CHINA WEAVING MATERIALS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 3778

2014 ANNUAL REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Zheng Hong (Chairman)
Mr. Zheng Yongxiang

Non-Executive Director
Mr. Sze Irons, JP

Independent Non-Executive Directors
Mr. Nie Jianxin
Mr. Ng Wing Ka
Ms. Zhang Baixiang
(appointed on 27 November 2014)
Ms. Chan Mei Bo, Mabel
(resigned on 22 December 2014)

BOARD COMMITTEES

Audit committee
Ms. Zhang Baixiang (appointed as the Chairman on 22 December 2014)
Mr. Nie Jianxin
Mr. Ng Wing Ka
Ms. Chan Mei Bo, Mabel
(resigned on 22 December 2014)

Remuneration committee
Mr. Ng Wing Ka (appointed as the Chairman on 22 December 2014)
Mr. Nie Jianxin
Ms. Zhang Baixiang
Mr. Zheng Hong
Ms. Chan Mei Bo, Mabel
(resigned on 22 December 2014)

Nomination committee
Mr. Zheng Hong (appointed as the Chairman on 22 December 2014)
Mr. Nie Jianxin
Mr. Ng Wing Ka
Ms. Zhang Baixiang
Ms. Chan Mei Bo, Mabel
(resigned on 22 December 2014)

COMPANY SECRETARY

Mr. Cheung Chi Fai Frank

AUTHORISED REPRESENTATIVES

Mr. Zheng Hong
Mr. Cheung Chi Fai Frank

REGISTERED OFFICE

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

HEADQUARTERS IN THE PRC

Fengtian Development Zone
Fengxin County
Jiangxi Province, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 806, 8/F, AXA Centre
151 Gloucester Road
Wanchai, Hong Kong

LEGAL ADVISERS

As to Hong Kong law:
Orrick, Herrington & Sutcliffe

As to PRC law:
Jiangxi Tian Yi Law Offices

AUDITOR

Deloitte Touche Tohmatsu

INVESTORS RELATIONSHIP CONSULTANT

Trinity Communications Group Limited
(www.tri-hk.com)

CAYMAN ISLANDS 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 SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Bank of Communications Limited
(Nanchang Donghu Sub-branch)
China Construction Bank Corporation
(Fengxin Sub-branch)
China Merchants Bank Company Limited
(Changbei Sub-branch)
Industrial and Commercial Bank of China Limited
(Fengxin Sub-branch)
Nanyang Commercial Bank (China) Limited
(Shenzhen Branch)
Bank of Communications, Hong Kong Branch
Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation
Limited

COMPANY WEBSITE

www.chinaweavingmaterials.com

STOCK CODE

3778

Chairman's Statement

In 2014, the textile industry in the People's Republic of China (the "**PRC**") continued to encounter adversity arising from a general deficiency in market demand. Apart from sluggish overseas demand, a softening domestic economy and escalating production cost, yarn manufacturers in the PRC was hit hard by the declining raw material prices which induced a drop in yarns prices and thereby squeezed both the sale prices and margin of cotton yarns. Meanwhile, the prices of raw cotton and polyester staple fibres ("**PSF**") have undergone a downward trend in 2014 due to the adjustments in the PRC government's national cotton temporary reserve policy and the plunge in crude oil prices.

Looking forward, the stagnant overseas demand and weak domestic economy will continue to pose challenges to the textile industry in the PRC. The cancellation of the government's national cotton temporary reserve policy is generally considered beneficial to the textile industry in the PRC in the long run although it continuously diminished the domestic cotton prices in the short term. In 2015, domestic cotton prices have shown signs of stabilization and the price gaps between domestic and international cotton appeared to have narrowed within a reasonable range. Crude oil prices have also been stabilizing after falling almost 50% in the second half of 2014. Prices of purified terephthalic acid ("**PTA**") and PSF have followed suit. The People's Bank of China has reduced benchmark loan interest rate twice in the first quarter of 2015 and the PRC government continues to promote consumption as a driver of economic growth. All these factors are pointing towards a more favorable operating environment in 2015 for the textile industry as a whole.

2014 was a very difficult year for the Group as it suffered from a fire accident while conducting business in an unfavorable external environment. The fire accident caused certain damage to the Group but it has not affected the overall sales or production. Restoration and relocation of the affected production line has commenced shortly after the accident and it is expected the affected production would be progressively resumed in May 2015. The successful acquisition of Jiangxi Huachun Color Spinning Technology Development Co. Ltd. ("**Huachun**") in January 2015 is an important step for the Group to expand and take advantage of any recovery in the market. The incorporation of Huachun into the Group can immediately increase the production capacity from approximately 400,000 spindles to 700,000 spindles and boost the output from approximately 60,000 tonnes to 100,000 tonnes per annum. In addition to giving our Group immediate access to new product market, the acquisition of Huachun is also expected to bring synergies in product offering, sales and marketing, material procurement and production for the Group.

I am confident about the future as the Group will benefit from the enlarged product portfolio and increased economies of scale as a result of the successful acquisition of Huachun.

On behalf of the Board, I would like to express my sincere gratitude to the Group's management and staff members for their dedication and hard work, our customers for their confidence and support for our products, our shareholders for their trust and support and various government bodies for their support.

Zheng Hong
Chairman
Hong Kong, 26 March 2015

Management Discussion and Analysis

MARKET OVERVIEW

In 2014, the international economic conditions remained challenging. The United States of America (the "**US**") has witnessed signs of economic recovery but the economic outlook for the rest of the developed countries, including European countries, remained less auspicious. Affected by sluggish overseas demand, domestic over capacity and tight liquidity in the domestic capital market, the gross domestic product ("**GDP**") of the PRC grew at a year-on-year ("**YoY**") rate of 7.4%, indicating that the PRC economy has seen a slowdown from rapid growth to moderate-to-high speed.

The complicated international environments, over capacity and tight liquidity in the PRC have affected many industries, including the textile industry. The rising domestic production costs in the PRC have also presented challenges to the industry and the increase of production costs has become a norm. Apart from sluggish overseas demand, a softening domestic economy and escalating production cost, the shift in the PRC government's national cotton temporary reserve policy has exacerbated the problem in the short term. The domestic cotton prices in the PRC have dropped significantly since April 2014 as a result of the replacement of the government's national cotton temporary reserve policy with granting direct subsidies to cotton farmers. The change of government policies has brought down the prices of domestic cotton in the PRC and narrowed their price gap with that of international cotton. This has lessened the pressure of competition from imported yarns taking advantage of lower international cotton prices; this is in general considered to be beneficial to the textile industry in the PRC in the long run. However, lower prices of cotton reserve have dragged the prices of domestic cotton into a downward trend. The fall in cotton prices induced decline in cotton yarns prices, squeezing both the sale prices and margin of cotton yarns manufacturers.

Apart from the drop in raw cotton prices, the international crude oil prices plummeted by almost 50% in the second half of 2014, such magnitude of adjustment has not been seen since the 1980s. The prices of all the downstream products manufactured with crude oil, including PTA, also plummeted accordingly. PTA is the basic raw material for the manufacturing of PSF and PSF is the basic raw material for polyester yarns. The plummeting oil prices in 2014 have pushed the whole value chain of polyester yarns into a downward spiral. As the selling prices of yarn products have a positive correlation with that of raw materials, the yarns products suffered from depressed selling price and squeeze in gross margin during a downward cycle.

BUSINESS REVIEW

Despite the challenging market conditions in 2014, the sales volume of the Group slightly increased by 1.4% from approximately 59,422 tonnes for the year ended 31 December 2013 to approximately 60,261 tonnes for the year ended 31 December 2014. The production volume of the Group decreased by 3.3% from approximately 61,849 tonnes for the year ended 31 December 2013 to approximately 59,843 tonnes for the year ended 31 December 2014. The revenue of the Group decreased by approximately 3.8% to approximately RMB846.6 million for the year ended 31 December 2014 as compared to RMB880.3 million for the year ended 31 December 2013, as a result of lower selling prices driven by lower raw material prices. The decrease in the Group's production volume was mainly due to a longer Chinese New Year holiday in 2014 as compared to that of 2013 and disruption to the production in April 2014 resulting from the repair work of the Fengxin County, Fengtian Development Zone high voltage transmission system. The gross profit and the loss attributable to the owners of the Company for the year ended 31 December 2014 was approximately RMB42.1 million and approximately RMB50.8 million, respectively.

As disclosed in the Company's announcements dated 2 Jan 2015 and 5 Jan 2015, the Group suffered from a fire accident causing damage to certain inventories, plant and equipment and part of the building premises including the warehouse and Workshop One situated at Phase III of the production bases ("**Phase III**") of the Group located at Fengxin County, Jiangxi Province, PRC. There were no casualties but the production at Phase III has been suspended. Phase III is situated at a distant location from the rest of the production bases and has a production capacity of 50,000 spindles, representing approximately 13% of the total capacity of 380,000 spindles of the Group. Installation of the 50,000 spindles at Phase III was completed in the third quarter of 2014 but is yet to be in full operation. The production volume of Phase III in 2014 was only approximately 3,800 tonnes, representing approximately 6.3% of the total production volume in 2014. Hence, the suspension of the production at Phase III has no material effect on the sales and production of the Group. Restoration and repair works and replacement of damaged equipment have been carried out soon after the accident. Arrangements have been made to relocate the production line to Workshop Two of Phase III. Workshop Two at Phase III has been constructed to cater for future expansion and it has the same design capacity of 50,000 spindles as Workshop One and it has not been affected by the fire accident at all. Such relocation could ensure the resumption of production at the shortest possible time. It is expected that production capacity of approximately 20,000 spindles could be resumed around May 2015 and the rest of the production capacity could be gradually resumed in the third and fourth quarters of 2015 in Workshop Two.

The newly installed open-end spun production facilities are also located at Phase III and it was put under trial production in quarter four of 2014. The production capacity is 1,600 heads (equivalent to approximately 20,000 spindles). It suffered no damage at all in the fire accident but the trial production was also suspended as the high voltage transformer system for the whole Phase III was damaged in the fire and requires replacement. It is expected that the production of open-end spun yarns will also be resumed around May 2015.

As disclosed in the Company's announcements dated 30 September 2014 and 7 January 2015, the Group has entered into an agreement to acquire the entire equity interest in Huachun and completed the acquisition, respectively. Apart from immediately increasing the production capacity of the Group by 300,000 spindles and giving the Group immediate access to the grey mélange yarns market, the acquisition is also expected to achieve synergy in terms of sales, material procurement and production. As grey mélange yarns yield a better margin than our existing products, the introduction of grey mélange yarns into our product portfolio is anticipated to improve our overall margin.

Also as disclosed in the Company's announcement dated 20 November 2014, the Company has entered into an agreement to place 126,000,000 shares at HK$0.80 per share. The placement was completed in November 2014 and the net proceeds of the placement amounted to approximately HK$99.6 million which had been applied towards the partial settlement of the consideration for the acquisition of Huachun.

FINANCIAL REVIEW

Turnover

Turnover of the Group for the year ended 31 December 2014 was approximately RMB846.6 million, representing a decrease of approximately RMB33.7 million, or 3.8%, as compared to that of the year ended 31 December 2013. Sales of polyester yarn, polyester-cotton blended yarn, cotton yarn and cotton trading accounted for approximately 44.1% (2013: 50.8%), 46.5% (2013: 43.2%), 9.3% (2013: 6.0%) and 0.1% (2013: nil) of total sales of the Group for the year ended 31 December 2014, respectively. The decrease in the turnover of the Group for the year ended 31 December 2014 was attributable to the decrease in average unit selling prices of the Group's yarn products as a result of lower raw material prices. The overall average selling price of yarn products of the Group decreased by approximately 5.1% from approximately RMB14,814 per tonne for the year ended 31 December 2013 to approximately RMB14,027 per tonne for the year ended 31 December 2014.

The selling prices of yarn products of the Group have a positive correlation with that of raw materials, namely, PSF and raw cotton. The Group sets the prices of its yarn products based on a variety of factors, including raw material prices, production costs and market conditions, our inventory level and the quality of the yarn products required by our customers. As PSF's are crude oil-based commodities, the prices of polyester yarns and polyester-cotton blended yarns are indirectly affected by the fluctuations in crude oil prices. The Group adjusts the selling prices of its yarn products from time to time considering the fluctuation in its raw material costs. In addition, the Group also monitors the movement of international and domestic raw cotton prices and members from the management, sales department and procurement department meet on a frequent basis to review the selling prices of its yarn products in order to respond to the changes of the various factors affecting its selling price. The average unit purchase prices of PSF's and raw cotton were lower in 2014 than in 2013 and the Group lowered the prices of its various yarn products accordingly during this period.

Gross profit and gross profit margin

Gross profit of the Group for the year ended 31 December 2014 decreased from approximately RMB57.8 million for the year ended 31 December 2013 to approximately RMB42.1 million for year ended 31 December 2014. The gross profit margin of the Group decreased from approximately 6.6% for the year ended

31 December 2013 to approximately 5.1% for year ended 31 December 2014. The decrease in gross profit was mainly due to depressed selling prices resulting from the downward prices trends of both cotton and PSF.

