702,000) are revenue arose from sales to the Group's largest single customer. No single customer contributed 10% or more to the Group's revenue for the year ended 31 December 2015 (2014: Nil).

7. REVENUE

Revenue represents the net amounts received and receivable for goods sold, net of discounts and excludes value-added tax.

An analysis of the Group's revenue is as follows:

	2015 RMB'000	2014 RMB'000
Flexo-printed cartons	**329,046**	265,760
Offset-printed cartons		
– Traditional paper-based cartons	**161,961**	147,223
– Stone-paper based cartons	**124,365**	78,540
	615,372	491,523

8. OTHER REVENUE

	2015 RMB'000	2014 RMB'000
Sales of residual materials	**1,276**	803
Bank interest income	**610**	362
	1,886	1,165

9. OTHER INCOME

	2015 RMB'000	2014 RMB'000
Tax concession (Note a)	**7,891**	10,334
Government subsidies (Note b)	**11**	270
Exchange gain	**–**	163
	7,902	10,767

Notes:

(a) Tax concession represents another kind of government subsidy given by the local government with reference to the amount of value-added tax, land use tax and enterprise income tax paid in the PRC.

(b) Government subsidies represent the financial subsidies given by the local government to encourage the Group's operation in the PRC.

10. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	2015 RMB'000	2014 RMB'000
Staff costs:		
Employee benefit expense (including directors' remuneration (Note 11)):		
Wages and salaries	**38,698**	25,173
Retirement benefit schemes contributions	**5,174**	4,000
	43,872	29,173
Other items:		
Cost of inventories sold	**466,863**	374,245
Depreciation of property, plant and equipment (Note 16)	**14,152**	7,403
Auditors' remuneration	**800**	750
Amortisation of prepaid lease payments (Note 17)	**60**	60
Loss on disposal of property, plant and equipment	**2**	–
Minimum lease payments under operating leases of rented premises	**428**	164
Research and development costs	**3,180**	2,976
Equity-settled share option expenses	**15,931**	4,274

11. DIRECTORS' AND KEY MANAGEMENT PERSONNEL EMOLUMENTS

(a) Directors' emoluments

Details of directors' emoluments are as follows:

	2015 RMB'000	2014 RMB'000
Fees	**281**	325
Other emoluments:		
Salaries, allowances and benefits in kind	**5,924**	1,852
Retirement benefit schemes contributions	**43**	11
Total	**6,248**	2,188

11. DIRECTORS' AND KEY MANAGEMENT PERSONNEL EMOLUMENTS (Continued)

(b) Directors' emoluments

	Fees RMB'000	Salaries, allowances and other benefits in kind RMB'000	Retirement benefit schemes contributions RMB'000	Total remuneration RMB'000
31 December 2015				
Executive Directors				
Mr. Chen Wei Wei	**–**	**2,445**	**23**	**2,468**
Ms. Hu Li Yu	**–**	**2,031**	**10**	**2,041**
Mr. Sun Shao Hua	**–**	**1,448**	**10**	**1,458**
Independent Non-executive Directors				
Mr. Liu Da Jin	**80**	**–**	**–**	**80**
Mr. Ma Yiu Ho, Peter	**121**	**–**	**–**	**121**
Mr. Wu Ping	**80**	**–**	**–**	**80**
	281	**5,924**	**43**	**6,248**

	Fees RMB'000	Salaries, allowances and other benefits in kind RMB'000	Retirement benefit schemes contributions RMB'000	Total remuneration RMB'000
31 December 2014				
Executive Directors				
Mr. Chen Wei Wei	–	835	11	846
Ms. Hu Li Yu	–	235	–	235
Mr. Sun Shao Hua	–	782	–	782
Independent Non-executive Directors				
Mr. Liu Da Jin	95	–	–	95
Mr. Ma Yiu Ho, Peter	135	–	–	135
Mr. Wu Ping	95	–	–	95
	325	1,852	11	2,188

The Group does not have any chief executive officer during the years.

During the years, no emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any emoluments during the years.

11. DIRECTORS' AND KEY MANAGEMENT PERSONNEL EMOLUMENTS (Continued)

(c) Five highest paid employees

The five highest paid employees of the Group are analysed as follows:

	2015 RMB'000	2014 RMB'000
Directors	**5,967**	1,628
Non-directors	**1,504**	1,656
	7,471	3,284

The five highest paid individuals in the Group during both years included 3 (2014: 2) directors; details of whose emoluments are set out in Note 11(b). The emoluments of the remaining 2 (2014: 3) individuals are as follows:

	2015 RMB'000	2014 RMB'000
Salaries, allowances and benefits in kind	**1,486**	1,627
Retirement benefit schemes contributions	**18**	29
	1,504	1,656

The number of these non-directors, being the five highest paid employees whose remuneration fell within the following band is as follows:

	2015	2014
Nil to HK$1,000,000	**1**	2
HK$1,000,001 to HK$2,000,000	**1**	1
	2	3

11. DIRECTORS' AND KEY MANAGEMENT PERSONNEL EMOLUMENTS (Continued)

Included in the five highest paid employees, the number of senior management (being the non-director employees) whose remuneration fell within the following band is as follows:

	2015	2014
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$2,000,000	**–**	1
	1	2

Note: The band was denominated in HK$ and the remunerations of the respective employees was translated at the average rate of RMB to HK$ for each year for the disclosure purpose.

During the years, no emoluments were paid by the Group to the non-directors, being the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office. None of the non-director, highest paid employees waived or agreed to waive any emoluments during the years.

