FULL APEX
(HOLDINGS) LIMITED

DEVELOPING DYNAMIC POTENTIAL

Annual Report 2014

Contents

Corporate **Profile**

Established in 1996, Full Apex manufactures bottle-grade Polyethylene Terephthalate ("PET") resin, PET preforms and PET bottles for carbonated beverages and corrugated paper packaging products.

The Group's core business is the production of bottle-grade PET resin, PET preforms and PET bottles used for carbonated beverages. The Group is one of the top three PET bottle manufacturers in the People's Republic of China ("PRC"). It currently operates eight plants in Guangzhou, Qingdao, Tianjin, Shenzhen, Jiedong, Zhanjiang and Hangzhou engaged in PET preforms and PET bottle production. Full Apex also operates a plant in Nanhai for the manufacture of premium corrugated paper packaging products.

As part of the Group's vertical integration strategy to expand its customer base and increase its revenue streams, Full Apex has moved upstream into the production of bottle-grade PET resin, being the raw material for PET bottles. The Group's bottle-grade PET resin production plant ("PET Plant") commenced commercial operations in February 2008. With the current production capacity of 300,000 metric tons per annum, the PET Plant is the largest in the Guangdong province of the PRC.

Full Apex has been listed on the Main Board of the Singapore Exchange Securities Trading Limited since June 2003.

Chairman's **Statement**

The Group will also continue efforts to increase sales of its PET resin business as appropriate, in order to fully utilise its production capacity to improve operational efficiency and reduce unit costs with a longer term perspective.

Dear Shareholders,

It is my pleasure to present you with the Annual Report for the financial year ended 31 December 2014 ("FY2014").

Business Review

The domestic consumer-based industry has faced a tough operational environment during FY2014. The demand for the Group's products had been adversely affected by the moderation in economic growth in the People's Republic of China ("PRC"), and the reduction in consumer spending power. Under this situation, the Group's revenue decreased by 46.0% or RMB930.0 million, from RMB2,020.3 million in FY2013 to RMB1,090.3 million.

During the year, the sales volume of Polyethylene Terephthalate ("PET") resin had decreased by approximately 43% due to the continuing competitive market. On the other hand, the average unit selling price of PET resin dropped by approximately 10.6% compared with FY2013, due to the decline in raw material prices which had a negative impact on pricing. As a result, the revenue to external customers from PET resin had decreased by 49.4% on previous year.

As the result of decline in selling prices during the current year, the overall gross profit margin decreased from 7.3% in FY2013 to 5.3% in FY2014. Net loss attributable to the owners of the Company was RMB63.8 million, against prior year net profit attributable to the owners of the Company of RMB5.7 million.

Corporate Restructuring

Qingdao Full Apex Packing Co., Ltd. ("QFA") was a 70% interests held subsidiary of the Group. During the year, the Group has acquired the remaining 30% non-controlling interest of QFA from an independent third party at a total amount of approximately RMB14,990,500, which comprised with consideration of RMB14,654,100 and installment interest of approximately RMB336,400. QFA has become a wholly-owned subsidiary of the Group since 3QFY2014.

Future Prospects

In FY2014, given the moderation in economic growth in the PRC, the operational environment of the consumer-based industry faced enormous challenges. The outlook for consumer goods market remains conservative in FY2015, factors like severe competition, reduced consumption and climate instability might also have negative impact on the demand of the Group's products. In addition, as the Group's customers are in the consumer-based industry, demand for the Group's products will be adversely affected by the reduction in discretionary consumer spending power, which also has a direct impact on the Group's key customers.

The Group continues to be vulnerable to the volatility of oil prices which would have an impact on the principal raw materials used by the Group. The Group will also continue efforts to increase sales of its PET resin business as appropriate, in order to fully utilise its production capacity to improve operational efficiency and reduce unit costs with a longer term perspective.

Acknowledgement

On behalf of your Board of Directors, management and staff of the Company, I would like to thank shareholders for your continued support in the past years.

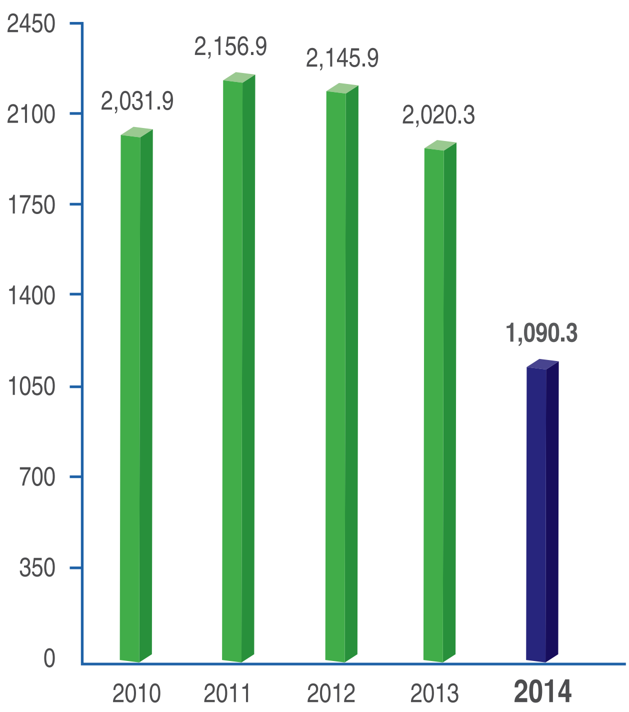
Mr Guan Lingxiang
Chairman and Managing Director
Full Apex (Holdings) Limited
7 April 2015