Other Income

Other income of the Group decreased from approximately RMB21.2 million for the year ended 31 December 2013 to approximately RMB15.3 million for the year ended 31 December 2014, representing a decrease of 27.8% or approximately RMB5.9 million. The decrease in other income was mainly due to decrease in both other government grants and income from scrap sales.

Distribution and selling expenses

Distribution and selling expenses of the Group increased from approximately RMB11.9 million for the year ended 31 December 2013 to approximately RMB12.4 million for the year ended 31 December 2014, representing an increase of approximately RMB0.5 million, or 4.2%. Distribution and selling expenses as a percentage of turnover of the Group was approximately 1.5% for the year ended 31 December 2014 (2013: 1.4%). The increase in the Group's distribution and selling expenses was mainly due to increase in sales volume from approximately 59,422 tonnes for the year ended 31 December 2013 to approximately 60,261 tonnes for year ended 31 December 2014 and change in customers mix requiring some deliveries to more distant locations.

Administrative expenses

Administrative expenses of the Group increased from approximately RMB22.7 million for the year ended 31 December 2013 to approximately RMB28.6 million for the year ended 31 December 2014, representing an increase of 26.0% or approximately RMB5.9 million. Administrative expenses as a percentage of turnover of the Group was approximately 3.4% for the year ended 31 December 2014 (2013: 2.6%). The increase in the Group's administrative expenses was mainly due to i) increase in depreciation and related land and property taxes arising from worker's dormitories, support building and other auxiliary structures of the new production site completed by the end of 2013, ii) increase in staff cost in relation to the new production facilities, iii) increased research and development cost and iv) professional fees incurred in connection with the acquisition of Huachun and the application for the status of "High-New Technology Enterprise" in the PRC.

Finance cost

Finance cost of the Group increased from RMB11.2 million for the year ended 31 December 2013 to approximately RMB17.1 million for the year ended 31 December 2014, representing an increase of 54.1% or approximately RMB6.0 million. The increase in the Group's finance cost was mainly due to the lack of capitalization of interest expense for construction in progress (amount capitalized for the year ended 31 December 2013: RMB2.7 million) and the increase in bank borrowing.

Income tax expense

The Group's effective income tax credit rate for the year ended 31 December 2014 was approximately 3.9%, as compared to an income tax rate of 36.6% for the corresponding period in 2013. The income tax credit of the Group was mainly due to deferred tax credits arising from the fire loss in 2014.

Loss attributable to owners of the Company and net loss margin

Loss attributable to owners of the Company for the year ended 31 December 2014 was approximately RMB50.8 million, as compared to approximately RMB21.0 million of profit attributable to owners of the Company for the year ended 31 December 2013. The Group's net loss was mainly due to the decrease in gross profit and losses from fire, partially offset by decrease in income tax expenses.

Loss per share

The basic loss per share of the Company for the year ended 31 December 2014 was approximately RMB4.96 cent, representing a decrease in earnings per share of approximately 3.4 times as compared to approximately RMB2.08 cent basic earnings per share for the year ended 31 December 2013. The decrease in basic earnings per share of the Company was due to the decrease in net profit for the year ended 31 December 2014.

Liquidity and Financial Resources

The Group generally finances its operations with internally generated cash flow and facilities provided by its bankers in the PRC and Hong Kong. During the year ended 31 December 2014, net cash generated from operating activities of the Group amounted to approximately RMB2.6 million (year ended 31 December 2013: RMB90.1 million). The Group had time deposit of approximately RMB76.1 million (31 December 2013: nil) and cash and bank balances of approximately RMB90.6 million (31 December 2013: RMB58.2 million) and pledged bank deposits of approximately RMB6.7 million (31 December 2013: RMB19.2 million) as at 31 December 2014. The Group's cash and bank balances were mainly held in Hong Kong Dollars and Renminbi.

Capital Structure and Pledge on Assets

The Group's interest-bearing borrowings were made in Renminbi and Hong Kong Dollars. As at 31 December 2014, the Group's interest-bearing borrowings amounted to approximately RMB295.5 million (31 December 2013: RMB208.0 million), RMB280.6 million (95.0%) of which (31 December 2013: 100%) was repayable within one year. These bank borrowings were secured by the Group's land use rights, buildings, plant and machinery with a carrying value of approximately RMB256.7 million in aggregate (31 December 2013: RMB256.8 million).

Gearing Ratio

The gearing ratio of the Group, which is equal to the total of bank borrowings and bills payable to total assets, was approximately 37.1% as at 31 December 2014 (31 December 2013: 31.8%). Net current liabilities and net assets at 31 December 2014 was approximately RMB120.4 million (31 December 2013: RMB189.5 million) and approximately RMB432.9 million (31 December 2013: RMB412.8 million), respectively.

Foreign Exchange Exposure

As the Group conducts business transactions principally in Renminbi, the management considered the exchange rate risk at the Group's operational level is not significant. Accordingly, the Group had not used any financial instruments for hedging purposes during the year ended 31 December 2014. The Group has foreign currency cash and bank balances, other receivables, bank borrowing and other payable, which mainly expose the Group to risk in Hong Kong Dollars and US Dollars. The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as at 31 December 2014 are approximately RMB82.4 million (31 December 2013: RMB3.1 million) and RMB15.4 million (31 December 2013: RMB15.8 million), respectively.

Contingent Liabilities

As at 31 December 2014, the Group did not have any contingent liabilities.

Employees, Remuneration and Share Option Scheme

As at 31 December 2014, the Group had a total of 1,705 employees (31 December 2013: 1,769). Remuneration for employees, including the Directors, is determined in accordance with performance, professional experiences and the prevailing market practices. The Group's management reviews the Group's employee remuneration policy and arrangement on a regular basis. Apart from pension, discretionary bonus will also be granted to certain employees as awards in accordance with individual performance. The Company has adopted a share option scheme on 3 December 2011, under which the Company may grant options to eligible persons including directors and employees. No share option has been granted pursuant to the scheme since its adoption.

PROSPECTS

In 2014, the textile industry in the PRC continued to encounter adversity arising from a general weakness in demand. Apart from sluggish overseas demand, a softening domestic economy and escalating production cost, yarns manufacturers in the PRC was hit hard by downward trends in raw material prices. The prices of raw cotton and PSF have followed a downward trend in 2014 as a result of the shift in the PRC government's national cotton temporary reserve policy and the plunge in crude oil prices, respectively. The falling raw material prices induced drop in yarns prices, squeezing both the sale prices and margin of cotton yarns manufacturers.

Looking forward, the sluggish overseas demand and softening domestic economy will continue to pose challenges to the textile industry in the PRC. The cancellation of the government's national cotton temporary reserve policy is generally considered beneficial to the textile industry in the PRC in the long run, although it pushed the domestic cotton prices into a downward trend in the short term. In 2015, domestic cotton prices have shown signs of stabilization and the price gaps between domestic and international cotton appeared to have narrowed within a reasonable range. Crude oil prices have also been stabilizing after falling almost 50% in the second half of 2014. Prices of PTA and PSF have followed suit accordingly.

2014 was a very difficult year for the Group as it suffered from a fire accident while conducting business in an adverse external environment. However, with the dedication and professionalism of the management, disrupted production would be resumed soon. The successful acquisition of Huachun in January 2015 is expected to bring synergies in product offering, sales and marketing, material procurement and production for the Group.

Taking into account the benefit from the enlarged product portfolio and increased economies of scale as a result of the successful acquisition of Huachun, the Group is confident about its future. The Group believes it is well positioned to take advantage of any positive outlook in the textile industry given its scale of production, strong brand recognition and professional management.

Report of the Directors

The directors of the Company (the "**Directors**") are pleased to present their report and the audited financial statements for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in the manufacture and sale of cotton, polyester and polyester-cotton blended yarns. Details of principal activities of the principal subsidiaries are set out in note 38 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS

The Group's loss for the year ended 31 December 2014 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 35 to 37 of this annual report and note 37 to the consolidated financial statements.

DIVIDEND

The board of Directors of the Company (the "**Board**") has not recommended the payment of a dividend in respect of the year ended 31 December 2014.

BONUS ISSUE OF SHARES

The Board recommends a bonus issue (the "**Bonus Issue**") of shares of the Company of HK$0.10 each ("**Shares**") on the basis of one bonus Share ("**Bonus Share**") for every ten existing Shares held by shareholders of the Company (the "**Shareholders**") registered as such on the register of members of the Company on 8 June 2015 (the "**Record Date**"). On the basis of 1,138,500,000 existing Shares in issue as at the date of this annual report, and assuming (i) no further Shares will be issued or repurchased before the Record Date; and (ii) there are no non-qualifying Shareholders, it is anticipated that 113,850,000 Bonus Shares will be issued under the Bonus Issue. The Bonus Shares will be credited as fully paid by way of capitalization of an amount standing to the credit of the share premium account of the Company. Immediately upon completion of the Bonus Issue, there will be a total of 1,252,350,000 Shares in issue as enlarged by the Bonus Issue.

FINANCIAL SUMMARY

A summary of the financial information of the Group for the last five financial years (including the year ended 31 December 2014) is set out on page 84 of this annual report. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company and the Group's share capital during the year are set out in note 28 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association adopted on 3 December 2011 and as amended from time to time (the "**Articles**") or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

FUND RAISING EXERCISE

The Company has entered into an agreement to place 126,000,000 shares at HK$0.80 per share on 20 November 2014. The placement was completed in November 2014 and the net proceeds of the placement amounted to approximately HK$99.6 million which had been applied towards the partial settlement of the consideration for the acquisition of Huachun.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Save as disclosed in the paragraph headed "Fund Raising Exercise" above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed shares of the Company during the year ended 31 December 2014.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statements of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2014, the Group's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately RMB126.2 million.

CHARITABLE CONTRIBUTIONS

During the year ended 31 December 2014, the Group did not make any charitable contribution.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2014, sales to the Group's five largest customers accounted for 14.1% of the total sales of the Group for 2014 and sales to the largest customer included therein amounted to 4.3% of the total sales of the Group for the same period.

Purchases from the Group's five largest suppliers accounted for 74.9% of the total purchases of the Group for the year ended 31 December 2014 and purchases from the Group's largest supplier included therein amounted to 23.5% of the total purchases of the Group for the same period.

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

DIRECTORS

The directors of the Company as at 31 December 2014 were:

Executive Directors:

Mr. Zheng Hong (Chairman)
Mr. Zheng Yongxiang

Non-Executive Director:

Mr. Sze Irons, JP

Independent Non-Executive Directors:

Mr. Nie Jianxin
Mr. Ng Wing Ka
Ms. Zhang Baixiang (appointed on 27 November 2014)

Pursuant to Articles 83(3) of the Company's Articles, any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

As such, Ms. Zhang Baixiang will retire from office as a Director at the forthcoming annual general meeting (the "**Annual General Meeting**") and will offer herself for re-election.

Pursuant to Article 84 of the Company's Articles, at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation.

By virtue of Article 84 of the Company's Articles, all the Directors who retire at the Annual General Meeting, being eligible, will offer themselves for re-election.

As such, Mr. Nie Jianxin and Mr. Ng Wing Ka will retire from office as Directors at the Annual General Meeting and will offer themselves for re-election.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 30 to 32 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from 22 December 2014 and may be terminated by not less than three months' prior notice in writing served by either party on the other.

The non-executive Director and two independent non-executive Directors have signed appointment letters with the Company for a term of three years commencing from 22 December 2014. One independent non-executive Director has signed an appointment letter with the Company for a term of three years commencing from 27 November 2014. These appointments may be terminated by not less than one month's prior notice in writing served by the Company.

The details of the remuneration of each of the Directors are revealed in note 12 to the consolidated financial statements. No Director has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation. The Directors are subject to retirement by rotation at least once every three years as required by the Articles.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence from the Group. Based on such confirmations, the Company consider that each of such Directors to be independent from the Group for the purpose of Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 December 2014.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 31 December 2014, the interest or short position in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**") which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") under the provisions of Divisions 7 and 8 of Part XV 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 for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), are set out below:

Long positions in ordinary shares of the Company

Name of Director	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Interest in the Company
Mr. Zheng Hong	Interest of a controlled corporation	467,550,000[(1)] (long position)	41.07%
Mr. Sze Irons, JP	Interest of a controlled corporation	122,850,000[(2)] (long position)	10.79%
Mr. Zheng Yongxiang	Beneficial owner	21,092,000 (long position)	1.85%

Notes:

(1) These Shares are held by Popular Trend Holdings Limited ("**Popular Trend**"), the entire issued share capital of which is owned by Mr. Zheng Hong.

(2) These Shares are held by Flourish Talent Group Limited ("**Flourish Talent**"), the entire issued share capital of which is owned by Mr. Sze Irons, JP.

Save as disclosed above, as at the date of this report, none of the Directors had registered on interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

Pursuant to a resolution of our Shareholders passed on 3 December 2011, the Company has adopted a share option scheme (the "**Scheme**"). The purpose of the Scheme is to recognise and acknowledge the contributions the eligible participants had or may have made to the Group. The Scheme became effective on 22 December 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from the adoption of the Scheme. The terms of the Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

Eligible participants of the Scheme include any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; any directors (including non-executive director and independent non-executive directors) of the Company or any of its subsidiaries; and any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries.