12. FINANCE COSTS

	2015 **RMB'000**	2014 RMB'000
Interest expenses on bank borrowings	**4,603**	1,781
Imputed interest on promissory note	**2,206**	–
Imputed interest on convertible bonds	**1,565**	–
	8,374	1,781

13. INCOME TAX EXPENSES

	2015 RMB'000	2014 RMB'000
Current tax		
– The PRC Enterprise Income Tax	**15,217**	12,715
– Under provision in prior year	**–**	1,164
	15,217	13,879
Deferred tax		
– Current year (Note 26)	**(138)**	–
Total income tax recognised in profit or loss	**15,079**	13,879

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year. No Hong Kong profits tax is provided for as the Group does not have any assessable profit from the Group's operation located in Hong Kong.

The PRC subsidiary is subject to the PRC Enterprise Income Tax at 25% during the year (2014: 25%). Pursuant to the relevant laws and regulations in the PRC, the qualified PRC subsidiary was entitled to preferential treatment on corporate income tax enjoyed by high and new technology enterprise for three years from 2014 to 2016. As such, the applicable corporate income tax rate for the qualified PRC subsidiary has been reduced from 25% to the preferential tax rate of 15% for the three years from 2014 to 2016.

The reconciliation between the income tax expenses and accounting profit at applicable income tax rates is as follows:

	2015						2014					
	Hong Kong		The PRC		Total		Hong Kong		The PRC		Total	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Profit/(loss) before tax	**(19,731)**		**89,575**		**69,844**		(15,743)		91,744		76,001	
Tax at applicable Income tax rates	**(3,255)**	**16.5**	**22,394**	**25.0**	**19,139**	**27.4**	(2,598)	16.5	22,936	25.0	20,338	26.8
Preferential income tax treatments	**–**	**–**	**(10,145)**	**(11.3)**	**(10,145)**	**(14.5)**	–	–	(8,476)	(9.3)	(8,476)	(11.2)
Tax effect of expenses or income not deductible or taxable for tax purpose	**–**	**–**	**2,947**	**3.3**	**2,947**	**4.2**	–	–	(1,863)	(2.0)	(1,863)	(2.4)
Under provision in prior year	**–**	**–**	**–**	**–**	**–**	**–**	–	–	1,164	1.3	1,164	1.5
Tax effect of tax loss not recognised	**3,117**	**(15.8)**	**21**	**0.1**	**3,138**	**4.5**	2,598	(16.5)	118	0.1	2,716	3.6
Tax charge for the year	**(138)**	**0.7**	**15,217**	**17.1**	**15,079**	**21.6**	–	–	13,879	15.1	13,879	18.3

14. DIVIDENDS

The Directors of the Company do not recommend payment of any dividends for the year (2014: Nil).

15. EARNINGS PER SHARE

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

Earnings

	2015 **RMB'000**	2014 RMB'000
Profit attributable to the owners of the Company for the purpose of basic and diluted earnings per share	**54,765**	62,122

Number of shares

	2015	2014
Weighted average number of ordinary shares for the purpose of basic earnings per share	**800,000,000**	793,424,658
Effect of dilutive potential ordinary shares: Share options issued by the Company	**9,043,367**	57,329
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**809,043,367**	793,481,987

Basic earnings per share for the years ended 31 December 2015 and 2014 are calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of shares in issue during the year.

Diluted earnings per share for the years ended 31 December 2015 and 2014 are calculated by adjusting the weighted average number of shares in issue during the year to assume conversion of all dilutive potential ordinary shares. The weighted average number of ordinary shares as above are adjusted by the number of shares that would have been issued assuming the exercise of share options.

For the year ended 31 December 2015, the computation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible bonds since it would result in an anti-dilutive effect on earnings per share.

16. PROPERTY, PLANT AND EQUIPMENT

	Machinery RMB'000	Computer and office equipment RMB'000	Motor vehicles RMB'000	Buildings RMB'000	Leasehold improvements RMB'000	Construction-in-progress RMB'000	Total RMB'000
Cost							
At 1 January 2014	37,539	491	588	20,593	–	43,520	102,731
Additions	76,750	25	–	1,000	125	–	77,900
Transfer	–	–	–	43,520	–	(43,520)	–
At 31 December 2014 and 1 January 2015	114,289	516	588	65,113	125	–	180,631
Additions	111	7	–	–	–	–	118
Disposals	–	–	(109)	–	–	–	(109)
Exchange realignment	–	–	–	–	7	–	7
At 31 December 2015	114,400	523	479	65,113	132	–	180,647
Accumulated depreciation							
At 1 January 2014	13,513	280	368	6,033	–	–	20,194
Charge for the year	5,006	76	59	2,212	50	–	7,403
At 31 December 2014 and 1 January 2015	18,519	356	427	8,245	50	–	27,597
Charge for the year	10,866	79	59	3,093	55	–	14,152
Eliminated on disposals	–	–	(103)	–	–	–	(103)
Exchange realignment	–	–	–	–	5	–	5
At 31 December 2015	29,385	435	383	11,338	110	–	41,651
Carrying amount							
At 31 December 2015	**85,015**	**88**	**96**	**53,775**	**22**	**–**	**138,996**
At 31 December 2014	95,770	160	161	56,868	75	–	153,034

Assets pledged as security

As at 31 December 2015, machinery with a carrying amount of approximately RMB58,366,000 (2014: RMB14,915,000) have been pledged to secure bank borrowings (Note 23) granted to the Group.