Financial **Highlights**

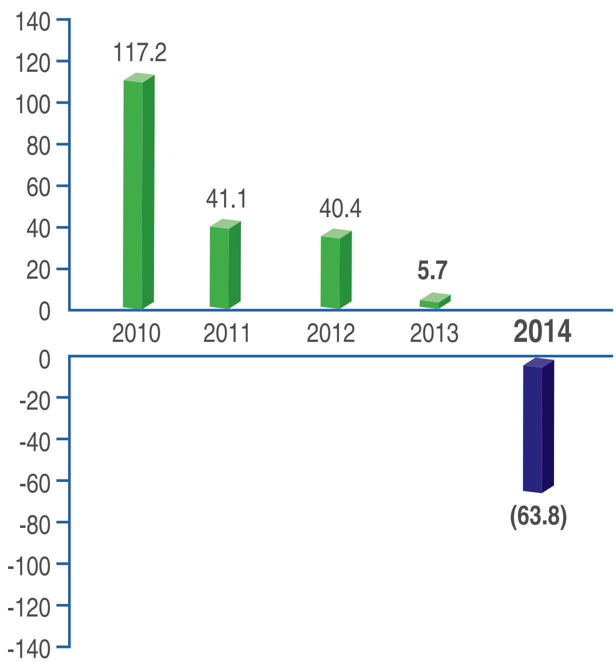
SUMMARISED PROFIT & LOSS STATEMENT

	FY2010 RMB MILLION	FY2011 RMB MILLION	FY2012 RMB MILLION	FY2013 RMB MILLION	FY2014 RMB MILLION
Revenue	2,031.9	2,156.9	2,145.9	2,020.3	**1,090.3**
Profit/(Loss) before income tax	139.1	74.4	70.8	16.6	**(59.4)**
Profit/(Loss) for the year attributable to the owners of the Company	117.2	41.1	40.4	5.7	**(63.8)**
	RMB CENTS	**RMB CENTS**	**RMB CENTS**	**RMB CENTS**	**RMB CENTS**
Earnings/(Losses) per share	13.27	4.68	4.59	0.65	**(7.26)**

REVENUE (RMB MILLION)



PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE COMPANY (RMB MILLION)



POSITIONED TO ACHIEVE

Being one of the top three PET bottle manufacturers in the PRC puts us in an esteemed position to deliver quality and excellence in all that we do. With our vertically aligned operations and technological insight, we are able to achieve this.

Operations Review

"Looking forward, the Group expects the operating environment in FY2015 will be still challenging due to the sluggish economy, the rapid change in market situation and severe competition."

Overview

During the year under review, the Group's revenue decreased by 46.0% from RMB2,020.3 million in FY2013 to RMB1,090.3 million in FY2014.

Overall gross profit margin decreased from 7.3% to 5.3%, as a result of the decline in selling prices during the year.

Other income and gains decreased by 73.6% or RMB9.4 million due mainly to the decrease in net foreign exchange gains and decrease in sales of scrap products.

Depreciation and amortisation attributed to the PET resin business were approximately RMB50.8 million.

Profit before income tax decreased by RMB76.0 million from RMB16.6 million to loss of RMB59.4 million. Profit after income tax decreased RMB65.8 million from RMB1.6 million to loss after tax of RMB64.2 million.

For FY2014, the Group reported losses per ordinary share of RMB7.26 cents. Net asset value per ordinary share declined 3.6% from RMB165.9 cents in FY2013 to RMB159.9 cents in FY2014.

Segmental Review

PET Resin

The Group's PET Plant is one of the largest bottle-grade PET resin production plants in the Guangdong province of the PRC, since the commencement of its operations in February 2008. Following the two technical upgrades completed in FY2010 and FY2011, the annual production capacity of the PET Plant reached its current level of 300,000 metric tons per annum.

The revenue to external customers from PET resin segment decreased from RMB1,624.3 million in FY2013 to RMB822.4 million in FY2014. The sales volume of PET resin decreased by approximately 43% from last year, combined with the lower unit selling prices, resulting in overall sales revenue from the segment decreased by approximately 49.4%. The average unit selling price of PET resin has decreased by approximately 10.6% compared with FY2013, which also had adversely affected the revenue in FY2014. Revenue contribution from this business segment dropped from 80.4 % in FY2013 to 75.4% in FY2014.

In FY2014, the overall consumer demand remained weak while market competition was intense, and the Group's operating environment was full of challenges. The Group's PET resin production was running at a level commensurate with market demand in the current year. The Group will continue efforts to increase sales of its PET resin business as appropriate, in order to fully utilise its production capacity to improve operational efficiency and reduce unit costs.

PET Preforms & Bottles

Sales of the Group's PET preforms and bottles decreased by approximately 33.0% from RMB371.8 million in FY2013, to RMB249.1 million in FY2014. The demand for PET bottles saw a decline compared with FY2013, and the unit selling prices were also lower in the current year, which was in line with the drop in raw material prices. Gross profit margin for PET bottles decreased from 19.7% to 15.9%.

Since the Group's PET preform production center in Guangzhou commenced operations from the second quarter of FY2011, it continued to contribute positively to the Group's overall turnover. It is a strategic step for the Group to further develop its external PET preform market to increase profit margins and lower the raw material costs for internal PET bottles production.