As at the date of this report, the total number of Shares of the Company available for issue under the Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong and the conditional placing by the international underwriters of the international placing shares, being 100,000,000 Shares. Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

(i) renew this limit at any time to 10% of the Shares in issue as at the date of the approval by the Shareholders in general meeting; and/or

(ii) grant options beyond the 10% limit to eligible participants specifically identified by the Board.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time.

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to: (i) the issue of a circular by our Company; and (ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time.

Share options granted to a Director, chief executive or substantial shareholder of the Company (as defined under the Listing Rules), or to any of their respective associates (as defined under the Listing Rules), are required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). In addition, any share options granted to a substantial Shareholder or an independent non-executive Director or any of their respective associates of the Company, (i) representing in aggregate over 0.1%, or such other percentage as may from time to time provided under the Listing Rules, of the Shares in issue on the date of grant; and having an aggregate value in excess of HK$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets at the date of each grant, are subject to issue of a circular and Shareholders' approval in general meeting by way of a poll.

The offer of a grant of share options may be accepted by a participant not later than 30 days after the date of offer, together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

The subscription price for Shares under the Scheme shall be a price determined by the Board in its absolute discretion, save such price will not be less than the highest of:

i. the official closing price of the Shares as stated in the daily quotation sheets on the date of the offer of the grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

ii. the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

iii. the nominal value of a Share.

The exercise period for the share options granted is determined by the Board in its absolute discretion, which period may commence from the date of acceptance of the offer for the grant of share options but in any event shall not exceed 10 years from the date on which the shares commence listing on the Main Board of the Stock Exchange.

Subject to the earlier termination of the Scheme in accordance with the Scheme rules, the Scheme will remain effective until 22 December 2021.

No option has been granted under the Scheme as at the date of this report.

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURE

Save as disclosed in the section headed "Share Option Scheme" above, at no time during the year were rights to acquire benefits by means of the acquisition of share in or debentures of the Company granted to any Director or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2014, so far as is known to any Director or chief executive of the Company, the persons or corporations (other than Director or chief executive of the Company) who had interest or short positions in the Shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register to be kept under Section 336 of the SFO are as follows:

Name of Shareholder	Capacity/ Nature of Interest	Number of Shares	Approximate percentage of shareholding in
Popular Trend[1]	Beneficial owner	467,550,000 Shares (long position)	41.07%
Flourish Talent[2]	Beneficial owner	122,850,000 Shares (long position)	10.79%
Da Yu Investments[3]	Beneficial owner	61,425,000 Shares (long position)	5.39%
Ms. Xie Meijing[3]	Interest of a controlled corporation	61,425,000 Shares (long position)	5.39%

Notes:

1. Popular Trend is wholly-owned by Mr. Zheng Hong.

2. Flourish Talent is wholly-owned by Mr. Sze Irons, JP.

3. Da Yu Investments Limited ("**Da Yu Investments**") is wholly-owned by Ms. Xie Meijing ("**Ms. Xie**"). For the purpose of Part XV of the SFO, Ms. Xie is deemed to be interested in the Shares held by Da Yu Investments.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contracts of significance have been entered into between the Company or any of its subsidiaries and the controlling shareholders during the year ended 31 December 2014.

NON-COMPETE UNDERTAKINGS

Each of the controlling shareholders, being Popular Trend Holdings Limited and Mr. Zheng Hong, has confirmed to the Company of his/its compliance with the non-compete undertakings that he/it provided to the Company on 3 December 2011. The independent non-executive Directors have reviewed the status of the compliance and confirmed that all of these non-compete undertakings have been complied with by the controlling shareholders.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2014 and up to and including the date of this annual report.

PENSION SCHEME

The Group has established various welfare plans including the provision of basic pension funds, basic medical insurance, unemployment insurance and other relevant insurance for employees who are employed by the Group pursuant to the rules and regulations and the existing policy requirements of the PRC and Hong Kong government.

CONNECTED TRANSACTIONS

No connected transaction was entered into or in existence since the listing date of the Company and up to 31 December 2014.

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group which the Company or any of its subsidiaries was a party, subsisted at the end of or at any time during the year ended 31 December 2014.

EVENTS AFTER THE REPORTING PERIOD

On 30 September 2014, the Company and Jinyuan Textile Co. Limited, Jiangxi ("**Jiangxi Jinyuan**") entered into an acquisition agreement with the vendors, being seven individuals resident in the PRC, to purchase all equity interest in Huachun for a total consideration of RMB200,000,000.

Huachun is principally engaged in manufacturing and trading of polyester yarns, grey and deep grey melange yarns and cotton yarns in Jiangxi province, the PRC. After completion of the acquisition, the Company and its subsidiaries will be able to expand its production capacity and diversify its product portfolio.

The transaction was completed on 6 January 2015 and the first instalment of consideration of RMB80 million was paid, with the remaining outstanding consideration of RMB120 million to be settled in accordance with the acquisition agreement.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the Shareholders entitled to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Tuesday, 26 May 2015 to Thursday, 28 May 2015, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the forthcoming Annual General Meeting to be held on Thursday, 28 May 2015, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 22 May 2015.

For the purpose of determining the Shareholders who are entitled to the proposed Bonus Shares, which is subject to the approval by the Shareholders at the Annual General Meeting, the register of members of the Company will be closed from Thursday, 4 June 2015 to Monday, 8 June 2015, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to the proposed Bonus Shares, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 3 June 2015.

AUDITOR

The consolidated financial statements for the year ended 31 December 2014 have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants.

On behalf of the Board
Zheng Hong
Chairman
Hong Kong, 26 March 2015

Corporate Governance Report

The Board hereby presents this Corporate Governance Report for the year ended 31 December 2014.

A. CODE OF CORPORATE GOVERNANCE PRACTICES

For the year ended 31 December 2014, the Company has complied with the code provisions of the existing Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 to the Listing Rules.

B. DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct governing the Directors' securities transactions. The Company confirms that, having made specific enquiry of all the Directors, each of them has complied with the required standard as set out in the Model Code throughout the year ended 31 December 2014.

C. BOARD OF DIRECTORS

Directors' and Officers' Insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

Board Composition

The Board currently comprises two executive Directors, one non-executive Director and three independent non-executive Directors. The Broad has received from each independent non-executive Director a written annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules and is satisfied with the independence of the independent non-executive Directors. Under the Company's Articles, every Director is subject to retirement by rotation at least once every three years and their re-election is subject to a vote by the Shareholders. All independent non-executive Directors are appointed for a specific term.

The Board determines the overall strategies, monitors and controls operating and financial performance and sets appropriate policies to manage risks in pursuit of the Group's strategic objectives. Day-to-day management of the Group's business is delegated to the senior management. The functions and power that are so delegated are reviewed periodically to ensure that they remain appropriate. Matters reserved for the Board are those affecting the Group's overall strategic and financial policies including dividend policy, material contracts and major investments. All Board members have separate and independent access to the Group's senior management to fulfill their duties. They also have full and timely access to relevant information about the Group and are kept abreast of the conduct, business activities and development of the Group. Independent professional advice can be sought at the Group's expense upon their request.

The Board has three independent non-executive Directors in compliance with Rule 3.10(1) of the Listing Rules that every board of directors of a listed issuer must include at least three independent non-executive Directors. In addition, at least one independent non-executive Director, namely, Ms. Zhang Baixiang, possesses appropriate professional accounting qualifications or financial management expertise in accordance with Rule 3.10(2) of the Listing Rules. The Company has appointed three independent non-executive Directors, representing more than one-third of the Board, in compliance with Rule 3.10A of the Listing Rules.

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from 22 December 2014 and may be terminated by not less than three months' prior notice in writing served by either party on the other.

The non-executive Director and two independent non-executive Directors have signed appointment letters with the Company for a term of three years commencing from 22 December 2014. One independent non-executive Director has signed an appointment letter with the Company for a term of three years commencing from 27 November 2014. These appointments may be terminated by not less than one month's prior notice in writing served by the Company.

The Board comprises the following Directors:

Executive Directors:

Mr. Zheng Hong (Chairman)
Mr. Zheng Yongxiang

Non-Executive Director:

Mr. Irons Sze, JP

Independent Non-Executive Directors:

Mr. Nie Jianxin
Mr. Ng Wing Ka
Ms. Zhang Baixiang (appointed on 27 November 2014)
Ms. Chan Mei Bo, Mabel (resigned on 22 December 2014)

Chairman and Chief Executive Officer

The Company has appointed Mr. Zheng Hong as the Chairman and Mr. Zheng Yongxiang has assumed the role of the Chief Executive Officer. The roles of the Chairman and the Chief Executive Officer are segregated. The primary role of the Chairman is to provide leadership for the Board and to ensure that it works effectively in discharging its responsibilities. The Chief Executive Officer is responsible for the day-to-day management of the Group's business.

Mr. Zheng Hong is the younger brother of Mr. Zheng Yongxiang. Save as disclosed herein, to the best knowledge of the Company, there is no other financial, business or family relationship among the members of the Board.

Meeting Attendance

The attendance of individual members of the Board at Board meetings, meetings of the Board committees and general meetings during the year ended 31 December 2014, as well as the number of such meetings held, is set out as follows:

	Meetings attended/held				
Name of Director	Board	Remuneration Committee	Nomination Committee	Audit Committee	Annual General meeting
Number of meetings	8	1	1	2	1
Executive Directors					
Mr. Zheng Hong	8/8	1/1	1/1	–	1/1
Mr. Zheng Yongxiang	8/8	–	–	–	1/1
Non-Executive Director:					
Mr. Irons Sze, JP	8/8	–	–	–	1/1
Independent Non-Executive Directors:					
Mr. Ng Wing Ka	8/8	1/1	1/1	1/2	1/1
Mr. Nie Jianxin	8/8	1/1	1/1	2/2	1/1
Ms. Chan Mei Bo, Mabel (resigned on 22 December 2014)	8/8	1/1	1/1	2/2	1/1
Ms. Zhang Baixiang (appointed on 27 November 2014)	0/8	0/1	0/1	0/2	0/1

Apart from regular Board meetings, the Chairman also held a meeting with the independent non-executive Directors without the presence of the executive Director during the year.

Board Committees

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

Remuneration Committee

A remuneration committee was established by the Company on 3 December 2011 with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee include reviewing and determining the terms of remuneration packages, bonuses and other compensation payable to our Directors and members of senior management of our Group. Mr. Ng Wing Ka, an independent non-executive director, was appointed as the Chairman of the Remuneration Committee on 22 December 2014, replacing Ms. Chan Mei Bo, Mabel. The other members are Mr. Nie Jianxin, Ms. Zhang Baixiang (appointed 27 November 2014), who are also the independent non-executive Directors and Mr. Zheng Hong, an executive Director.

During the year ended 31 December 2014, one meeting was held by the Remuneration Committee. The Remuneration Committee reviewed and approved the remuneration packages of Ms. Zhang Baixiang, an independent non-executive Director appointed on 27 November 2014, at the meeting. All members of the Remuneration Committee attended the meeting except Ms. Zhang Baixiang, who was just appointed as a member on 27 November 2014.

The remuneration of the members of the senior management of the Group by band for the year ended 31 December 2014 is set out below:

Remuneration bands (HK$)	Number of persons
Nil to 1,000,000	3

Further particulars regarding the Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 of the Listing Rules are set out in note 12 and 13 to the financial statements.

Nomination Committee

A nomination committee was established by the Company on 3 December 2011 with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and members of senior management of our Group. The members of the Nomination Committee comprises the independent non-executive Directors, namely, Ms. Chan Mei Bo, Mabel (resigned on 22 December 2014),Ms. Zhang Baixiang (appointed on 27 November 2014), Mr. Nie Jianxin and Mr. Ng Wing Ka, and one executive Director, Mr. Zheng Hong. Mr. Zheng Hong was appointed as the chairman of the Nomination Committee, replacing Ms. Chan Mei Bo, Mabel, on 22 December 2014. The terms of reference of the Nomination Committee can be obtained from the Company upon request.

During the year ended 31 December 2014, one meeting was held by the Nomination Committee. The Nomination Committee reviewed the qualification of Ms. Zhang Baixiang and recommended her appointment as an independent non-executive Director. All members of the Nomination Committee attended the meeting except Ms. Zhang Baixiang, who was just appointed as a member on 27 November 2014.

Audit Committee

An audit committee was established by the Company on 3 December 2011 with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to review and approve our Group's financial reporting process and internal control system. The Audit Committee comprises the independent non-executive Directors, namely, Ms. Chan Mei Bo, Mabel (resigned on 22 December 2014), Ms. Zhang Baixiang (appointed on 27 November 2014), Mr. Nie Jianxin and Mr. Ng Wing Ka. Ms. Zhang Baixiang was appointed as the chairman of the Audit Committee on 22 December 2014, replacing Ms. Chan Mei Bo, Mabel.

During the year ended 31 December 2014, the Audit Committee had two meetings and performed the following work:

- Review of the annual financial results for the year ended 31 December 2013 and interim financial results for the six months ended 30 June 2014 and review of the accounting principles and practices adopted by the Group;

- Meeting and discussion with external auditors on matters arising from the annual audit and interim review of the financial statements of the Group;

- Review of report prepared by external auditors on matter arising from the annual audit and interim review of the financial statements of the Group;

- Review and discussion with the external auditors on the internal control systems of the Group.