As at 31 December 2015, computer and office equipment with a carrying amount of approximately RMB1,000 (2014: Nil) have been pledged to secure bank borrowings (Note 23) granted to the Group.

As at 31 December 2015, buildings with a carrying amount of approximately RMB53,536,000 (2014: Nil) have been pledged to secure bank borrowings (Note 23) granted to the Group.

17. PREPAID LEASE PAYMENTS

Prepaid lease payments represent prepayment by the Group for the land use rights located in the PRC which are held on leases for 50 years.

	2015 RMB'000	2014 RMB'000
Analysed for reporting purposes as:		
Current assets (included in prepayments) (Note 20)	**60**	60
Non-current assets	**2,315**	2,375
	2,375	2,435

Amortisation on prepaid lease payments of approximately RMB60,000 (2014: RMB60,000) have been charged to the administrative expenses in profit or loss for the year.

18. INVENTORIES

	2015 RMB'000	2014 RMB'000
Raw materials	**15,766**	12,134
Work in progress	**2,105**	2,648
Finished goods	**7,289**	3,108
	25,160	17,890

19. TRADE RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade receivables	**147,540**	105,797

19. TRADE RECEIVABLES (Continued)

The following is an analysis of trade receivables by age, presented based on the invoice date. The analysis below is net of allowance for doubtful debts:

	2015 RMB'000	2014 RMB'000
0 – 30 days	65,424	55,635
31 – 60 days	64,145	50,162
61 – 90 days	17,971	–
	147,540	105,797

The average credit period on sales of goods is from 30 to 90 days. In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated. Allowances for doubtful debts are recognised against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position. The Directors of the Company considered no provision for impairment is recognised during the year (2014: Nil) as these customers had no recent history of default.

The Group does not hold any collateral or other credit enhancements over these balances.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Of the trade receivables balance as at 31 December 2015 approximately RMB6,781,000 (2014: RMB4,713,000) is due from the Group's largest customer. At 31 December 2015, no customers represent more than 5% of the total balance of trade receivables (2014: Nil) and hence the concentration of credit risk is limited.

As at 31 December 2015, no trade receivables were past due but not impaired (2014: Nil).

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000
Prepaid lease payments (Note 17)	60	60
Prepayments, deposits and other receivables	16,362	9,527
	16,422	9,587

21. PLEDGED BANK DEPOSITS/CASH AND BANK BALANCES

Pledged bank deposits represent deposits pledged to banks to secure bills payables granted to the Group. The pledged bank deposits will be released upon the settlement of relevant bills payable (Note 22) and bank borrowings (Note 23).

Included in the cash and bank balances as at 31 December 2015, amount of approximately RMB259,576,000 (2014: RMB91,183,000) are subject to the foreign exchange control restrictions imposed by the government of the PRC.

Bank balances carry interest at market rates which range from 0.35% to 0.38% per annum for 31 December 2015 (2014: 0.01% to 0.35% per annum).

22. TRADE, BILLS, OTHER PAYABLES AND ACCRUALS

	2015	2014
	RMB'000	RMB'000
Trade payables	**74,850**	76,909
Bills payables	**23,850**	660
Accruals	**12,698**	9,880
Other payables	**2,242**	8,166
	113,640	95,615

An aged analysis of the trade payables, based on invoice date, is as follows:

	2015	2014
	RMB'000	RMB'000
0 – 30 days	**42,358**	40,422
31 – 60 days	**32,492**	36,487
	74,850	76,909

The average credit period on purchases of certain goods is 60 days. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

As at 31 December 2015, the bills payable of approximately RMB23,850,000 (2014: RMB660,000) was pledged by the bank deposits (Note 21).

23. BANK BORROWINGS

	2015 RMB'000	2014 RMB'000
Secured	**123,970**	11,000
Carrying amount repayable:		
Within one year	**21,270**	11,000
More than one year, but not exceeding two years	**102,700**	–
	123,970	11,000
Less: Amounts shown under current liabilities	**(21,270)**	(11,000)
Amounts shown under non-current liabilities	**102,700**	–

All the bank borrowings were denominated in RMB. As at 31 December 2015 and 2014, the bank borrowings were secured by certain property, plant and equipment and pledged bank deposits held by the Group as set out in Notes 16 and 21 respectively.

The ranges of effective interest rates (which are equal to the contracted interest rates) on bank borrowings are as follows:

	2015	2014
Fixed rate	**5.0% to 7.8%**	6.6% to 7.8%

24. PROMISSORY NOTE

On 19 June 2015, the Company issued a redeemable 7.5% promissory note with the principal amount of HK$80,000,000 and interest payable half yearly (the "Promissory Note").

The Promissory Note has a term of one year and the holder shall extend the Promissory Note on the same terms and conditions of the Promissory Note for a further period of one year (the "Extended Term of the Promissory Note") provided that the Group's earnings before interest, taxes, depreciation and amortisation ("EBITDA") for the financial year before the end of the term is not less than RMB52,000,000 and the consolidated net asset value of the Group is not less than RMB220,000,000.

The Company may, prior to the maturity date of the Promissory Note from and including the date falling 12 months from the date of issue redeem the outstanding principal amount of the Promissory Note, with all amounts of accrued interests, handling fee and all other outstanding amount payable by the Company to the holder of the Promissory Notes, and without penalty.