Paper Packaging Products

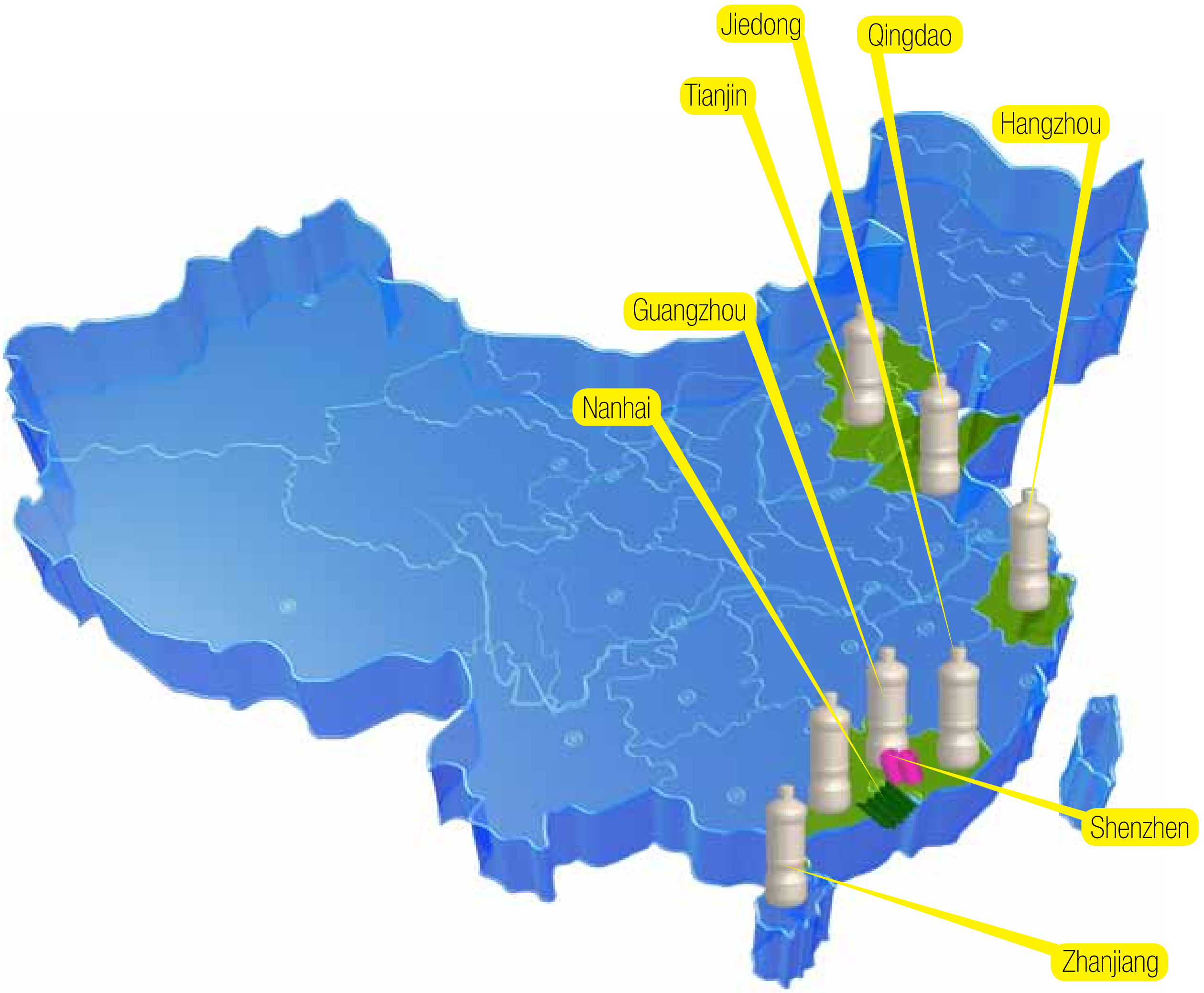
Revenue from the Group's paper packaging products decreased by 22.3% from RMB24.1 million in FY2013, to RMB18.8 million in FY2014. This business segment contributed 1.7% of FY2014 revenue, compared to 1.2% in FY2013. The Group expects the increased competition in the corrugated paper packaging product business will continue to affect the profit margin of this product segment.

Prospects

During FY2014, the overall beverage industry in the PRC grew at a slower pace. As the Group's customers are in a consumer-based industry, demand for the Group's products was adversely affected by the moderation in the economic growth in the PRC and the resultant reduction in discretionary consumer spending power. This had a direct impact on the Group's key customers. Under these market conditions, the Group's sales revenue had dropped by 46.0% compared by FY2013, the gross profit margin also decreased as a result of the drop in selling prices during the current year. Looking forward, the Group expects the operating environment in FY2015 to remain challenging due to the sluggish economy, the rapid change in market situation and severe competition. Since the Group's business is consumer-based, its performance will continue to be affected by the overall economy and local consumer spending.

The Group continues to be vulnerable to the volatility of oil prices which would have an impact on principal raw materials used by the Group. At the same time, since the Group's customers are in a consumer-based industry, demand for the Group's products will be also affected by the inflation level in the PRC. However, the Group is unable to determine with certainty the extent of the impact on its performance.

Our Production
Bases



SEGMENTS	CAPACITY
PET Resin	300,000 tonnes per annum
PET Bottles / PET Preforms	2 billion per annum / 2.4 billion per annum
Corrugated Paper	50 million square metres per annum

GROUNDED FOR DEVELOPMENT

The future is full of opportunities waiting to be uncovered. By continually seeking for business prospects and strengthening our capabilities, we secure a solid foundation to build a firm niche in the industry. The possibilities for growth are plenty.

Board of Directors

MR GUAN LINGXIANG

Chairman and Managing Director
(Appointed on 22 April 2002)

As Chairman and Managing Director, Mr Guan is instrumental in developing the business and management strategies of the Group. He is responsible for the formulation of the Group's overall business strategies and policies.