The attendance of the individual members at the Committee meetings is as follows: Ms. Chan Mei Bao, Mabel (2/2), Mr. Nie Jianxin (2/2), Mr. Ng Wing Ka (1/2), Ms. Zhang Baixiang, appointed on 27 November 2014 (0/2).

The Group's audited consolidated results for the year ended 31 December 2014 has been reviewed by the Audit Committee of the Company.

Training for Directors

During the year ended 31 December 2014, the Directors participated in the following training:

	Types of training
Executive Directors	
Mr. Zheng Hong	A, C
Mr. Zheng Yongxiang	A, C
Non-Executive Director:	
Mr. Irons Sze, JP	A, C
Independent Non-Executive Directors:	
Ms. Chan Mei Bo, Mabel (resigned on 22 December 2014)	B, C
Mr. Nie Jianxin	C
Mr. Ng Wing Ka	B, C
Ms. Zhang Baixiang (appointed on 27 November 2014)	C

A: attending training sessions in relation to corporate governance and regulatory matters organized by professional firms

B: attending training sessions required by the relevant professional bodies of which they are members

C: reading newspapers, journals and updates distributed by the Group relating to the economy, general business and regulatory matters

Company Secretary

Mr. Cheung Chi Fai, Frank, the Company Secretary of the Company, is a full time employee of the Group. During the year ended 31 December, 2014, Mr. Cheung has complied with Rule 3.29 of the Listing Rules in relation to taking of relevant professional training.

Board Diversity Policy

Pursuant to the CG Code, the Board adopted a board diversity policy on 23 August 2013. The Company recognizes and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

D. FINANCIAL REPORTING AND INTERNAL CONTROLS

Financial Reporting

The Directors acknowledge their responsibility for preparing the Group's financial statements which give a true and fair view and are in accordance with appropriate International Financial Reporting Standards. Appropriate accounting policies are being selected and applied consistently.

The Directors consider that the Group has adequate resources to continue in business for the foreseeable future and are not aware of any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

The responsibilities of the external auditor with respect to financial reporting are set out in the Independent Auditors' Report on page 33.

Auditors' Remuneration

During the year ended 31 December 2014, the Group has incurred auditors' remuneration in respect of review, reporting accountant and audit services of approximately RMB285,000, RMB396,000 and RMB1,110,000, respectively, which was paid or payable to the Company's auditors, Messrs Deloitte Touche Tohmatsu.

Internal Control

The Group's internal control system is designed to facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorized use and disposition, ensure the maintenance of proper accounting records and the truth and fairness of the financial statements, and ensure compliance with relevant legislation and regulations. It provides reasonable, but not absolute, assurance against material misstatement or loss rather than the elimination of risks associated with its business activities.

The Board is responsible for maintaining an adequate system of internal control for the Group and the Directors have conducted a review of its effectiveness during the year through the Audit Committee. The Board is satisfied that the Group's internal control system as appropriate to the Group has been put in place and that no significant areas of improvement which are required to be brought to the attention of the Audit Committee have been revealed.

E. COMMUNICATIONS WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHT

The Board recognises the importance of effective communication with the Shareholders and investors. The Company communicates with the Shareholders and investors through various channels including publication of interim and annual reports, announcements, circulars and other corporate communications and publications available on the websites of the Stock Exchange and the Company.

The general meetings of the Company provide an opportunity for direct communication between the Board and the Shareholders. The Company encourages participation of the Shareholders through annual general meetings and other general meetings where the Shareholders meet and exchange views with the Board, and exercise their right to vote at meetings. The Company shall arrange notices of meetings and circulars containing details on proposed resolutions to be sent to the Shareholders no less than 20 business days before the meeting. At general meetings, separate resolutions are proposed on each substantial issue, including the election of individual Directors.

The Board always ensures that Shareholders' and investors' views are heard and understood, and welcomes their questions and concerns relating to the Group's management and governance. The Company's website provides email address and telephone number to enable the Shareholders to make any enquiries and concerns to the Board. Shareholders and investors may also at any time send their enquiries and concerns to the Board by addressing to the Company Secretary or the Investor Relationship Consultant of the Company by post or by email. The contact details are set out in the Corporate Information section of this annual report.

Procedures for Shareholders to Convene an Extraordinary General Meeting and to put forward proposals at General Meetings

Pursuant to the Article 58 of the Articles, any one or more Members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Proposing a Person for Election as a Director

Pursuant to the Article 85 of the Articles, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a Notice (as defined therein) signed by a Member (as defined therein) (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a Notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Registration Office provided that the minimum length of the period, during which such Notice(s) are given, shall be at least seven (7) days and that (if the Notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such Notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

Constitutional Documents

There has been no significant change in the Company's constitutional documents during the year ended 31 December 2014.

Directors and Senior Management

EXECUTIVE DIRECTORS

Zheng Hong (鄭洪), aged 39, was appointed as the chairman of our Company and an executive Director on 4 May 2011. Mr. Zheng Hong has over 14 years of experience in the textile industry. He is one of the founders of our Group and has been a director of Jiangxi Jinyuan, a subsidiary of the Group, since 2005. Mr. Zheng Hong was awarded as the China Textile Outstanding Labour (全國紡織工業勞動模範), a committee member of the Chinese Textile Products Technical Committee (中國棉紡織品技術委員會) and a standing committee member (常務理事) of the Chinese Cotton and Textile Industry Association (中國棉紡織行業協會) in 2010. He was elected as one of the Top Ten Outstanding Young Entrepreneurs of the Textile Industry in China (全國棉紡織產業十大傑出青年企業家) in 2014 and has been elected as the vice supervisor (副主任) of the cotton trading committee of the Chinese Cotton and Textile Industry Association (中國棉紡織行業協會棉花貿易專業委員會) in 2015. He completed the Commercial Enterprises Information Strategy and Knowledge Management CEO Advanced Programme (工商企業信息戰略與知識管理總裁高級研修班) at Tsinghua University (清華大學) in 2005 and was awarded an MBA degree by the Fudan University (復旦大學) in 2014. Mr. Zheng Hong is the younger brother of Mr. Zheng Yongxiang, an executive Director of the Company.

Zheng Yongxiang (鄭永祥), aged 46, was appointed as an executive Director on 4 May 2011. Mr. Zheng Yongxiang has over 13 years of experience in the textile industry. He joined Jiangxi Jinyuan in 2005 as a general manager and is primarily responsible for formulating the policy and monitoring the operation of the Group. Prior to joining Jiangxi Jinyuan, Mr. Zheng Yongxiang served as the general manager of Shaoxing Gangtai Weaving Company Limited (紹興港泰針紡有限公司) from 2001 to 2005. He received the award of Outstanding Entrepreneur in 2007 (2007年度優秀企業家) from the Yichun Municipal Peoples' Government in 2008. He was awarded the Outstanding Architects of Yichun in the Reforming and Open Up for 30 Years (改革開放30年宜春市優秀建設者) in 2008 and the Best Ten Yichun Citizen (十佳宜春人) in 2009. Mr. Zheng Yongxiang is a representative of the Jiangxi Yichun Municipal People's Congress (江西省宜春市人民代表大會) and the Chairman of Federation of Industry and Commerce of Fengxin County, Jiangxi Province (江西省奉新縣工商業聯合會). Mr. Zheng Yongxiang graduated from the Open University of China (中央廣播電視大學) with a diploma of accounting (finance and accounting) in 2010. Mr. Zheng Yongxiang is the elder brother of Mr. Zheng Hong, the chairman and an executive Director of the Company.

NON-EXECUTIVE DIRECTOR

Sze Irons, JP (施榮懷), aged 53, was appointed as a non-executive Director on 4 May 2011. He is one of the founders of our Group and was a director of Jiangxi Jinyuan from 2005 to 2012. Mr. Sze has extensive experience in investment and corporate management and is currently an independent non-executive director of Continental Holdings Limited (stock code: 513), a Company listed on the Main Board of the Stock Exchange and an executive director of a private company, Hang Tung Resources Holding Limited, and holds directorship in various private companies. Mr. Sze is a member of the National Committee and an executive member of the Beijing Committee of the Chinese People's Political Consultative Conference, and is currently the Permanent Honorary President of the Chinese Manufacturers' Association of Hong Kong. He is also a member of the Election Committee of the Chief Executive of the Hong Kong Special Administrative Region. Mr. Sze graduated with a bachelor's degree in science from the University of Wisconsin-La Crosse, United States in 1985.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Nie Jianxin (聶鑒新), aged 53, was appointed as an independent non-executive Director on 3 December 2011. Mr. Nie has over 11 years of experience in the industry of chemical fabrics. He is a party committee secretary (院黨委書記) and the Vice President of China Hi-Tech (Jiangxi) Textile Design Institute Co., Ltd. (恒天（江西）紡織設計院有限公司), (formerly known as Jiangxi Province Textile Industry Research and Design Institute (江西省紡織工業科研設計院)). Mr. Nie has served various positions in Jiujiang Chemicals Fabrics Factory (九江化學纖維廠) including the deputy head of the factory and the vice chairman of the board of Jiujiang Chemical Fibre Co., Ltd. (九江化纖股份有限公司). Mr. Nie graduated from the South China Institute of Technology (華南工學院) (now known as the South China University of Technology (華南理工大學)) with a bachelor's degree in engineering with specialization in chemical fabrics in 1982. He received the qualifications of professor grade senior engineer (教授級高級工程師) in 2001. Mr. Nie was awarded 3rd honour for science & technology development (江西省科學技術進步獎) in the project named 300D/60F Delustering Viscose Rayon (300D/60F 消光粘膠人造絲) by the Peoples' Government of Jiangxi Province in 2002.

Ng Wing Ka (吳永嘉), aged 45, was appointed as an independent non-executive Director on 3 December 2011. He is the partner of Tung, Ng, Tse & Heung Solicitors. He is now the legal adviser as to Hong Kong laws of the Foreign Economics and Trade Committee of the People's Government of Chongqing City (重慶市對外經濟貿易委員會) and Zhonghao Law Firm (中豪律師事務所) in Chongqing City, the PRC. Mr. Ng is also the vice president of The Chinese Manufacturers' Association of Hong Kong and a member of the Chinese People's Political Consultative Conference of Chongqing City, the PRC. Since 2005, Mr. Ng has been the independent non-executive director of Yanchang Petroleum International Limited (formerly known as Sino Union Energy Investment Group Limited), a company listed on the Main Board of the Stock Exchange (stock code: 346). Mr. Ng graduated with a bachelor's degree in laws and a postgraduate certificate in laws from the University of Hong Kong in 1991 and 1992, respectively.

Zhang Baixiang (張百香), aged 54, was appointed as an independent non-executive Director on 27 November 2014. Ms. Zhang has over 28 years of experience in corporate accounting and taxation. Ms. Zhang has been a corporate accountant in the PRC since 1993 and a PRC tax advisor since 1995. Ms. Zhang held various positions in the National Tax Bureau of the Fengxin County, Jiangxi Province (江西省奉新縣國稅局) including Accountant, Taxation Accountant and Chief Officer from 1982 to 2010. Ms. Zhang graduated with a diploma with specialization in taxation from the Cadres'Academy of Finance and Management in Jiangxi (江西財經管理幹部學院) in 1987 and with a degree in Economic Management from the Distance Learning Academy of the Central Parties' School (中央黨校函授學院) in 2013.

SENIOR MANAGEMENT

Liu Weimin (劉偉民), aged 45, is a deputy general manager of Jiangxi Jinyuan. Mr. Liu joined our Group in 2005 and is responsible for production technology management. He has over 24 years of experience in the textile industry. Prior to joining Jiangxi Jinyuan, Mr. Liu served as the head of production department in Fujian Mawei Development Zone Chuanlong Textile Company Limited (福建省馬尾開發區川隆紡織有限公司) from 1990 to 1993. From 1993 to 1995, he served as the head of production department of Fujian Jingwei Group Company Limited (福建經緯集團有限公司). From 1995 to 2004, he served as the factory manager and chief engineer of Jinjiang Fuxin Textile Company Limited (晉江福鑫紡織有限公司). Mr. Liu completed the internal auditor training in 2011 provided by Nan Chang Sino Enterprise Management Consulting Centre according to the ISO 9001: 2008 and GB/T24001–2004 (ISO14001:2004) Standard.

Chen Yu Han (陳宇含), aged 32, is a deputy general manager of Jiangxi Jinyuan. Mr. Chen joined Jiangxi Jinyuan in 2005 and is responsible for sales and management. He has over 9 years of experience in the textile industry. Mr. Chen graduated from the Jimei University (集美大學) in 2005 with a bachelor's degree in business management.

Cheung Chi Fai Frank (張志輝), aged 52, was appointed as the company secretary and chief financial officer of our Company in May 2011. He is also an independent non-executive director of Continental Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 513). He has over 23 years of experience in accounting, finance and business management and held senior positions in various multinational companies. He obtained an MBA degree from the University of Technology, Sydney in 1995 and a professional diploma in accountancy from the Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University) in 1985. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Cheung was a part-time tutor at the Open University of Hong Kong from March 2009 to July 2011. He was an executive director of Sun Innovation Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 547) from 2004 to 2007. He also acted as the chief financial officer of Sun Innovation Holdings Limited from 2007 to 2008. He was an independent director of LJ International Inc. (NASDAQ: JADE) from June to October 2007, a director of e-Lux (Hong Kong) Company Limited, a subsidiary of e-Lux Corporation (JASDAQ: 6811) from 2001 to 2003, in charge of the telecommunications value added services in Hong Kong, Taiwan and the PRC. He was the group financial controller and a director of New Media Corporation, a subsidiary of e-New Media Company Limited, a company listed on the Stock Exchange (stock code: 128) from 1995 to 1999 and 1999 to 2000, respectively.