The Promissory Note has the benefit of the security constituted by the share charges created by Rich Kirin Holdings Limited and Big Wealth Limited; the guarantee of Mr. Sun Shao Hua, a Director and a controlling shareholder of the Company; and the guarantee of Novel Blaze Limited, the ultimate holding company of the Company.

24. PROMISSORY NOTE (Continued)

The Promissory Note contains three components: term extension derivative, early redemption derivative and liability component. The fair value of the liability component of the Promissory Note at the date of issue was estimated to be approximately RMB64,534,000 based on the effective interest rate of 6.3% per annum. The term extension derivative is measured at fair value with changes in fair value recognised in profit or loss.

In valuing the term extension derivative and early redemption derivative components, the Monte Carlo Simulation Method was used.

The inputs used for calculation of the fair value of the term extension derivative and early redemption derivative components were as follow:

	At 19 June 2015
Time to maturity	1.00 to 3.00 years (depends on extension condition)
Earning volatility	64.93% to 70.47%
Earning growth rate	44.97%
Discount rate	12.78% to 13.46%

The movements of the liability component and term extension derivative of the Promissory Note during the year are set out below:

	Liability component RMB'000	**Term extension derivative component** RMB'000 (Note 27)	**Early redemption derivative component** RMB'000	**Total** RMB'000
At 31 December 2014 and 1 January 2015	–	–	–	–
Issue of promissory note	64,534	(2,857)	–	61,677
Imputed interest charged	2,206	–	–	2,206
Coupon interest payable	(2,918)	–	–	(2,918)
Change in fair value	–	(2,411)	–	(2,411)
Exchange realignment	3,851	(275)	–	3,576
At 31 December 2015	**67,673**	**(5,543)**	**–**	**62,130**

25. CONVERTIBLE BONDS

On 19 June 2015, the Company issued redeemable 7.5% convertible bonds with aggregate principal amount of HK$20,000,000 with handling fee charging at 1% per annum and interest payable half yearly ("Convertible Bonds"). The Convertible Bonds entitle the holder to convert to ordinary shares of the Company at a conversion price of HK$0.85 per share and will be converted into 23,529,411 shares assuming full conversion.

Conversion may occur at any time during the term of the Convertible Bonds.

The Convertible Bonds have a term of one year and the holder shall extend the Convertible Bonds on the same terms and conditions of the Convertible Bonds for a further period of one year (the "Extended Term of the Convertible Bonds") provided that the Group's EBITDA for the financial year before the end of the term is not less than RMB52,000,000 and the consolidated net asset value of the Group is not less than RMB220,000,000.

Subject to the Promissory Note (Note 24) having been redeemed in full, the Company has the right to redeem all (but not part of) the outstanding principal amount of the Convertible Bonds at any time during the period between the first day of the twelfth month following the date of issue of the Convertible Bonds and the last day immediately preceding the maturity date of the Convertible Bonds.

Unless previously redeemed, converted, purchased and cancelled, the Company shall pay on the maturity date an aggregate price of (i) the outstanding principal amount of the Convertible Bonds on the maturity date, (ii) 12% of the outstanding principal amount on the maturity date of the Convertible Bonds (exclusive of interest) multiplied by the term or the Extended Term of the Convertible Bonds expressed in years for the redemption of the portion of the Convertible Bonds which has not been converted into Shares, (iii) all accrued and unpaid interest and handling fee and unpaid default interest accrued in respect of such outstanding principal amount of the Convertible Bonds to be redeemed, and (iv) all other outstanding amounts payable by the Company to the holder of the Convertible Bonds.

The Convertible Bonds have the benefit of the security constituted by the share charges created by Rich Kirin Holdings Limited and Big Wealth Limited; the guarantee of Mr. Sun Shao Hua, a Director and a controlling shareholder of the Company; and the guarantee of Novel Blaze Limited, the ultimate holding company of the Company.

The Convertible Bonds contains four components: redemption option derivative, term extension derivative, liability and equity components. The equity component is presented in equity heading "convertible bonds reserve". The liability component is initially recognised at fair value and carried at amortised costs using effective interest rate. The effective interest rate of the liability component on initial recognition is 11.8% per annum. The redemption option derivative and term extension derivative components are measured at fair value with changes in fair value recognised in profit or loss.

25. CONVERTIBLE BONDS (Continued)

On 10 September 2015, the Group entered into supplementary deeds, agreed to amend the provisions of the Company's early redemption right under the Convertible Bonds ("Modification"). The amended term is unless previously redeemed, converted, purchased and cancelled, the redemption price payable by the Company for early redemption of the Convertible Bonds shall be the amount equivalent to the sum of (i) the outstanding principal amount of the Convertible Bonds to be redeemed, (ii) return of 17.5% per annum on the outstanding principal amount of the Convertible Bond from the issue date to the date of full payment of the redemption price by the Company with such return calculated on the basis of the actual number of days elapsed in a year of 365 days (exclusive of interest) for the redemption of the portion of the Convertible Bond which has not been converted into Shares, (iii) all accrued and unpaid interest, (iv) all accrued and unpaid handling fee accrued, and (v) all other outstanding amounts payable by the Company to the bondholder.

The effective interest rate after 10 September 2015 is 14.31%.

In valuing the derivative components the Bionominal Option Pricing Model and Monte Carlo Simulation Method was used.