Since co-founding the Group in 1996, Mr Guan has, over the years, transformed the Group's operations from a plant engaged in the manufacturing of corrugated paper packaging to 10 plants producing PET resin, PET preforms, PET bottles and corrugated paper packaging products.

With more than 30 years of experience in the corrugated paper packaging products industry, Mr Guan has developed extensive knowledge and expertise in business management and the packaging industry. Prior to founding the Group, Mr Guan managed a corrugated paper packaging products plant under a management and operation arrangement with Nan Fang Paper Industries Co. ("Nan Fang") for 5 years.

Pursuant to Bye-law 86(1), Mr Guan being the Managing Director would not be subject to retirement by rotation.

MS LIANG HUIYING

Vice-Chairman and Executive Director
(Appointed on 23 April 2002 and
re-elected on 29 April 2014)

Ms Liang Huiying is the Vice-Chairman, an Executive Director and one of the founders of the Group. She is responsible for administrative and human resources affairs of the Group. Ms Liang has more than 30 years' experience in the corrugated paper packaging products industry. Before founding the Group, Ms Liang managed a corrugated paper packaging products plant under a management and operation arrangement with Nan Fang for 5 years. Ms Liang is the wife of Mr Guan Lingxiang.

MR WANG YUNYING

Executive Director
(Appointed on 22 September 2008 and
re-elected on 29 April 2013)

Mr Wang Yunying is in charge of the Group's infrastructure and project investment. Mr Wang has extensive experience in business management and infrastructure and project investment. He joined the Group in 1996 and has been the director of several subsidiaries of the Group, he was subsequently appointed as Executive Director of the Group in 2008. Mr Wang obtained a degree in Traditional Chinese Medicine Studies from the Guangzhou University of Chinese Medicine in 1976. Prior to joining the Group, he was a Deputy General Manager at Nan Fang for 4 years.

Pursuant to Bye Law 86(1), Mr Wang has offered himself for re-election at the Company's forthcoming Annual General Meeting.

MR CHNG HEE KOK

Independent and Non-Executive Director
(Appointed on 5 May 2003 and re-elected on 29 April 2013)

Mr Chng is Managing Director of LH Group Ltd. He graduated with a Bachelor of Engineering (First Class Honours) degree from the University of Singapore in 1972 and a Master of Business Administration degree from the National University of Singapore in 1984. He was a Member of Parliament, Singapore from 1984 to 2001. He had served as CEO of Scotts Holdings Ltd, Yeo Hiap Seng Ltd, Hartawan Holdings Ltd and HG Metal Manufacturing Ltd. He was a Council Member of the Singapore Institute of Directors and had served on the board of Public Utilities Board and Sentosa Development Corporation. Mr Chng is also Director of a number of public listed companies including Pacific Century Regional Developments Ltd and Samudera Shipping Line Ltd.

MR TAN TEW HAN

Independent and Non-Executive Director
(Appointed on 5 May 2003 and re-elected on 29 April 2014)

Mr Tan Tew Han had retired from the Overseas Union Bank ("OUB") in 2001, after a distinguished banking career spanning more than 20 years during which he had also held a number of senior posts in various foreign banks. Mr Tan's early career prior to his involvement in the banking industry was spent in the Administrative Service in the Singapore Civil Service. He joined OUB in 1987 prior to the legal merger of OUB into United Overseas Bank Limited and was in charge of various portfolios, including Corporate Banking, Investment Banking and Corporate Finance. In 1999, he was promoted to the position of Executive Vice President, taking charge of Fund Management, Corporate Finance, Capital Markets/Syndications and Trustee & Custodian Services. Mr Tan retired in 2001.

Mr Tan obtained his Bachelor of Science (Honours) degree from University of Singapore in 1971 and his Master of Business Administration degree from University of British Columbia, Vancouver in 1979.

MR TAN ZHEN SHAN

Mr Tan Zhen Shan is the Financial Controller of the Group. Mr Tan joined the Group in May 2004 and is responsible for overseeing the Group's financial and accounting matters. He graduated with a Bachelor of Economics from Sun Yat-Sen University in 1998 and a Master of Commerce in Accounting with Business Law degree from University of Sydney in 2001. He is a member of Hong Kong Institute of Certified Public Accountants, a CPA member of Australian Society of Certified Practicing Accountant. Mr. Tan has more than 10 years' experience in accounting and taxation. Prior to joining the Group, he was a Senior Auditor at an accounting firm in Australia.

Corporate Information

BOARD OF DIRECTORS
Executive:
Guan Lingxiang (Chairman)
Liang Huiying
Wang Yunying

Independent and Non-Executive:
Chng Hee Kok
Tan Tew Han

AUDIT COMMITTEE
Tan Tew Han (Chairman)
Chng Hee Kok
Guan Lingxiang

NOMINATING COMMITTEE
Chng Hee Kok (Chairman)
Tan Tew Han
Guan Lingxiang

COMPENSATION COMMITTEE
Tan Tew Han (Chairman)
Chng Hee Kok
Guan Lingxiang

COMPANY SECRETARY
Gwendolin Lee Soo Fern, ACIS

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Bermuda

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Bermuda

SINGAPORE SHARE TRANSFER AGENT
B.A.C.S. Private Limited
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Singapore 089758
Tel No: (65) 6323 6200
Fax No: (65) 6323 6990

JOINT AUDITORS
BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road, Central
Hong Kong

Engagement Director:
Tsui Ka Che, Norman
(Appointed with effect from financial year ended
31 December 2012)

BDO LLP
Public Accountants and Chartered Accountants
21 Merchant Road #05-01
Singapore 058267

Engagement Partner:
Ng Kian Hui
(Appointed with effect from financial year ended
31 December 2012)

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Corporate Governance
Report

The Board of Directors (the "Board") of Full Apex (Holdings) Limited (the "Company") is committed to maintaining a high standard of corporate governance. The Board and Management have taken steps to align the governance framework with the recommendations of the 2012 Code of Corporate Governance (the "Code").