Deloitte.
德勤

TO THE SHAREHOLDERS OF
CHINA WEAVING MATERIALS HOLDINGS LIMITED
中國織材控股有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Weaving Materials Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 35 to 83, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of its loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

26 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	NOTES	2014 RMB'000	2013 RMB'000
Revenue	6	**846,554**	880,272
Cost of sales		**(804,470)**	(822,443)
Gross profit		**42,084**	57,829
Other income	8	**15,330**	21,218
Distribution and selling expenses		**(12,400)**	(11,942)
Administrative expenses		**(28,584)**	(22,741)
Losses from fire	9	**(52,163)**	–
Other gains and losses		**14**	(15)
Finance costs	10	**(17,145)**	(11,154)
(Loss) profit before tax		**(52,864)**	33,195
Income tax credit (expense)	14	**2,036**	(12,153)
(Loss) profit and total comprehensive (expense) income for the year attributable to owners of the Company	11	**(50,828)**	21,042
(Loss) earnings per share	16		
– Basic (RMB cents)		**(4.96)**	2.08
– Diluted (RMB cents)		**N/A**	N/A

Consolidated Statement of Financial Position

As at 31 December 2014

	NOTES	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	17	**539,388**	575,208
Prepaid lease payments	18	**34,111**	34,909
Deposits on acquisition of property, plant and equipment		**963**	3,262
Deferred tax asset	27	**2,214**	–
		576,676	613,379
Current assets			
Inventories	19	**80,360**	102,075
Trade and other receivables	20	**17,677**	16,631
Bills receivables	21	**10,306**	6,599
Prepaid lease payments	18	**776**	776
Pledged bank deposits	22	**6,704**	19,167
Time deposit	22	**76,052**	–
Cash and bank balances	22	**90,637**	58,203
		282,512	203,451
Current liabilities			
Trade and other payables	23	**91,360**	125,183
Bills payables	24	**25,356**	51,420
Tax payable		**5,635**	8,380
Bank borrowings	26	**280,535**	207,986
		402,886	392,969
Net current liabilities		**(120,374)**	(189,518)
Total assets less current liabilities		**456,302**	423,861
Non-current liabilities			
Deferred income	25	**6,115**	6,265
Bank borrowings	26	**15,000**	–
Deferred tax liability	27	**2,299**	4,835
		23,414	11,100
Net assets		**432,888**	412,761

	NOTES	2014 RMB'000	2013 RMB'000
Capital and reserves			
Share capital	28	**92,875**	82,899
Reserves		**340,013**	329,862
Total equity attributable to the owners of the Company		**432,888**	412,761

The consolidated financial statements on pages 35 to 83 were approved and authorised for issue by the Board of Directors on 26 March 2015 and are signed on its behalf by:

Zheng Hong
DIRECTOR

Zheng Yongxiang
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000 (note i)	Special reserve RMB'000	Accumulated profits RMB'000	Total RMB'000
As at 1 January 2013	82,899	17,092	58,616	148,739	92,527	399,873
Profit and total comprehensive income for the year	–	–	–	–	21,042	21,042
Transfer of statutory surplus reserve	–	–	6,442	–	(6,442)	–
Dividend recognised as distribution (note 15)	–	–	–	–	(8,154)	(8,154)
Set off against accumulated losses (note ii)	–	(3,075)	–	–	3,075	–
As at 31 December 2013	82,899	14,017	65,058	148,739	102,048	412,761
Shares issued, net of expenses	9,976	69,000	–	–	–	78,976
Loss and total comprehensive expense for the year	–	–	–	–	(50,828)	(50,828)
Dividend recognised as distribution (note 15)	–	–	–	–	(8,021)	(8,021)
As at 31 December 2014	92,875	83,017	65,058	148,739	43,199	432,888

Notes:

(i) Statutory surplus reserve representing appropriations from the profits after taxation of a wholly-owned subsidiary, Jinyuan Textile Co., Ltd. Jiangxi ("**Jiangxi Jinyuan**") established in the People's Republic of China ("**PRC**") forms part of shareholders' equity of Jiangxi Jinyuan. In accordance with the PRC Company Law and the Articles of Association of Jiangxi Jinyuan, Jiangxi Jinyuan is required to appropriate an amount at a minimum of 10% of its profits after taxation each year to a statutory surplus reserve until the statutory surplus reserve reaches 50% of its registered capital. The statutory surplus can be used for converting into additional capital of Jiangxi Jinyuan.

(ii) Pursuant to The Companies Law (Cap.22) of the Cayman Islands and the Company's articles of associations, the Board of Directors of the Company passed a resolution on 19 November 2012 to set off the subsequent incurred accumulated losses by crediting the share premium account of the Company. For the year ended 31 December 2013, accumulated losses amounting to RMB3,075,000 has been credited to the share premium account of the Company.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) profit for the year	**(50,828)**	21,042
Adjustments for:		
Amortisation of deferred income	**(150)**	(650)
Amortisation of prepaid lease payments	**798**	798
Depreciation of property, plant and equipment	**27,171**	23,087
Income tax (credit) expenses	**(2,036)**	12,153
Interest income	**(930)**	(686)
Interest expenses	**16,909**	10,562
Other finance expenses	**235**	593
Loss on disposal of property, plant and equipment	**218**	13
Losses from fire	**52,163**	–
Operating cash flows before movements in working capital	**43,550**	66,912
Decrease (increase) in inventories	**9,307**	(41,798)
(Increase) decrease in trade and other receivables	**(1,046)**	1,091
Increase in bills receivables	**(3,707)**	(2,481)
Increase in trade and other payables	**2,941**	82,871
(Decrease) increase in bills payables	**(26,064)**	5,170
Cash generated from operations	**24,981**	111,765
Interest paid	**(16,909)**	(13,191)
Income tax paid	**(5,459)**	(8,447)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**2,613**	90,127
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(65,244)**	(99,775)
Proceed on disposal of property, plant and equipment	**334**	–
Placement of pledged bank deposits	**(6,704)**	(45,716)
Deposits on acquisition of property, plant and equipment	**(963)**	(3,262)
Withdrawal of pledged bank deposits	**19,167**	42,800
Interest received	**930**	686
NET CASH USED IN INVESTING ACTIVITIES	**(52,480)**	(105,267)

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of bank borrowings	**(255,365)**	(219,418)
Dividends paid	**(7,936)**	(7,996)
Bank advance for discounted bills	**1,493**	–
Repayment of obligations under finance leases	**–**	(2,944)
Other finance expenses paid	**(236)**	(593)
Proceeds from bank borrowings	**341,421**	212,403
Proceeds from issue of shares	**79,807**	–
Payment for share issue costs	**(831)**	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**158,353**	(18,548)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**108,486**	(33,688)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	**58,203**	91,891
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	**166,689**	58,203
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**90,637**	58,203
Time deposit with original maturity less than three months	**76,052**	–
	166,689	58,203

1. GENERAL

The Company was incorporated in the Cayman Islands on 4 May 2011 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 22 December 2011. The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company is at Fengtian Economic Development Zone of Fengxin County, Yichun City, Jiangxi Province, The People's Republic of China ("**PRC**").

The Company is an investment holding company. Its subsidiaries are engaged in the business of manufacturing and trading of polyester yarns, polyester-cotton blended yarns, cotton yarns and cotton. Details of the subsidiaries are set out in note 38.

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

As of 31 December 2014, the Group had net current liabilities of approximately RMB120,374,000 (2013: RMB189,518,000). Up to the date these consolidated financial statements were authorised for issuance, the relevant banks agreed to renew bank loans amounting to RMB210,700,000 currently included in current liabilities as at 31 December 2014. Taken into account the availability of these banking facilities and the Group's expected cash flows generated from operations, the management of the Group is satisfied that the Group will have sufficient financial resources to meet in full its working capital requirements and financial obligations as and when they fall due in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has applied a number of new and revised IFRSs issued by the International Accounting Standards Board ("**IASB**").

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

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

New and revised IFRSs issues but not yet effective

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

IFRS 9	Financial Instruments[1]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 15	Revenue from Contracts with Customers[3]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to IAS 1	Disclosure Initiative[5]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2010–2012 Cycle[6]
Amendments to IFRSs	Annual Improvements to IFRSs 2011–2013 Cycle[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2012–2014 Cycle[5]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[5]
Amendments to IAS 27	Equity Method in Separate Financial Statements[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[5]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for first annual IFRS financial statements beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 July 2014
5 Effective for annual periods beginning on or after 1 January 2016
6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

IFRS 15 "Revenue from Contracts with Customers"

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

The core principle of IFRS 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 IFRS 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 IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

IFRS 15 "Revenue from Contracts with Customers" (Continued)

The directors of the Company anticipate that the application of IFRS 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 IFRS 15 until the Group performs a detailed review.

Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortisation"

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016.

Currently, the Group uses the straight-line method for depreciation for its property, plant and equipment. The directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the Company do not anticipate that the application of these amendments to IAS 16 will have a material impact on the Group's consolidated financial statements.

Amendments to IAS 27 "Equity Method in Separate Financial Statements"

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements

- At cost,
- In accordance with IFRS 9 "Financial Instruments" (or IAS 39 "Financial Instruments: Recognition and Measurement" for entities that have not yet adopted IFRS 9), or
- Using the equity method as described in IAS 28 "Investments in Associates and Joint Ventures".

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to IAS 27, there are consequential amendments to IAS 28 to avoid a potential conflict with IFRS 10 "Consolidated Financial Statements" and to IFRS 1 "First time Adoption of Hong Kong Financial Reporting Standards".

The directors of the Company do not anticipate that the application of these amendments to IAS 27 will have a material impact on the Group's consolidated financial statements.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

Annual Improvements to IFRSs 2010–2012 Cycle

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

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

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

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

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

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

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

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

Annual Improvements to IFRSs 2012–2014 Cycle

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

The amendments to IAS 34 clarify the requirements relating to information required by IAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The directors of the Company do not anticipate that the application of these will have a material effect on the Group's consolidated financial statements.

The directors do not anticipate that the application of the other new and revised IFRSs will have a material effect on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the following accounting policies which conform with IFRSs. 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 (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in section 76 to 87 of Schedule 11 to that ordinance.

The consolidated financial statements have been prepared on historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

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

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 leasing transactions that are within the scope of IAS 17.

The principal accounting policies are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

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

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

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

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

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

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

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discount and sales related taxes.

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

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

Deposits from customers prior to meeting the revenue recognition criteria are included in the consolidated statement of financial position under current liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

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

Property, plant and equipment

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

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than properties under construction, less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Buildings	3%
Leasehold improvement	33.3%
Plant and machinery	5% – 10%
Office equipment	5% – 10%
Motor vehicles	10%

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

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

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

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

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

Leasing

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

The Group as lessee

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.

Leasehold land and building

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

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on 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 arising on monetary items are recognised in profit or loss in the period in which they arise.

4. 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 that the grants will be received.

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

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

Retirement benefits costs

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

Taxation

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss.

Impairment of tangible assets

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

Recoverable amount is the higher of fair values less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

Inventories

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

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

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

Financial assets

The Group's financial assets are mainly loans and receivables.

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.

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

Loans and receivables

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

Impairment of financial assets

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

Objective evidence of impairment could include:

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

For trade receivables, 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 due date, observable changes in national or local economic conditions that correlate with default on receivables and the financial performance of the customers.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets *(Continued)*

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

The carrying amount of the financial assets 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. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the loans and receivables 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 the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceed received, net of direct issue costs.

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.

Financial liabilities

Financial liabilities including trade and other payables, bills payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group 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, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Useful lives of property, plant and equipment

The Group depreciates the property, plant and equipment over their estimated useful lives, using straight-line method, at the rates ranging from 3.0% to 33.3% per annum. The estimated useful lives that the Group depreciates the property, plant and equipment reflect the management's estimate of the periods that the Group intends to derive future economic benefits from the use of the property, plant and equipment by taking into account of industry normal practice. The Group's carrying amount of property, plant and equipment as at 31 December 2014 was approximately RMB539,388,000 (2013: RMB575,208,000).

6. REVENUE

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

	2014 RMB'000	2013 RMB'000
Sales of polyester yarns	**373,286**	446,616
Sales of polyester-cotton blended yarns	**393,029**	380,645
Sales of cotton yarns	**78,989**	53,011
Sales of cotton	**1,250**	–
	846,554	880,272

7. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports prepared in accordance with accounting policies which conform with the generally accepted accounting principles in the PRC ("**PRC GAAP**"), that are regularly reviewed by the chief operating decision-maker ("**CODM**") to allocate resources to the segments and to assess their performance.

The CODM which is responsible for allocating resources and assessing performance of the operating segments has been defined as the executive directors of the Company.