The key inputs used for calculation of the fair value of the derivative financial assets component were as follow:

	At 19 June 2015	At 10 September 2015
Time to maturity	1.00 to 3.00 years	0.77 to 2.77 years
	(depends on extension condition)	
Share price	HK$0.87	HK$0.84
Share price volatility	62.22% to 70.47%	64.28% to 85.09%
Earning volatility	64.93% to 70.47%	69.04% to 85.09%
Earning growth rate	44.97%	47.58%
Conversion price	HK$0.85	HK$0.85
Discount rate	12.78% to 13.46%	14.69% to 15.37%

Details of Convertible Bonds on initial recognition or Modification to be approximately as follows:

	At 19 June 2015 RMB'000	At 10 September 2015 RMB'000
Liability component	15,320	17,602
Equity component	915	4,067
Redemption option derivative component	(155)	(149)
Term extension derivative component	(663)	1,755
	15,417	23,275

25. CONVERTIBLE BONDS (Continued)

The movements of the liability component, equity component, redemption option derivative and term extension derivative of the Convertible Bonds during the year are set out below:

	Liability component RMB'000	Equity component RMB'000	Redemption option derivative component RMB'000 (Note 27)	Term extension derivative component RMB'000 (Note 27)	Total RMB'000
At 31 December 2014 and 1 January 2015	–	–	–	–	–
Issue of convertible bonds	15,320	915	(155)	(663)	15,417
Recognition of deferred taxation directly from equity	–	(164)	–	–	(164)
Derecognition upon Modification of convertible bonds	(15,503)	(751)	121	(911)	(17,044)
Recognition upon Modification of convertible bonds	17,602	4,067	(149)	1,755	23,275
Imputed interest charged	1,565	–	–	–	1,565
Coupon interest payable	(727)	–	–	–	(727)
Change in fair value	–	–	(54)	3,089	3,035
Exchange realignment	1,089	–	(16)	164	1,237
At 31 December 2015	**19,346**	**4,067**	**(253)**	**3,434**	**26,594**

26. DEFERRED TAXATION

The deferred taxation recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Convertible bonds RMB'000
Deferred tax liabilities arising from:	
At 31 December 2014 and 1 January 2015	–
Recognised directly in equity	164
Derecognition upon Modification of convertible bonds	(129)
Recognised upon Modification of convertible bonds	153
Credited to profit or loss (Note 13)	(138)
Exchange realignment	5
At 31 December 2015	**55**

At the end of the reporting period, the Group has no unused tax losses (2014: Nil) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams, as it is not probable that taxable profits will be available against which the cumulative tax losses can be utilised.

27. DERIVATIVE FINANCIAL INSTRUMENTS

	2015 RMB'000	2014 RMB'000
Assets		
Term extension derivative embedded in Promissory Note (Note 24)	**5,543**	–
Redemption option derivative embedded in Convertible Bonds (Note 25)	**253**	–
	5,796	–
Liability		
Term extension derivative embedded in Convertible Bonds (Note 25)	**3,434**	–

Redemption option derivative

Pursuant to the agreement in relation to issuance of the Convertible Bonds, redemption options are held by the Company. The Company may at any time from the date of issue of the Convertible Bonds up to the date immediately before the maturity date of the Convertible Bonds redeem the Convertible Bonds at amounts as described in Note 25.

Term extension derivative

Pursuant to the agreement in relation to issue of Convertible Bonds and Promissory Note, the Company may extend its Convertible Bonds and Promissory Note (in whole or in part) for further one year from last day of the term or if applicable extend for a further one year, if (i) the Company's earnings before income tax, depreciation and amortisation for the financial year from the date of issue of the Convertible Bonds and Promissory Note is not less than RMB52,000,000; and (ii) the consolidated net asset value of the Group is not less than RMB220,000,000. The holder of Convertible Bonds and Promissory Note may only make up to two extensions and the aggregate extended term for the above extensions shall not exceed two years.

The derivative financial instruments are initial measured at fair value with changes in fair value recognised in profit or loss. For details of the movement and key inputs used for calculation of derivative financial instruments, please refer to Notes 5, 24 and 25.

28. CAPITAL AND RESERVES

(a) Share capital

	Number of shares '000	**Share capital** HK$'000
Authorised:		
Ordinary shares of HK$0.01 each	8,000,000	80,000

	Number of shares '000	**Share capital** HK$'000	RMB'000
Issued and fully paid:			
At 1 January 2014	–	–	–
Issue of shares (Note)			
– Capitalisation issue	600,000	6,000	4,715
– Share offer	200,000	2,000	1,572
At 31 December 2014, 1 January 2015 and 31 December 2015	800,000	8,000	6,287

28. CAPITAL AND RESERVES (Continued)

(a) Share capital *(continued)*

At 1 January 2014, share capital represents the issued share capital of the Company of HK$1 divided into 100 shares of HK$0.01 each.

Note:

Upon the completion of the public offering and placing of the Company's shares on 13 January 2014, the Company capitalised an amount of HK$5,999,999 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par of 599,999,900 shares, each of which to be allotted and issued to the shareholder of the Company appearing on the register of members of the Company on 13 December 2013 in proportion to their respective shareholdings.

On 13 January 2014, the shares of the Company became listed on the Main Board of the Stock Exchange, pursuant to which 200,000,000 ordinary shares of HK$0.01 each were issued at a price of HK$0.51 per share by the Company.

The aggregate net proceeds received by the Company from the global offering amounted to approximately HK$73.1 million (equivalent to approximately RMB57.7 million) after deducting underwriting commissions and all related expenses. The Company was intended to use the net proceeds for (i) setting up new production lines; (ii) enhancing the research and development capabilities; (iii) construction of new production block; and (iv) general working capital.