The Company is pleased to disclose below a description of its corporate governance processes and activities with specific reference to the Code. Other than the specific deviations or alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code are explained in this report, the Company has complied with the principles and guidelines of the Code.

PRINCIPLE 1: THE BOARD'S CONDUCT OF ITS AFFAIRS

Board of Directors

The Board besides discharging its fiduciary duties under the laws of Bermuda and requirements pursuant to the Listing Manual (the "SGX-ST Listing Manual") of the Singapore Exchange Securities Trading Limited ("SGT-ST") Listing Manual, meets at least 4 times a year and supervises the management of the business and affairs of the Group. The Board approves the Group's corporate and strategic direction, appointment of directors of the Company ("Directors"), key business initiatives, major funding and investment proposals, key capital expenditure decisions, reviews the financial performance of the Group and other significant matters to ensure that the Group's strategies and affairs are in the interests of the Company and its shareholders.

Other matters requiring approval of the Board include transactions with a substantial shareholder or a Director, material acquisition and disposal of assets, corporate or financial restructuring and share issuances, dividends and other returns to shareholders. All the Directors act in the interest of the Company.

The Company has in place internal guidelines which stipulate that, in addition to the matters set out above, significant or material transactions of the Group are subject to the approval of the Board.

To facilitate effective management, certain functions have been delegated to various Board committees, each of which has its own clear written terms of reference ("TOR"). The TORs are reviewed on a regular basis to ensure their continued relevance. The TORs of the respective committees have also been updated to be in line with the Code.

Management together with the Board Committees including the Audit Committee ("AC"), Nominating Committee ("NC") and Compensation Committee ("CC") support the Board in discharging its responsibilities. The roles and powers of the Board committees are set out separately in this Report. With the Company Secretary's assistance, the Board and management are kept continually apprised of their compliance obligations and responsibilities arising from regulatory requirements and changes.

The Board meets on a quarterly basis, and more frequently if required. Ad-hoc meetings are convened to deliberate urgent substantive matters. The Company's Bye-laws provide for telephonic attendance and conference via audio-visual communication at Board and Board Committee meetings. Details of the frequency of Board and Board Committee meetings held in 2014, as well as the attendance of each Board member at these meetings, are disclosed below:

Directors	Board Meetings	AC Meetings	CC Meetings	NC Meetings
Guan Lingxiang	4	4	1	1
Liang Huiying	3	N/A	N/A	N.A.
Wang Yunying	4	N/A	N/A	N.A.
Tan Tew Han	4	4	1	1
Chng Hee Kok	4	4	1	1
No. of Meetings Held in 2014	**4**	**4**	**1**	**1**

Newly appointed Directors would undergo an orientation programme whereby they are briefed by the Company Secretary on their obligations as Directors, as well as the Group's corporate governance practices, and relevant statutory and regulatory compliance issues, as appropriate. They are also briefed by Management on the Group's strategic directions and business operations/activities. The NC will recommend the newly appointed Directors to attend training in the roles and responsibilities of a listed company director if they do not have any prior experience. Where applicable, each newly appointed Director will be provided a formal letter setting out his duties, obligations and terms of appointment. During the year under review, there was no appointment of any new Director.

To keep abreast with developments in corporate, financial, legal and other compliance requirements, Directors are encouraged to attend relevant courses and seminars funded by the Company. During the year under review, the Directors have attended relevant trainings.

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

The Board comprises 5 Directors, 3 of whom are Executive Directors and 2 Independent Directors.

The NC is of the view that the current size of the Board is appropriate, taking into account the nature and scope of the Group's operations. The Board comprises members of high caliber with a wealth of knowledge and experience. Collectively, the Directors possess vast experience in business, accounting, finance and corporate matters and contribute valuable direction and insight into the Company's operations.

The NC confirms that more than one-third of the Board comprises Independent Directors.

The NC determines the independence of each Director on an annual basis adopting the definition of independence provided under the Code.

The NC also ensures that no individual or group of individuals dominate the Board's decision-making process.

For FY2014, each Independent Director had confirmed his independence in writing, in accordance with the definition in the Code.

In addition, the NC had assessed the independence of Directors whose tenure had exceeded 9 years from the date of their first appointment. In this regard, the NC noted that the following Directors would be deemed non-independent under the guidelines of the Code:

- Mr Chng Hee Kok (first appointed on 5 May 2003)
- Mr Tan Tew Han (first appointed on 5 May 2003)

The NC is of the view that in assessing the independence of the Independent Directors, one should consider the substance of their professionalism, integrity and objectivity and not merely based on the number of years which they have served on the Board. The rationale being that Independent Directors may over time develop significant insights in the Group's business and operations and can continue to provide noteworthy and valuable contribution to the Board.

The NC noted that Messrs Chng Hee Kok and Tan Tew Han have demonstrated strong independence in character and judgement over the years in discharging their duties and responsibilities as Independent Directors.

They continue to express their individual viewpoints, debate on issues, objectively scrutinize and challenge Management's proposals as well as participate actively in discussions on business activities and transactions involving conflicts of interests and other complexities.

Having considered the above and weighing the need for progressive refreshing of the Board, the NC had determined that Messrs Chng Hee Kok and Tan Tew Han's tenure had not affected their independence or ability to bring about independent and considered judgement to bear in the discharge of their duties as members of the Board.