Other than revenue analysis by major products as disclosed in note 6, no operating results and other discrete financial information relating to the respective products is prepared regularly for internal reporting to the CODM for resources allocation and performance assessment. The executive directors review the loss or profit after tax from the management accounts of Jiangxi Jinyuan and Treasure Resources Corporation Limited ("**Treasure Resources**") for the purposes of resources allocation and performance assessment for the year ended 31 December 2014 and 2013, respectively. The operations of Jiangxi Jinyuan and Treasure Resources (2013: Jiangxi Jinyuan) represent single operating and reportable segment of the Company under IFRS 8 "Operating Segments".

The segment revenue is the same as the Group's revenue for 2014 and 2013. Reconciliation of segment results, segment assets and segment liabilities reviewed by the CODM which are different from the Group's results, total assets and total liabilities are as follows.

	2014 RMB'000	2013 RMB'000
Segment (loss) profit reviewed by CODM	**(49,167)**	13,638
Adjusted for income in relation to government grants	**10,121**	14,470
Unallocated income	**(9,997)**	111
Administrative and other expenses	**(3,821)**	(5,871)
Taxation	**2,036**	(1,306)
Group's (loss) profit for the year	**(50,828)**	21,042

7. SEGMENT INFORMATION (Continued)

	2014 RMB'000	2013 RMB'000
Segment assets reviewed by CODM	**857,911**	813,678
Cash and bank balances	**417**	2,029
Property, plant and equipment	**700**	857
Other unallocated assets	**160**	267
Group's total assets	**859,188**	816,831

	2014 RMB'000	2013 RMB'000
Segment liabilities reviewed by CODM	**416,453**	390,974
Adjusted for deferred income	**6,115**	6,265
Accrued administrative expenses	**1,194**	1,837
Dividend payables	**243**	158
Deferred tax liabilities	**2,299**	4,835
Group's total liabilities	**426,302**	404,069

Non-current assets (excluding financial assets) by location of assets:

	2014 RMB'000	2013 RMB'000
PRC	**575,976**	612,522
Hong Kong	**700**	857
	576,676	613,379

Geographical information

Over 99% of the Group's revenue were derived from sales of polyester yarns, polyester-cotton blended yarns, cotton yarns and cotton in the PRC based on where goods are delivered to, which are also same as the location of customers.

Information about major customers

No revenue from single customer contributed over 10% of the total sales of the Group in the years ended 31 December 2014 and 2013.

8. OTHER INCOME

	2014 RMB'000	2013 RMB'000
Interest income on time deposits, pledged bank deposits and bank balances	**930**	686
Government grants (note)	**10,121**	14,470
Income from scrap sales	**3,869**	5,714
Others	**410**	348
	15,330	21,218

Note:

For the year ended 31 December 2014, government grants mainly represent subsidies of RMB9,971,000 (2013: RMB13,820,000) received by Jiangxi Jinyuan from the Ministry of Finance of the Industrial Zone of Fengxin County, Yichun City, Jiangxi Province 江西省宜春市奉新工業園區財政所 for rewarding Jiangxi Jinyuan's past contribution to Fengxin County, Jiangxi Province. The grant is accounted for as financial support with no future related costs expected to be incurred nor related to any assets. As such, an amount of RMB9,971,000 (2013: RMB13,820,000) was recognised in the consolidated statement of profit or loss and other comprehensive income when the grant was received. In addition, an amount of nil (2013: RMB500,000) represents government subsidies received by the Group in 2012 in relation to product development research activities. Such amount was released to profit or loss in 2013 as the Group had incurred relevant research expenditure during that year. The remaining RMB150,000 (2013: RMB150,000) are related to government grants on purchase of land use right which are amortised over a straight-line basis over the life of the corresponding land use right. Details are set out in note 25.

9. LOSSES FROM FIRE

On 31 December 2014, a fire has broken out at the warehouse of the recently completed Phase III of the production bases of the Group situated at Fengxin County Jiangxi, the PRC, causing damage to certain inventories and plant and machinery, and part of the building premises including the warehouse and Workshop One. The production at Phase III has been suspended and will be resumed upon the completion of clean up and repair works. Phase III is situated at distant location from the rest of the production bases and has a production capacity of 50,000 spindles, representing approximately 13% of the total capacity of 380,000 spindles of the Group. The directors of the Company does not expect the suspension of the production at Phase III will affect the other production facilities of the Group. The losses incurred as a result of the fire are summarised as follows:

	2014 RMB'000
Loss on inventories	
Raw materials	**9,589**
Finished goods	**2,820**
	12,409
Loss on property, plant and equipment	**38,515**
Provision for restoration	**1,239**
	52,163

10. FINANCE COSTS

	2014 RMB'000	2013 RMB'000
Interest on:		
– Bank borrowings wholly repayable within five years	**16,909**	13,191
– Finance leases	**–**	117
	16,909	13,308
Other finance expenses	**236**	593
	17,145	13,901
Less: amounts capitalised	**–**	(2,747)
	17,145	11,154

Borrowing costs capitalised in 2013 arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.47% per annum to expenditures on qualifying assets.

11. (LOSS) PROFIT FOR THE YEAR

	2014 RMB'000	2013 RMB'000
(Loss) profit for the year has been arrived at after charging (crediting):		
Auditors' remuneration	**1,110**	1,199
Cost of inventories recognised as an expense	**804,470**	822,443
Depreciation of property, plant and equipment	**27,171**	23,087
Amortisation of prepaid lease payments	**798**	798
Total depreciation and amortisation	**27,969**	23,885
Loss on disposal of property, plant and equipment	**218**	13
Foreign exchange (gain) losses, net	**(14)**	15
Other staff costs (excluding directors)	**74,072**	67,638
Retirement benefit scheme contributions (excluding directors)	**9,590**	6,093
Total other staff costs	**83,662**	73,731

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the seven (2013: six) directors and the chief executive were as follows:

	Directors							
	Mr. Zheng, Hong	Mr. Zheng, Yongxiang	Mr. Sze, Irons, J.P.	Ms. Chan Mei Bo, Mabel (resigned on 22 December 2014)	Mr. Ng Wing Ka	Mr. Nie Jianxin	Mr. Zhang Baixiang (appointed on 27 November 2014)	Total 2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2014								
Fees	–	–	119	110	119	119	11	478
Salaries and other benefits	1,189	951	–	–	–	–	–	2,140
Retirement benefit scheme contributions	13	20	–	–	–	–	–	33
Total emoluments	1,202	971	119	110	119	119	11	2,651

	Directors						
	Mr. Zheng, Hong	Mr. Zheng, Yongxiang	Mr. Sze, Irons, J.P.	Ms. Chan Mei Bo, Mabel	Mr. Ng Wing Ka	Mr. Nie Jianxin	Total 2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2013							
Fees	–	–	120	120	120	120	480
Salaries and other benefits	1,199	959	–	–	–	–	2,158
Retirement benefit scheme contributions	12	18	–	–	–	–	30
Total emoluments	1,211	977	120	120	120	120	2,668

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

Neither the chief executive nor any of the directors waived any emoluments in the years ended 31 December 2014 and 2013.

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2013: two) were directors and the chief executive of the Company whose emoluments are disclosed in note 12 above. The emoluments of the remaining three (2013: three) individuals were as follows:

	2014 RMB'000	2013 RMB'000
Salaries and other benefits	**1,164**	1,152
Retirement benefit scheme contributions	**38**	35
	1,202	1,187

	2014 Number of employees	2013 Number of employees
Their emoluments were within the following band:		
HK$nil – HK$1,000,000	**3**	3

14. INCOME TAX (CREDIT) EXPENSE

	2014 RMB'000	2013 RMB'000
Current tax:		
PRC Enterprise Income Tax ("**EIT**")	**2,214**	10,847
Withholding tax on distributed earnings from a subsidiary	**500**	–
Deferred tax (note 27)	**(4,750)**	1,306
	(2,036)	12,153

No provision for Hong Kong Profits Tax for the years ended 31 December 2014 and 2013 have been made as there is no assessable profit subject to Hong Kong Profits Tax.

14. INCOME TAX (CREDIT) EXPENSE (Continued)

The tax charge in respect of the current year represents EIT in the PRC which is calculated at the prevailing tax rate on the taxable income of the subsidiary in the PRC.

Jiangxi Jinyuan, a subsidiary, has been recognised as a state-encouraged high-new technology enterprise starting from 2014, and the status is valid for a period of three years. Jiangxi Jinyuan is thus entitled to a preferential tax rate of 15% in 2014, 2015 and 2016, subject to annual review by the relevant tax authority. As such the EIT rate for Jiangxi Jinyuan is 25% for the year ended 31 December 2013 and a reduced tax rate of 15% for the year ended 31 December 2014.

According to the New Law and Implementation Regulation, withholding income tax at a rate of 10% would be imposed on dividends relating to profits earned in year 2008 onwards to foreign investors for the companies established in the PRC. Such dividend tax rate may be further reduced by applicable tax treaties or arrangement. According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, the withholding tax rate on dividends paid by a PRC resident enterprise to a Hong Kong resident enterprise is further reduced to 5% if the Hong Kong resident enterprise holds at least 25% equity interests in the PRC resident enterprise.

Deferred tax has been provided in the consolidated statement of profit or loss and other comprehensive income in respect of the temporary differences attributable to the undistributed earnings of the PRC subsidiary based on 5% (See note 27).

The taxation for the year can be reconciled to the (loss) profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2014 RMB'000	2013 RMB'000
(Loss) profit before tax	**(52,864)**	33,195
Tax at PRC EIT rate of 15% (2013: 25%)	**(7,930)**	8,298
Tax effect of income not taxable for tax purpose	**(838)**	(173)
Tax effect of expenses not deductible for tax purpose	**3,157**	1,620
Tax effect of deductible temporary differences not recognised	**5,611**	1,102
Withholding taxes charged on dividend declared by Jiangxi Jinyuan	**500**	–
Withholding tax arising from undistributed profits of Jiangxi Jinyuan	**(2,536)**	1,306
Income tax (credit) expenses for the year	**(2,036)**	12,153

15. DIVIDENDS

	2014 RMB'000	2013 RMB'000
Final dividend declared for 2013 – HK1.0 cents per share (2013: Final dividend declared for 2012 – HK1.0 cents per share)	**8,021**	8,154

The Board of Directors of the Company does not recommend a final dividend in respect of the year ended 31 December 2014 (2013: final dividend in respect of the year ended 31 December 2013 of HK1.0 cent).

16. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share attributable to the owners of the Company is based on the following data:

	2014 RMB'000	2013 RMB'000
(Loss) earnings		
(Loss) earnings for the purpose of basic (loss) earnings per share (Loss) profit for the year attributable to owners of the Company	**(50,828)**	21,042

	2014 '000	2013 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**1,024,582**	1,012,500

For the year ended 31 December 2014 and 2013, no diluted (loss) earning per share is presented as there are no potential ordinary shares outstanding during the year.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvement RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2013	172,269	342	300,335	2,252	4,598	103,472	583,268
Additions	–	–	13,902	574	2,668	88,378	105,522
Disposals	–	–	(72)	(61)	–	–	(133)
Transfer from construction in progress	107,302	–	49,636	–	–	(156,938)	–
At 31 December 2013 and 1 January 2014	279,571	342	363,801	2,765	7,266	34,912	688,657
Additions	3,381	–	5,140	160	574	21,165	30,421
Disposals	–	–	(9)	(110)	(704)	–	(823)
Written off due to fire loss (note)	(490)	–	(39,190)	–	–	(132)	(39,812)
Transfer from construction in progress	–	–	36,440	–	–	(36,440)	–
At 31 December 2014	282,462	342	366,182	2,815	7,136	19,505	678,442
ACCUMULATED DEPRECIATION							
At 1 January 2013	20,773	86	67,062	899	1,662	–	90,482
Charge for the year	6,904	114	14,995	254	820	–	23,087
Elimination disposals	–	–	(65)	(55)	–	–	(120)
At 31 December 2013 and 1 January 2014	27,677	200	81,992	1,098	2,482	–	113,449
Charge for the year	8,318	114	17,535	321	883	–	27,171
Elimination disposals	–	–	(8)	(98)	(163)	–	(269)
Written off due to fire loss (note)	(20)	–	(1,277)	–	–	–	(1,297)
At 31 December 2014	35,975	314	98,242	1,321	3,202	–	139,054
CARRYING AMOUNTS							
At 31 December 2014	246,487	28	267,940	1,494	3,934	19,505	539,388
At 31 December 2013	251,894	142	281,809	1,667	4,784	34,912	575,208

Note: As disclosed in note 9, the production facilities in Fengtian Development Zone, Fengxin Country, Jiangxi Province, the PRC suffered from a fire accident. The Group had written off the damaged plant and equipment with carrying amount of RMB38,515,000 accordingly.

All the Group's buildings are located in the PRC under medium-term lease.

Property, plant and equipment with an aggregate carrying amount at 31 December 2014 of approximately RMB233 million (2013: RMB219 million) have been pledged to secure general banking facilities granted to the Group (see note 34).

18. PREPAID LEASE PAYMENTS

All the Group's prepaid lease payments are located in the PRC under medium-term lease.