(b) Reserves

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

i) Statutory reserve

In accordance with the relevant laws and regulations of the PRC, the subsidiary established in the PRC are required to provide for PRC statutory reserve, by way of transfer 10% of the profit after taxation to the statutory reserve until such reserve reaches 50% of the registered capital of the PRC Subsidiary. Subject to the certain restrictions set out in the Company Law of the PRC, part of the statutory reserve may converted to increase paid-up capital/issued capital of the PRC subsidiary, provided that the remaining balance after capitalisation is not less than 25% of the registered capital. The statutory reserve of the PRC subsidiary was RMB29,142,000 as at 31 December 2015 (2014: RMB20,105,000).

ii) Exchange reserve

Exchange reserve comprise all foreign exchange difference arising from the translation of the financial statements of operations that have functional currency other than RMB which are dealt with in accordance with the accounting policies as set out in Note 3.

iii) Other reserve

Other reserve represented the difference between the Group's shares of nominal value of the paid-up capital of the subsidiary acquired over the Group's cost of acquisition of the subsidiary under common control upon Reorganisation.

iv) Share option reserve

The share option reserve relates to share options granted to Directors and employees under the Company's share option scheme. Items included in share option reserve will not be reclassified subsequently to profit or loss.

28. CAPITAL AND RESERVES (Continued)

(c) Statement of changes in equity of the Company

	Share premium RMB'000	Share option reserve RMB'000	Convertible bonds reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2014	–	–	–	36	(2,846)	(2,810)
Loss for the year	–	–	–	–	(15,740)	(15,740)
Other comprehensive income for the year	–	–	–	497	–	497
Total comprehensive loss for the year	–	–	–	497	(15,740)	(15,243)
Equity-settled share option expenses	–	4,274	–	–	–	4,274
Issue of shares						
– Capitalisation issue	(4,715)	–	–	–	–	(4,715)
– Share offer	78,580	–	–	–	–	78,580
Expenses incurred in connection with the issue of shares	(9,277)	–	–	–	–	(9,277)
At 31 December 2014 and 1 January 2015	64,588	4,274	–	533	(18,586)	50,809
Loss for the year	–	–	–	–	(19,591)	(19,591)
Other comprehensive income for the year	–	–	–	3,339	–	3,339
Total comprehensive loss for the year	–	–	–	3,339	(19,591)	(16,252)
Equity-settled share option expenses	–	15,931	–	–	–	15,931
Issue of convertible bonds	–	–	915	–	–	915
Recognition of deferred taxation directly from equity	–	–	(164)	–	–	(164)
Derecognition upon modification of convertible bonds	–	–	(751)	–	751	–
Recognition upon modification of convertible bonds	–	–	4,067	–	–	4,067
At 31 December 2015	**64,588**	**20,205**	**4,067**	**3,872**	**(37,426)**	**55,306**

28. CAPITAL AND RESERVES (Continued)

(d) Share option scheme

The Company operates a share option scheme ("the Scheme") for the purpose of providing incentives and rewards to eligible participants for their contributions to the Group. Eligible participants of the Scheme included any full-time or part-time employee of the Company or any member of the Group, including any executive directors, non-executive directors and independent non-executive directors, advisors, consultants of the Group. The Scheme was valid and effective on 13 January 2014 and, unless otherwise altered or terminated, will remain in full force for a period of ten years from that date.

The maximum number of shares in respect of which share options may be granted under the Scheme must not exceed 10% of the share capital of the Company in issue as at the date of approval of the Scheme (the "Scheme Mandate Limit"). Subject to the approval of shareholders in general meeting, the Company may refresh the Scheme Mandate Limit to the extent that the total number of shares which may be issued upon exercise of all options to be granted under the Scheme under the Scheme Mandate Limit as refreshed must not exceed 10% of the shares in issue as at the date of such shareholders' approval.

In addition, the maximum number of shares in respect of which share options may be granted to any eligible participant within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any future grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

The subscription price for the shares subject to options will be a price determined by the Board and notified to each participant and shall be the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the options, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant of the options; and (iii) the nominal value of a share.

The offer of a grant of share options may be accepted within 28 days from the date of the offer with a consideration of HK$1 being payable by the participant. An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined and notified by our Board to each participant provided that the period within which the option must be exercised shall not be more than 10 years from the date of the grant of option. The exercise of an option may be subject to the administration of our Board whose decision as to all matters arising from or in relation to the Scheme as its interpretation or effect shall (save as otherwise provided herein) be final and binding on all parties to the Scheme.

28. CAPITAL AND RESERVES (Continued)

(d) Share option scheme (continued)

The following table discloses movements of the Company's share options:

Name or category of participant	Option type	Number of share options: At 1 January 2014	Granted during the year	At 31 December 2014 and 1 January 2015	Granted during the year	At 31 December 2015	Date of grant of share options (dd/mm/yy)	Exercise period of share options (dd/mm/yy)	Exercise price of share options HK$	Price of Company's share at grant date of share options HK$
Directors										
Mr. Chen Wei Wei	2014 tranche 1	–	3,450,000	3,450,000	–	3,450,000	18/12/14	18/12/14 to 17/12/17	0.65	0.65
Mr. Chen Wei Wei	2014 tranche 2	–	3,450,000	3,450,000	–	3,450,000	18/12/14	18/12/15 to 17/12/17	0.65	0.65
Mr. Sun Shao Hua	2014 tranche 1	–	3,750,000	3,750,000	–	3,750,000	18/12/14	18/12/14 to 17/12/17	0.65	0.65
Mr. Sun Shao Hua	2014 tranche 2	–	3,750,000	3,750,000	–	3,750,000	18/12/14	18/12/15 to 17/12/17	0.65	0.65
Ms. Hu Li Yu	2014 tranche 1	–	3,300,000	3,300,000	–	3,300,000	18/12/14	18/12/14 to 17/12/17	0.65	0.65
Ms. Hu Li Yu	2014 tranche 2	–	3,300,000	3,300,000	–	3,300,000	18/12/14	18/12/15 to 17/12/17	0.65	0.65
Employees of the Group	2014 tranche 1	–	9,500,000	9,500,000	–	9,500,000	18/12/14	18/12/14 to 17/12/17	0.65	0.65
Employees of the Group	2014 tranche 2	–	9,500,000	9,500,000	–	9,500,000	18/12/14	18/12/15 to 17/12/17	0.65	0.65
Employees of the Group	2015 tranche 1	–	–	–	20,000,000	20,000,000	24/04/15	24/04/15 to 23/04/18	1.09	1.09
Employees of the Group	2015 tranche 2	–	–	–	20,000,000	20,000,000	24/04/15	24/04/16 to 23/04/18	1.09	1.09
		–	40,000,000	40,000,000	40,000,000	80,000,000				
Weighted average exercise price (HK$)		–	0.65	0.65	1.09	0.87				

Options that were granted during the year ended 31 December 2014 have a term of three years commencing from 18 December 2014 and shall vest and become exercisable in two equal tranches on 18 December 2014 and 18 December 2015 respectively.

During the year ended 31 December 2015, options were granted and have a term of three years commencing from 24 April 2015 and shall vest and become exercisable in two equal tranches on 24 April 2015 and 24 April 2016 respectively. The remaining exercisable period of 2015 tranche 1 and 2 were approximately 3 and 2 years respectively.

28. CAPITAL AND RESERVES (Continued)

(d) Share option scheme (continued)

At 31 December 2015, the number of shares in respect of which share options had been granted and remained outstanding under the Scheme was 80,000,000 (2014: 40,000,000), representing approximately 10% (2014: 5%) of the shares of the Company in issue at that date.

The fair value of the share options granted during the year was approximately HK$17,632,000 (HK$0.44 each) (2014: HK$10,392,000, HK$0.26 each), of which the Group recognised a share option expense of approximately RMB15,931,000 (2014: RMB4,274,000) during the year ended 31 December 2015.

The fair value of the share options is determined using the Black-Scholes Option Pricing Model. The Black-Scholes Model calculates the price variation over time of financial instruments such as stocks that can be used to determine the price of share options. The model assumes that the price of heavily traded assets follow a geometric Brownian motion with constant drift and volatility. When applied to price a share option, the model incorporates the constant price variation of the stock, the time value of money, the option's strike price and the time to the option's expiry.

The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

Inputs into the model

Option type	2014 tranche 1	2014 tranche 2	2015 tranche 1	2015 tranche 2
Grant date share price	HK$0.65	HK$0.65	HK$1.09	HK$1.09
Exercise price	HK$0.65	HK$0.65	HK$1.09	HK$1.09
Expected volatility	59.39%	59.39%	60.35%	60.35%
Time to maturity	3 years	3 years	3 years	3 years
Dividend yield	0.00%	0.00%	0.00%	0.00%
Risk-free interest rate	0.78%	0.78%	0.78%	0.78%

29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2015 RMB'000	2014 RMB'000
Non-current assets			
Interests in subsidiaries		**16,614**	–
Property, plant and equipment		**23**	75
		16,637	75
Current assets			
Prepayments, deposits and other receivables		**120**	45
Amount due from subsidiaries		**60,095**	57,227
Derivative financial instruments		**5,796**	–
Pledged bank deposits		**68,677**	–
Cash and bank balances		**5,621**	842
		140,309	58,114
Current liabilities			
Accruals		**4,845**	1,093
Derivative financial instrument		**3,434**	–
Promissory note		**67,673**	–
Convertible bonds		**19,346**	–
		95,298	1,093
Net current assets		**45,011**	57,021
Total assets less current liabilities		**61,648**	57,096
Non-current liability			
Deferred taxation		**55**	–
Net assets		**61,593**	57,096
Capital and reserves attributable to owners of the Company			
Share capital		**6,287**	6,287
Reserves	28(c)	**55,306**	50,809
Total equity		**61,593**	57,096

Approved by the Board on 24 March 2016 and signed on its behalf by:

Mr. Chen Wei Wei
Chairman

Mr. Sun Shao Hua
Executive Director

30. PARTICULARS OF THE SUBSIDIARIES

Particulars of the subsidiaries at 31 December 2015 are as follow:

Name of subsidiaries	Place and date of incorporation/ establishment/ operation	Nominal value of issued share capital /registered capital /paid-up capital	Percentage of attributable equity interest and voting power held by the Company		Principal activities
			Direct	Indirect	
Rich Kirin Holdings Limited ("Rich Kirin")	The BVI, 13 June 2013	US$1	100	–	Investment holding
Big Wealth Limited ("Big Wealth")	The BVI, 18 November 2005	US$100	–	100	Investment holding
HongSheng (Jiangxi) Color Printing Packaging Co., Ltd. ("HongSheng") (Note (i))	The PRC, wholly-owned foreign enterprise 29 November 2005	Registered capital HK$100,000,000 Paid-up capital HK$90,000,000	–	100	Sales of packaging materials
Jiangxi Hongyu New Materials Environmental Friendly Paper Co., Ltd. ("Hongyu") (Note (ii))	The PRC, 6 May 2015	Registered capital RMB60,000,000 Paid-up capital Nil	–	100	Manufacture and sale of environmental friendly stone paper and stone-paper based products

Notes:

(i) The registered capital of HongSheng is HK$100,000,000 in which HK$80,000,000 is being additional registered capital during the year ended 31 December 2014. As at 31 December 2015, the Group had injected HK$90,000,000 and the remaining of HK$10,000,000 will be injected prior to 22 July 2016.