Accordingly, the NC had recommended to the Board that they continue to be considered independent notwithstanding they have served on the Board for more than 9 years from the date of their first appointment.

None of the aforesaid Independent Directors are related to and do not have any relationship with the Company, its related corporations, its 10% shareholders, or its officers or are in any circumstances that could interfere or be reasonably perceived to interfere, with the exercise of their independent business judgement with a view to the best interests of the Company. The Board had concurred with the NC's assessment.

Each member of the NC had abstained from deliberations in respect of assessment of his own independence.

The Independent Directors participate in the development of proposals on strategy and review the performance of Management in meeting agreed goals and objectives. Their views and opinions provide Management with alternative perspectives to the Group's business. When challenging management proposals or, decisions, the Independent Directors bring independent judgment to bear on business activities and transactions involving conflicts of interest and other complexities.

Where appropriate, the Independent Directors would also meet without the presence of management and Executive Directors, to provide any feedback to the Board Chairman.

Details of the Directors' background are set out on page 10 of this Annual Report.

PRINCIPLE 3: ROLE OF CHAIRMAN AND MANAGING DIRECTOR

Mr Guan Lingxiang is both the Chairman and Managing Director of the Company. As a co-founder of the Group, Mr Guan possesses in-depth experience in the packaging industry and extensive knowledge and expertise in business management. The Board fully supports his role as Chairman and Managing Director and is of the view that having Mr Guan assume both roles has not compromised accountability and independent decision-making.

The Board is of the view that the current scale of the Group's business does not warrant a division of duties, particularly since more than one-third of the Board are made up of Independent Directors. All major decisions relating to the operations and management of the Group are jointly and collectively made by the Board after taking into account the opinions of all the Directors. As such, there is a balance of power and authority and no one individual controls or dominates the decision-making process in the Group.

The Board noted that the Code recommends the appointment of a Lead Independent Director if the Chairman and the Managing Director is the same person. The Board will consider the appointment of a Lead Independent Director, should the need arises.

The Chairman is responsible for Board processes and ensures the integrity and effectiveness of the governance process of the Board.

The Chairman is also responsible for representing the Board to shareholders, ensuring that Board meetings are held when necessary, setting the Board meeting agenda in consultation with the other Directors and Company Secretary, acting as a facilitator at Board meetings and maintaining regular dialogue with Management on all operational matters. The Chairman reviews Board papers before they are presented to the Board and ensures that Board members are provided with adequate and timely information. The Chairman also assists in ensuring compliance with the Company's corporate governance processes.

NOMINATING COMMITTEE
PRINCIPLE 4: BOARD MEMBERSHIP
PRINCIPLE 5: BOARD PERFORMANCE

The NC comprises 3 Directors, a majority of whom, including the Chairman of the NC, are independent and are not related to any substantial shareholder of the Company.

The members of the NC are as follows:

Independent Directors:
Chng Hee Kok (Chairman)
Tan Tew Han

Executive Director:
Guan Lingxiang

The NC is responsible for making recommendations to the Board on all Board appointments and re-appointments. The NC's responsibilities include the following:

(i) To review annually the independence of each Director with reference to the criteria set out in the Code;

(ii) To review all nominations for new appointments and re-appointments of Directors and put forth their recommendations for approval by the Board;

(iii) To determine whether a Director is able to and has been adequately carrying out his duties as a Director of the Company, particularly when a Director has multiple Board representations;

(iv) To review Board succession plans, in particular, for the Chairman and CEO;

(v) To assess the effectiveness of the Board as a whole and its Board Committees; and

(vi) To review training and professional development programmes for the Board.

In accordance with Bye-law 86(1) of the Company's Bye-laws, Mr Wang Yunying, an Executive Director, will retire at the forthcoming Annual General Meeting ("AGM") of the Company.

The NC had considered the attendance and participation of Mr Wang Yunying at meetings of the Board and Board Committees as well as his contribution to the proceedings and decision-making process of these meetings and their availability to the Board and Management outside of these meetings. The NC had recommended the nomination of Mr Wang Yunying for re-election at the forthcoming AGM of the Company.

The NC is aware that the recommendation for some Board Committees to comprise only Independent Directors has not been met. However, the Board is of the opinion that there is no justification to appoint an additional Independent Director given the current size, nature and scope of the Group's operations.

During the year, the NC had reviewed the multiple board representations of Directors and whether there competing time commitments were faced when Directors serve on multiple boards. The NC noted the confirmations from Director(s) who hold multiple board representations that their time/effort in carrying out their duties as Directors of the Company would not be compromised. Accordingly, the NC is of the view that it would not fix a maximum number of listed companies board representations which may be held by a Director.

The Board is of the opinion that given the current size, nature and scope of the Group's operations, the introduction of new Board members be deferred until such time the need to induct a new Board member arises.

None of the Directors have appointed any alternate Director(s).

The NC, has in place, a formal process of selection and appointment of new Directors.