	2014 RMB'000	2013 RMB'000
Analysed for reporting purposes as:		
Current assets	**776**	776
Non-current assets	**34,111**	34,909
	34,887	35,685

Prepaid lease payments with a carrying amount of approximately RMB17.4 million (2013: RMB19.0 million) have been pledged to secure general banking facilities granted to the Group as at 31 December 2014 (see note 34).

19. INVENTORIES

	2014 RMB'000	2013 RMB'000
Raw materials	**18,607**	31,193
Work in progress	**7,455**	9,909
Finished goods	**54,298**	60,973
	80,360	102,075

20. TRADE AND OTHER RECEIVABLES

	2014 RMB'000	2013 RMB'000
Trade receivables	**16,980**	3,840
Advance payment to suppliers	**–**	9,687
Prepayments and other receivables	**697**	3,104
	17,677	16,631

In general, the Group will receive advance or bills from the customers before the products are delivered. The Group allows some of the long-term and loyal customers to have credit terms of 15–90 days depending on creditability of the customers.

20. TRADE AND OTHER RECEIVABLES (Continued)

No interest is charged on overdue trade receivables. In determining the recoverability of 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 following is an analysis of trade receivables by age, presented based on the invoice date at the end of each reporting period, which approximated the respective revenue recognition dates.

	2014 **RMB'000**	2013 RMB'000
1 – 30 days	**14,250**	3,493
31 – 90 days	**2,688**	337
Over 90 days	**42**	10
	16,980	3,840

Before accepting any new customer, the Group has assessed the potential customer's credit quality. The Group reviews the repayment history of receivables by each customer with reference to the payment terms stated in contracts to determine the recoverability of a trade receivable. For the accounts receivables which are neither past due nor impaired, the management assessed the balances are with good credit quality with reference to their past repayment history.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB2,730,000 (2013: RMB347,000) as at 31 December 2014 which are past due as at the reporting date for which the Group has not provided for impairment loss. Based on historical experience, the receivables are generally recoverable as supported by on-going settlements from customers. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	2014 **RMB'000**	2013 RMB'000
Over 30 days	**2,730**	347

21. BILLS RECEIVABLES

The following is an analysis of bills receivables, presented based on the date of invoices issued:

	2014 RMB'000	2013 RMB'000
1 – 30 days	**5,148**	2,253
31 – 60 days	**2,873**	1,902
61 – 90 days	**1,266**	890
91 – 120 days	**300**	600
121 – 150 days	**500**	504
Over 150 days	**219**	450
	10,306	6,599

The following were the Group's bills receivables as at 31 December 2014 and 2013 that were transferred to a bank or suppliers by discounting or endorsing those bills receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the bills receivables and the corresponding trade and other payables. These bills receivables are carried at amortised cost in the Group's consolidated statement of financial position.

	Bills receivables discounted to a bank with full recourse		Bills receivables endorsed to suppliers with full recourse	
	2014 **RMB'000**	2013 RMB'000	**2014** **RMB'000**	2013 RMB'000
Carrying amount of transferred assets	**1,493**	–	**7,914**	6,599
Carrying amount of associated liabilities	**(1,493)**	–	**(7,914)**	(6,599)

22. PLEDGED BANK DEPOSITS/TIME DEPOSIT/CASH AND BANK BALANCES

	2014 RMB'000	2013 RMB'000
Pledged bank deposits	**6,704**	19,167
Time deposit with original maturity less than three months	**76,052**	–
Bank balances	**90,637**	58,203
	173,393	77,370

22. PLEDGED BANK DEPOSITS/TIME DEPOSIT/CASH AND BANK BALANCES (Continued)

Pledged bank deposits, time deposit and bank balances of the Group carry interest at market rates per annum which are as follows:

	2014	2013
Pledged bank deposits	**0.01% – 2.80%**	2.80%
Time deposit with original maturity less than three months	**0.64%**	N/A
Bank balances	**0.01% – 0.35%**	0.01% – 0.35%

Included in pledged bank deposits, time deposit and bank balances and cash that are not denominated in the functional currencies are as follows:

	2014 RMB'000	2013 RMB'000
Hong Kong dollars	**83,242**	71

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group (see note 34). As at 31 December 2014, an amount of RMB4,704,000 (2013: RMB19,167,000) was pledged to banks for settlement of bills payables and trust receipt loans upon maturity. In addition, deposit amounting to RMB2,000,000 (2013: nil) has been pledged to a bank securing a short-term bank borrowing.

23. TRADE AND OTHER PAYABLES

	2014 RMB'000	2013 RMB'000
Trade payables	**27,705**	46,408
Value-added tax payable	**6,478**	84
Other payables	**3,330**	2,202
Other tax payable	**4,435**	2,380
Accrual for salary and wages	**6,246**	5,400
Accrual for social insurance	**25,080**	17,339
Other accrued charges	**4,103**	6,412
Payable for acquisition of property, plant and equipment	**8,660**	38,086
Deposits from customers	**5,080**	6,714
Dividend payables	**243**	158
	91,360	125,183

23. TRADE AND OTHER PAYABLES (Continued)

The following is an analysis of trade payables by age, presented based on the invoice date:

	2014 RMB'000	2013 RMB'000
1 – 30 days	**21,864**	32,910
31 – 90 days	**5,473**	13,485
Over 90 days	**368**	13
	27,705	46,408

In general, the Group will make advance payment to suppliers before the materials are received. The creditors may, in some cases, allow a credit period and the average credit period on purchases of goods is 30 days. The Group has financial risk management policies in place to ensure that all payables are within the credit time frame.

24. BILLS PAYABLES

The following is an analysis of bills payables, presented based on invoice date:

	2014 RMB'000	2013 RMB'000
1 – 30 days	**7,206**	10,000
31 – 90 days	**18,150**	20,000
91 – 180 days	**–**	21,420
	25,356	51,420

25. DEFERRED INCOME

The deferred income comprised the refund by Ministry of Finance of the Industrial Zone of Fengxin County, Yichun City, Jiangxi Province 江西省宜春市奉新工業園區財政所 of the purchase cost of land use right, provided in relation to the establishment of Jiangxi Jinyuan in 2005 amounting to approximately RMB7,488,000.

Government grants are recognised as deferred income in the consolidated statement of financial position when received.

For the refund of purchase cost of land use right, it is transferred to profit or loss over the lease terms of the land use right, which is 50 years. This policy has resulted in a credit to income in current year of RMB150,000 (2013: RMB150,000). As at 31 December 2014, an aggregate carrying amount of RMB6,115,000 (2013: RMB6,265,000) remains to be amortised.

26. BANK BORROWINGS

	2014 RMB'000	2013 RMB'000
Bank loans (note i)	**294,042**	204,000
Trust receipt loans (note ii)	**–**	3,986
Discounted bills with recourse (note iii)	**1,493**	–
	295,535	207,986
Secured	**230,700**	198,986
Unsecured	**64,835**	9,000
	295,535	207,986
Carrying amount repayable (note iv):		
Within one year	**280,535**	207,986
More than one year, but not exceeding two years	**15,000**	–
	295,535	207,986
Less: Amounts due within one year shown under current liabilities	**(280,535)**	(207,986)
	15,000	–

Notes:

i. Bank loans amounting to RMB230,700,000 (2013: 198,986,000) were secured by the Group's certain land use rights, property, plant and equipment and bank deposit (see note 34).

ii. The Group has obtained banking facilities relating to trust receipt loans of approximately RMB4 million (2014: nil) as at 31 December 2013 and they bore bank charges of 2.04% of the issued trust receipt loans.

iii. Please see note 21.

iv. The amounts due are based on the scheduled repayment dates set in the loan agreements.

26. BANK BORROWINGS (Continued)

The range of effective interest rates (which are also equal to contractual interest rates) on the Group's borrowings, except for the trust receipt loan as mentioned in note ii above, are as follows:

	2014	2013
Effective interest rate:		
Fixed-rate borrowings	**6.00% – 6.77%**	6.00% – 6.56%
Variable-rate borrowings	**6.16% – 7.00%**	6.16% – 7.80%

The Group's borrowings that are denominated in currencies other than the functional currency of the Group are set out below:

	2014 RMB'000	2013 RMB'000
Hong Kong dollars	**3,342**	–
United States dollars	**1,493**	–

27. DEFERRED TAXATION

The following are the major deferred tax balances recognised by the Group, and the movements thereon during the current and prior years:

Deferred tax liability

	Undistributed earnings of the PRC subsidiary RMB'000
At 1 January 2013	**3,529**
Charge to profit or loss (note 14)	**1,306**
At 31 December 2013 and 1 January 2014	**4,835**
Credit to profit or loss (note 14)	**(2,536)**
At 31 December 2014	**2,299**

27. DEFERRED TAXATION (Continued)

Deferred tax asset

	Losses from fire RMB'000
At 1 January 2013, 31 December 2013 and 1 January 2014	–
Credit to profit or loss (note 14)	**2,214**
At 31 December 2014	**2,214**

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by a PRC subsidiary from 1 January 2008 onwards. At 31 December 2013 and 2014, deferred tax has been provided on the entire undistributed earnings on the PRC subsidiary from 1 January 2008.

At the end of the reporting period, the Group has deductible temporary differences of RMB69,499,000 (2013: RMB17,336,000). A deferred tax asset has been recognised in respect of RMB14,763,000 (2013: nil). No deferred tax asset has been recognised in respect of the remaining deductible temporary differences of RMB54,736,000 (2013: RMB17,336,000) as it is not probable that the deductible temporary differences can be utilised.

28. SHARE CAPITAL

	Number of shares '000	HK$'000	RMB'000
Ordinary shares of HK$0.1 each			
Authorised:			
At 31 December 2013 and 31 December 2014	10,000,000	1,000,000	819,672
Issued and fully paid:			
At 1 January 2013 and 31 December 2013	1,012,500	101,250	82,899
Issue of shares on placing (note)	126,000	12,600	9,976
At 31 December 2014	1,138,500	113,850	92,875

28. SHARE CAPITAL (Continued)

Note: On 20 November 2014, arrangements were made for a private placement to independent private investors of 126,000,000 shares of HK$0.1 each in the Company, at a price of HK$0.8 per share representing a discount of approximately 8.05% to the closing market price of the Company's shares on 20 November 2014.

Pursuant to a placing agreement of the same date, there were more than six placees, being professional or institutional investors, subscribed for 126,000,000 new shares of HK$0.1 each in the Company at a price of HK$0.8 per share. The proceeds were used to finance the acquisition of Jiangxi Huachun Color Spinning Technology Development Co., Ltd ("Huachun"), a limited liability company established in the PRC on 30 April 2010, and to provide additional working capital for the Company and its subsidiaries. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 12 May 2014 and rank pari passu with other shares in issue in all respects.

29. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debts (which includes bank borrowings, net of cash and cash equivalents) and equity attributable to owners of the Company, comprising share capital, share premium and reserves.

The directors of the Company review the capital structure on an annual basis. As part of this review, the directors of the Company considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new capital injection as well as the issue of new debt.

30. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2014 **RMB'000**	2013 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**206,111**	87,809
Financial liabilities		
Amortised cost	**360,586**	346,259

30. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, bills receivables, time deposit, pledged bank deposits, cash and bank balances, trade and other payables, bills payables and bank borrowings.

Details of these financial instruments of the Group are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see note 26).

The Group exposed to cash flow interest rate risk in relation to the variable-rate pledged bank deposits, bank balances and bank borrowings (see notes 22 and 26).

The Group's exposure to cash flow interest rate risk on financial liabilities is detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of benchmark borrowings rate in the PRC arising from the bank borrowings and fluctuation of bank deposit rates in the PRC and Hong Kong arising from bank balances and pledged bank deposits.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank borrowings at the end of the reporting period. No sensitivity is presented for variable-rate pledged bank deposits and bank balances as the directors considered that the interest rate fluctuation is minimal. For bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of reporting period was outstanding for the whole year. A 50 basis points (2013: 50 basis points) increase or decrease is used and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2013: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss for the year would increase/decrease by RMB882,000 for the year ended 31 December 2014 (2013: Group's profit for the year would decrease/increase by RMB1,424,000 (net of interest capitalised to constructions in progress)).

In the opinion of the management, the sensitivity analysis is unrepresentative of the interest rate risk inherent in the financial liabilities as the year end exposure does not reflect the exposure during the year.

30. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

(ii) Currency risk

The Group has foreign currency bank deposit, cash and bank balances, bank borrowings, bills receivables, bills payables and other payables, which expose the Group to risk in United States Dollars ("**USD**") and Hong Kong Dollars ("**HK$**"). The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities are as follows:

	Assets		Liabilities	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
USD	**3,972**	1,106	**10,598**	15,599
HK$	**78,435**	2,029	**4,778**	158

Sensitivity analysis

The sensitivity analysis below includes foreign currency denominated monetary items at the end of the reporting period and has been determined based on the exposure to exchange rates of USD and HK$ against RMB. For a 5% (2013: 5%) weakening of USD and HK$ against RMB and all other variables being held constant, the Group's post-tax loss for the year ended 31 December 2014 would increase by RMB2,670,000 (2013: Group's post-tax profit would increase by RMB632,000).

There would be an equal and opposite impact on the post-tax loss (2013: post-tax profit) for the year where the USD and HK$ strengthens against RMB by 5%.

In the opinion of the management, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(iii) Credit risk

As at 31 December 2014, 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.