(ii) The registered capital of Hongyu is RMB60,000,000. As at 31 December 2015, the Group had not injected any capital to Hongyu and the remaining of RMB60,000,000 will be injected prior to 5 May 2024.

31. PLEDGED ASSETS

Assets with the following carrying amounts have been pledged to secure bank borrowings (Note 23) and bills payables (Note 22) of the Group.

	2015 RMB'000	2014 RMB'000
Machinery (Note 16)	**58,366**	14,915
Computer and office equipment (Note 16)	**1**	–
Buildings (Note 16)	**53,536**	–
Pledged bank deposits (Note 21)	**80,602**	660
	192,505	15,575

32. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had entered into the following related party transactions, which in the opinion of the Directors of the Company, were carried out on normal commercial terms and in the ordinary course of the Group.

Compensation of key management personnel of the Group, including director's remuneration as detailed in Note 11 above.

	2015 RMB'000	2014 RMB'000
Fees	**281**	325
Other emoluments:		
Salaries, allowances and benefits in kind	**7,245**	3,270
Retirement benefit schemes contributions	**60**	40
Total	**7,586**	3,635

33. COMMITMENTS

Operating lease commitment

The Group as lessee

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

	2015 RMB'000	2014 RMB'000
Within one year	**220**	151
In the second to fifth years inclusive	**201**	–
Over five years	**–**	–
	421	151

Capital commitment

	2015 RMB'000	2014 RMB'000
Authorised and contracted for capital contributions payable to subsidiaries	**68,375**	67,913

33. COMMITMENTS (Continued)

Other commitment

For the year ended 31 December 2011, the Group had entered into an agreement with development entity for five years with an annual charge of RMB600,000, for (i) improving the efficiency of production process and the productivity of machinery equipment; (ii) saving cost and resources; (iii) the development of new products, with a special focus on the production of stone-paper packaging products and (iv) the enhancement of ability in production technologies and techniques in satisfying a wide range of customer requirements in a cost efficient and profitable manner.

34. NON-CASH TRANSACTIONS

During the year ended 31 December 2014, the Group entered into the following non-cash investing activity which is not reflected in the consolidated statement of cash flow. The addition of property, plant and equipment of approximately RMB9,869,000 which has been paid in previous year and accounted in deposits paid for acquisition of equipment.

35. EVENT AFTER THE REPORTING PERIOD

On 17 November 2015, the Company entered into a share purchase agreement with an independent third party to acquire the entire equity interest in Cable King Limited and its subsidiaries at consideration of HK$440,000,000. The consideration shall be satisfied by cash of HK$20,000,000, issuance of consideration shares of approximately HK$220,000,000 and promissory note of approximately HK$200,000,000. Please refer to the circular of the Company dated 29 February 2016 for details.

The proposed acquisition was approved by the shareholders of the Company on 15 March 2016. However, the completion of the proposed acquisition is still subject to the satisfaction of certain conditions.

36. APPROVAL FOR CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 24 March 2016.

Five-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is prepared on the basis set out in the notes below:

Results

	Year ended 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**615,372**	491,523	383,049	280,553	193,933
Cost of sales	**(466,863)**	(374,245)	(293,443)	(221,291)	(157,446)
Gross profit	**148,509**	117,278	89,606	59,262	36,487
Other revenue	**1,886**	1,165	921	837	591
Other income	**7,902**	10,767	7,945	3,903	2,300
Selling and distribution expenses	**(29,126)**	(20,280)	(15,792)	(11,704)	(7,743)
Administrative expenses	**(27,377)**	(26,874)	(21,764)	(11,830)	(8,666)
Change in fair value of derivative financial instruments	**(624)**	–	–	–	–
Loss on modification of convertible bonds	**(7,021)**	–	–	–	–
Equity-settled share option expenses	**(15,931)**	(4,274)	–	–	–
Finance costs	**(8,374)**	(1,781)	(1,056)	(1,080)	(524)
PROFIT BEFORE TAX	**69,844**	76,001	59,860	39,388	22,445
Income tax expenses	**(15,079)**	(13,879)	(15,523)	(5,166)	(2,852)
PROFIT FOR THE YEAR	**54,765**	62,122	44,337	34,222	19,593

Assets and Liabilities

	As at 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS	**683,037**	382,784	251,770	154,027	108,368
TOTAL LIABILITIES	**(332,015)**	(106,615)	(113,092)	(76,014)	(64,674)
	351,022	276,169	138,678	78,013	43,694

Notes:

(i) The financial information for each of the five years ended 31 December 2015 have been prepared upon the Reorganisation as if the group structure, at the time when the Shares were listed on the Stock Exchange, had been in existence throughout the years concerned. The results for each of the two years ended 31 December 2012, and the assets and liabilities as at 31 December 2011 and 2012 have been extracted from the Prospectus dated 27 December 2013.

(ii) The summary above does not form part of the audited financial statements.