The details on the Directors' directorships or chairmanships in other listed companies, directorships or chairmanship held over the preceding 3 years in other listed companies and other principal commitments are set out in the table below:

Directors	Present Directorships/Chairmanship in listed companies (as at March 2015)	Past Directorships/Chairmanship in listed companies held over the preceding three years (from March 2012 to March 2015)	Other Principal Commitments
Mr Guan Lingxiang	Full Apex (Holdings) Limited (Chairman)	Nil	Nil
Ms Liang Huiying	Full Apex (Holdings) Limited (Director)	Nil	Nil
Mr Wang Yunying	Full Apex (Holdings) Limited (Director)	Nil	Nil
Mr Chng Hee Kok	Full Apex (Holdings) Limited (Director) LH Group Limited (Managing Director) Samudera Shipping Line Ltd (Director) Pacific Century Regional Developments Limited (Director) Luxking Group Holdings Ltd (Director) Chinasing Investment Holdings Ltd (Director) China Flexible Packaging Holdings Ltd (Director)	Autovox Korea Ltd EL Corp Ltd People's Food Holdings Limited Sunray Holdings Ltd Hartawan Holdings Ltd	LH Group Limited
Mr Tan Tew Han	Full Apex (Holdings) Limited (Director) Luxking Group Holdings Limited (Director)	Nil	Nil

The Company has in place a Board performance evaluation process where the performance and effectiveness of the Board as a whole is assessed. This annual evaluation process provides an opportunity to obtain constructive feedback from each Director on whether the Board's procedures and processes had allowed Directors to discharge their duties effectively and to propose changes which may be made to enhance Board effectiveness as a whole.

An evaluation exercise was carried out in the financial year under review. The process entailed the completion of a questionnaire covering the following areas:

- Board composition
- Information provided to the Board
- Board procedures
- Board accountability
- Standards of conduct by the Board

The findings were collated and presented for discussion by the NC and the Board. Areas for improvement have been identified for action, as appropriate.

No external facilitator had been engaged by the Board for this purpose.

The NC will consider carrying out the performance evaluations of other Board committees such as the AC, NC and CC, and the individual performance evaluation of Directors, should the need arises. The Board is also of the view that a collective assessment of the Board's performance as a whole would be sufficient for the time being.

PRINCIPLE 6: ACCESS TO INFORMATION

The Company recognizes that the flow of accurate and timely information is important for the Board to be effective in the discharge of its duties. Accordingly, it endeavours to meet the information needs of the Directors, such as requests for further explanations, briefings or informal discussions on any aspect of the Company's operations or business issues.

Board members are provided with complete, adequate and timely information to enable them to understand matters tabled before Board meetings and discussions.

The Directors have separate and independent access to the Group's senior management who, together with the Company Secretary, are responsible for ensuring that Board procedures are adhered to and that applicable rules and regulation are complied with.

The Company Secretary attends and prepares minutes of all Board and Board Committee meetings. She assists the Chairman in ensuring that Board procedures are followed and regularly reviewed, to ensure effective functioning of the Board, and that the Company's Bye-laws and relevant rules and regulations, including requirements of the SGX-ST, are complied with. She also assists the Chairman and the Board in implementing and strengthening corporate governance practices and processes with a view to enhancing long-term shareholder value. She is the primary channel of communication between the Company and the SGX-ST. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

The Board seeks independent professional advice, as and when necessary, to enable it to discharge its responsibilities effectively. Subject to the approval of the Chairman, Directors, whether as a group or individually, may seek and obtain independent professional advice to assist them in their duties, at the expense of the Company. All Directors are provided with regular updates on changes in the relevant laws and regulations to enable them to make well-informed decisions and to discharge their duties responsibly.

The Board encourages its members to attend relevant external training, on the Company's expense, that would enhance their knowledge and enable them to discharge their duties more effectively.

REMUNERATION COMMITTEE
PRINCIPLE 7: PROCEDURES FOR DEVELOPMENT OF REMUNERATION POLICIES
PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION
PRINCIPLE 9: DISCLOSURE OF REMUNERATION

The CC comprises a majority of Independent Directors. The Company is of the view that the current size of the Group's business and operations does not justify the appointment of a third Non-Executive Director for the purpose of reconstituting the CC to comprise solely of Non-Executive Directors. The responsibilities of the CC are similar to that of the Remuneration Committee stipulated in the Code:

The members of the CC are as follows:

Independent Directors:
Tan Tew Han (Chairman)
Chng Hee Kok

Executive Director:
Guan Lingxiang

The duties of the CC are as follows:

(i) To review and recommend to the Board the remuneration packages and terms of employment of the Executive Directors and senior executives (those reporting directly to the Chairman) of the Group including those staff related to the Executive Directors or controlling shareholders of the Group;

(ii) To administer and recommend to the Board the grant of options in respect of the Full Apex Employee Share Option Scheme III and to do all acts necessary in connection therewith; and

(iii) To carry out its duties in a manner that it deems expedient, subject always to any regulations or restrictions that may be imposed upon the CC by the Board from time to time.

As part of its review, the CC covers all aspects of remuneration, including but not limited, to Directors' fees, salaries, allowance, bonuses, options and benefits-in-kind. The Company has a formal and transparent process, which includes seeking expert advice where necessary, for determining the Directors' fees for individual Directors.

The aim of the CC is to motivate and retain valued executives and staff and ensure that the Group is able to attract and retain the best talent in the market in order to maximise shareholders' value.

The CC ensures that the remuneration packages of staff related to Executive Directors and controlling shareholders of the Group are in line with the Group's staff remuneration guidelines and are commensurate with their respective job scopes and levels of responsibility. The CC and the Board are of the view that the remuneration of the Directors/Key Management Personnel[1] is adequate but not excessive in order to attract, retain and motivate them to run the Group successfully.

Directors' fees, which are paid only to the Independent Directors, are approved by shareholders in general meeting.

No Director is involved in the deliberation of his or her own remuneration.

Details of the Executive Directors' service contracts are disclosed in the Directors' Report on page 27 of this Annual Report.