In order to minimise the credit risk of trade receivables, the management of the Group has delegated a team responsible for determination of credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group also requests deposits from customers prior to sales transactions. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting periods to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

30. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

The credit risk for bills receivables, time deposit, pledged bank deposits and bank balances is considered as minimal as such amounts are to be settled by or placed with banks with good reputation in PRC and Hong Kong.

The Group has concentration of credit risk on the Group's trade receivables as over 99% of the customers are involved in clothing or textile industry and located in the PRC.

Other than concentration of credit risk on liquid funds which are deposited with several banks with good reputation in PRC and Hong Kong and save as disclosed elsewhere in the consolidated financial statements, the Group does not have any other significant concentration of credit risk.

(iv) Liquidity risk

In preparing the consolidated financial statements, the management of the Group has given careful consideration to the future liquidity and going concern of the Group in light of the fact that the Group's current liabilities exceeded its current assets by approximately RMB120,374,000 (2013: RMB189,518,000) as at 31 December 2014. Up to the date these consolidated financial statements were authorised for issuance, certain banks agreed to renew bank loans amounting to RMB210,700,000 and the Group had undrawn banking facilities of approximately RMB197,232,000. The Group relies on bank borrowings as a significant source of liquidity. The management of the Group is satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future, after taking into consideration the banking facilities already in place and internal financial resources and accordingly, the consolidated financial statements have been prepared on a going concern basis.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which the Group can be required to pay.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting periods. The amounts included below for variable rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting periods.

30. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

(iv) Liquidity risk (Continued)

Liquidity and interest risk tables

	Weighted average interest rate	On demand or less than 1 month RMB'000	1–3 months RMB'000	3 months to 1 year RMB'000	1 to 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2014							
Non-derivative financial liabilities							
Trade and other payables	–	39,695	–	–	–	39,695	39,695
Bills payables	–	7,206	18,150	–	–	25,356	25,356
Bank borrowings							
– fixed	6.44%	–	30,467	43,849	16,511	90,827	88,000
– variable	6.42%	670	76,486	136,502	–	213,658	207,535
		47,571	125,103	180,351	16,511	369,536	360,586
As at 31 December 2013							
Non-derivative financial liabilities							
Trade and other payables	–	86,853	–	–	–	86,853	86,853
Bills payables	–	10,000	20,000	21,420	–	51,420	51,420
Bank borrowings							
– fixed	5.54%	–	–	34,570	–	34,570	33,986
– variable	6.65%	–	–	180,360	–	180,360	174,000
		96,853	20,000	236,350	–	353,203	346,259

c. Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

31. CAPITAL COMMITMENTS

	2014 RMB'000	2013 RMB'000
Contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment and construction of new production facilities and infrastructure	**1,305**	29,723
Capital expenditure in respect of the acquisition of property, plant and equipment and construction of new production facilities and infrastructure authorised but not contracted for	**–**	2,266

32. OPERATING LEASE COMMITMENT

	2014 RMB'000	2013 RMB'000
Minimum lease payments paid under operating lease during the year for premises	**466**	467

At 31 December 2014, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises, which fall due as follows:

	2014 RMB'000	2013 RMB'000
Within one year	**64**	384
In the second to fifth year inclusive	**–**	64
	64	448

Leases are negotiated for lease terms of three years with fixed rental and management fee over the terms of the relevant lease.

33. RETIREMENT BENEFIT SCHEME

Prior to 1 July 2011, the employees of Jiangxi Jinyuan are mainly workers with rural residence which Jiangxi Jinyuan did not have mandatory obligation to pay social insurance payments for these workers pursuant to the regulations regarding rural social security systems. Certain of the remaining employees contributed to retirement benefit scheme in accordance with the relevant regulations of local authority. After 1 July 2011, all employees are required to contribute to retirement benefit scheme promulgated at the national level. It is required to contribute certain percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

In addition, the Group operates a Mandatory Provident Fund Scheme for all qualifying employees in the Group. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs with the maximum monthly amount of HK$1,500 (HK$1,250 per month per employee prior to 1 June 2014) to the Scheme, which contribution is matched by employees.

The total cost charged to consolidated statement of profit or loss and other comprehensive income of RMB12,986,000 (2013: RMB6,123,000) for the year ended 31 December 2014, represent contribution to the schemes during the year. As at 31 December 2014, contributions of approximately RMB28,485,000 (2013: RMB17,339,000) due in respect of the year had not been paid over to the schemes as some employees did not register with the local authority for the retirement benefit scheme. In accordance with the regulations of this rural social security systems, the Group can forfeit payment of the social insurance if the employees do not file registration with the local authority within two years. Therefore, the maximum chargeable of the accrual social insurance will be subject to two years.

34. PLEDGED OF ASSETS

Assets with the following carrying amounts have been pledged to secure general banking facilities granted to the Group or borrowings of the Group (see note 26):

	2014 **RMB'000**	2013 RMB'000
Property, plant and equipment	**232,567**	218,671
Prepaid lease payments	**17,426**	18,975
Pledged bank deposits	**6,704**	19,167
	256,697	256,813

35. RELATED PARTY TRANSACTIONS

During the year ended 31 December 2014 and 2013, the Group did not have any other material related party transactions with related parties beside those disclosed below:

Compensation of key management personnel

The remuneration of directors of the Company and other members of key management of the Group during the years were as follows:

	2014 RMB'000	2013 RMB'000
Short-term benefits	**3,398**	3,546
Post-employment benefits	**56**	55
	3,454	3,601

The remuneration is determined by the directors of the Company having regard to the performance of individuals and market trends.

36. SHARE OPTION SCHEME

Pursuant to a resolution passed on 3 December 2011, the Company adopted a share option scheme (the "**Option Scheme**"), which will expire 10 years after the date on which the shares of the Company ("**Shares**") commence listing on the Stock Exchange, for the purpose of motivating the eligible participants to optimise their performance efficiency for the benefit of the Group and attracting and retaining or maintaining on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group. Under the Option Scheme, the directors of the Company may grant options to any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; any directors (including non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries; and any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant.

36. SHARE OPTION SCHEME (Continued)

The exercise price is determined by the board of the Company, and will not be less than the highest of (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities, (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.

The maximum number of shares in respect of which options may be granted under the Option Scheme must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the public floatation, being 100,000,000 Shares, excluding for this purposed Shares which would have been issuable pursuant to the over-allotment option and options which have lapsed in accordance with the terms of the Option Scheme (or any other share option schemes of the Company).

Besides, the total maximum number of shares which may be issued upon exercise of all outstanding share options must not exceed 30% of the issued share capital from time to time. The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant.

No share options were granted by the Company nor exercised by any employees during the years ended 2014 and 2013. There are no share options outstanding as at 31 December 2014 and 2013.

37. FINANCIAL SUMMARY OF THE COMPANY

	2014 RMB'000	2013 RMB'000
Non-current asset		
Investments in a subsidiaries	**45,986**	45,986
Advances to a subsidiary (note i)	**58,474**	54,240
	104,460	100,226
Current assets		
Dividend receivable	**–**	2,523
Other receivables	**160**	140
Time deposits	**76,052**	–
Cash and bank balances	**417**	334
	76,629	2,997
Current liability		
Other payables	**1,436**	1,995
Amount due to a subsidiary	**2,892**	492
	4,328	2,487
Net current assets	**72,301**	510
Total assets less current liabilities	**176,761**	100,736
Capital and reserves		
Share capital	**92,875**	82,899
Share premium	**83,016**	14,017
Special reserve	**(81)**	(81)
Accumulated profits	**951**	3,901
Total equity attributable to owners of the Company	**176,761**	100,736

37. FINANCIAL SUMMARY OF THE COMPANY (Continued)

	Accumulated profits RMB'000
As at 31 December 2012 and 1 January 2013	–
Profit and total comprehensive income for the year	8,980
Dividend recognised as distribution (note 15)	(8,154)
Set off against accumulated losses (note ii)	3,075
As at 31 December 2013	3,901
Profit and total comprehensive income for the year	5,071
Dividend recognised as distribution (note 15)	(8,021)
As at 31 December 2014	951

Notes:

(i) Fair value adjustment of RMB45,985,000 relating to the interest-free advance to a subsidiary has been made at initial recognition based on an effective interest rate of 6.55% per annum, being the prevailing market borrowing rates for a similar instrument. The investments in subsidiaries include the fair value adjustment made in 2013 and 2014.

In the opinion of the directors, the Company will not demand repayment within one year from the end of the reporting period and advance to a subsidiary is therefore considered as non-current.

(ii) Pursuant to The Companies Law (Cap. 22) of the Cayman Islands and the Company's articles of associations, the Board of Directors of the Company passed a resolution on 19 November 2012 to set off the subsequent incurred accumulated losses by crediting the share premium account of the Company. For the year ended 31 December 2013, accumulated losses amounting to RMB3,075,000 has been credited to the share premium account of the Company.

38. SUBSIDIARIES

The Company had direct and indirect interests in the following subsidiaries:

Name of subsidiary	Place of incorporation/ establishment and legal form	Issued and fully paid/ registered capital	Equity interest attributable to the Group As at 31 December		Principal activities
			2014	2013	
Direct					
Jolly Success International Limited	British Virgin Islands Incorporated	HK$1,000	**100%**	100%	Investment holding
Indirect					
Treasure Resources Corporation Limited	Hong Kong Incorporated	HK$2,000	**100%**	100%	Investment holding and trading of cotton yarns and cotton
Jiangxi Jinyuan	PRC Wholly foreign-owned enterprise	RMB253,000,000	**100%**	100%	Manufacturing and trading of polyester yarns, polyester-cotton blended yarns and cotton yarns
江西鑫源特種纖維有限公司 ("**江西鑫源**")	PRC	RMB70,000,000	**51%**	–	Manufacturing and trading of polyester staple fibres

江西鑫源 was established in the PRC on 5 December 2014 owned as to 51%, 26% and 23% by Jiangxi Jinyuan, 邵陽二紡機有限責任公司 and an individual respectively.

39. EVENT AFTER THE REPORTING PERIOD

(i) On 30 September 2014, the Company and Jiangxi Jinyuan, entered into an acquisition agreement with the vendors, being seven individuals resident in the PRC, to purchase all equity interest in Huachun for a total consideration of RMB200,000,000 settled in cash and debt.

Huachun is principally engaged in manufacturing and trading of polyester yarns, grey and deep grey melange yarns and cotton yarns in Jiangxi province, the PRC. After completion of the acquisition, the Company and its subsidiaries will be able to expand its production capacity and diversify its product portfolio.

The transaction was completed on 6 January 2015 and the consideration was satisfied by cash and debt.

(ii) The Group reported a fire incident broken out at the warehouse of one of the production bases of the Group situated at Fengxin County, Jiangxi Province, the PRC on 31 December 2014. Subsequent to the year ended 31 December 2014, the Group received confirmation from Ping An Property & Casualty Insurance Company of China, Ltd. (中國平安財產保險股份有限公司) ("**Ping An**") for an insurance claim of RMB5,432,000 which was paid to the Group in March 2015. Up to the date of approval of the consolidated financial statements, the Group has not reached agreement in respect of the amount of compensation from any insurer other than Ping An. The losses in respect of inventories and property, plant and equipment amounting to RMB52,163,000 in aggregate do not take into account of any compensation from Ping An and possible compensation from any other insurer other than Ping An. In the opinion of the directors, it is not probable to estimate the compensation amount, any amounts eventually recoverable from the insurers will be recognised in the future periods only when it is made know to the Company.

Five Years Financial Summary

	Year ended 31 December				
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000	**2014 RMB'000**
Revenue	930,666	1,085,889	918,513	880,272	**846,554**
Cost of sales	(781,294)	(947,142)	(874,384)	(822,443)	**(804,470)**
Gross profit	149,372	138,747	44,129	57,829	**42,084**
Other income	7,027	4,481	23,400	21,218	**15,330**
Distribution and selling expenses	(12,902)	(12,938)	(13,388)	(11,942)	**(12,400)**
Administrative expenses	(9,932)	(20,061)	(23,118)	(22,741)	**(28,584)**
Losses from fire	–	–	–	–	**(52,163)**
Other gains and losses	–	(20,583)	(1,110)	(15)	**14**
Finance costs	(16,009)	(20,156)	(13,525)	(11,154)	**(17,145)**
(Loss) profit before tax	117,556	69,490	16,388	33,195	**(52,864)**
Income tax credit (expense)	–	(8,852)	(15,318)	(12,153)	**2,036**
(Loss) profit for the year attributable to owners of the Company	117,556	60,638	1,070	21,042	**(50,828)**
(Loss) earnings per share					
Basic (RMB cents)	15.67	8.01	0.11	2.08	**(4.96)**
Diluted (RMB cents)	15.67	8.01	0.11	N/A	**N/A**

	As at 31 December				
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000	**2014 RMB'000**
ASSETS AND LIABILITIES					
Total assets	725,200	727,618	725,245	816,830	**859,188**
Total liabilities	(511,841)	(319,213)	(325,372)	(404,069)	**(426,300)**
	213,359	408,405	399,873	412,761	**432,888**
Total equity attributable to owners of the Company	213,359	408,405	399,873	412,761	**432,888**