Directors

Details in respect of Directors' remuneration of the Company for FY2014 are disclosed in the following table:

Director	Director's Fee	Fixed Salary	Other Benefits*	Variable Income/ Bonus	Provident Fund Contribution	Share-Based Payments
S$500,000 to Below S$750,000						
Guan Lingxiang	–	78%	22%	–	–	–
S$250,000 to Below S$500,000						
Liang Huiying	–	76%	24%	–	–	–
Below S$250,000						
Wang Yunying	–	100%	–	–	–	–
Tan Tew Han	100%	–	–	–	–	–
Chng Hee Kok	100%	–	–	–	–	–

* Other benefits refer to benefits-in-kind such as housing allowance, which is made available to Directors where appropriate.

In view of the sensitivity and confidentiality of remuneration matters, the Board is of the opinion that it is in the best interest of the Company not to disclose the exact remuneration of Directors and the Managing Director. Accordingly, their remuneration will only be disclosed in bands of S$250,000/-.

[1] Key Management Personnel means the CEO and/or Managing Director and other persons having authority and responsibility for planning, directing and controlling the activities of the Company.

Key Management Personnel

The remuneration of the top five Key Management Personnel of the Group for FY2014 are disclosed in the following bands:

Director	Fees	Fixed Salary	Other Benefits	Variable Income/ Bonus	Provident Fund Contribution	Share-Based Payments
Below S$250,000						
Tan Zhen Shan	–	98%	–	–	2%	–
Niu Yuguang	–	96%	–	–	4%	–
Zhu Zengang	–	100%	–	–	–	–
Zhu Meiyan	–	100%	–	–	–	–
Lang Yiping	–	100%	–	–	–	–

"Full Apex Employee Share Option Scheme I" and "Full Apex Employee Share Option Scheme III" ("Schemes") are set out in the Directors' Report on page 26 of this Annual Report.

Mr Guan Haitao, the son of Mr Guan Liangxiang, Chairman of the Company, and Ms Liang Huiying, director of the Company, is in the employ of the Company. His annual remuneration exceeded S$50,000 during the year.

In view of the sensitivity and confidentiality of remuneration matters, the Board is of the opinion that it is in the best interest of the Company not to disclose the aggregate remuneration paid to its top five Key Management Personnel (who are not Directors or the Managing Director).

AUDIT COMMITTEE
PRINCIPLE 10: ACCOUNTABILITY AND AUDIT
PRINCIPLE 11: RISK MANAGEMENT & INTERNAL CONTROLS
PRINCIPLE 12: AUDIT COMMITTEE
PRINCIPLE 13: INTERNAL AUDIT

Accountability & Audit

The Board is accountable to shareholders while Management is accountable to the Board.

The Board is responsible for providing a balanced assessment of the Company's and Group's performances, financial position, business prospects and such other reports or other price-sensitive information, when required.

Management presents to the AC the quarterly and full-year results. The AC reviews the results and recommends them to the Board for approval. The AC also considers and recommends the issuance of the Negative Assurance Confirmation Statement for quarterly and half-year results under the SGX-ST Listing Manual Rule 705(5) to the Board for approval. The Board approves the results and the Negative Assurance Confirmation Statement and authorises the release of the results, and makes disclosure of other relevant information on the Company, to the SGX-ST and the public via SGXNET as required by the SGX-ST Listing Manual.

Risk Management & Internal Controls

The Group's system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can only provide reasonable and not absolute assurance against material misstatements or loss. During the year, the AC, on behalf of the Board, had reviewed the effectiveness of the Group's material internal controls, including financial, operational and compliance controls, and risk management. The process used by the AC to review the effectiveness of the system of internal controls and risk management includes:

(i) discussions with Management on risks identified by Management;

(ii) the audit processes;

(iii) the review of internal and external audit plans; and

(iv) the review of significant issues arising from internal and external audits.

The Board acknowledges that it has oversight responsibility for the Group's system of internal controls and risk management policies.

The Board has on a quarterly basis received assurance from the Managing Director and the Financial Controller confirming that (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and (b) regarding the effectiveness of the Company's risk management and internal control systems.

Based on work performed by the internal and external auditors, reviews conducted by Management, the Board and the Board Committees as well as assurance received from Management, the AC and the Board are of the opinion that the Group's internal controls, addressing critical financial, operational and compliance risks, were adequate as at 31 December 2014.

The Board will, on a continuing basis, endeavour to further enhance and improve the Group's system of internal controls and risk management policies.

For FY2014, the Board had received written confirmation from the CEO and the Financial Controller that (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and (b) the Company's risk management and internal control systems are effective.

Audit Committee

The members of the AC are as follows:

Independent Directors:
Tan Tew Han (Chairman)
Chng Hee Kok

Executive Director:
Guan Lingxiang

The AC comprises three members, the majority of whom, including its Chairman, are independent for the purpose of Rule 704(8) of the SGX-ST Listing Manual. The Company is of the view that the current size of the Group's business and operations does not justify the appointment of a third Non-Executive Director for the purpose of reconstituting the AC to comprise solely of Non-Executive Directors. The Company will review the need to appoint an additional Independent Director when necessary.

The Board is of the view that the members of the AC are appropriately qualified, having the necessary accounting or related financial management expertise and experience to discharge their responsibilities.

The Company has adopted and complied with the principles of corporate governance under the Code in relation to the roles and responsibilities of the AC.

As a sub-committee of the Board, the AC assists the Board in discharging its responsibilities to safeguard the Company's assets, maintain adequate accounting records and develop and maintain an effective system of internal controls.

The AC had held 4 meetings with full attendance from all members during the year, to review the following:

(i) The scope of the internal audit function, internal control systems and the scope of work of the external auditors, and their recommendation of the improvement in accounting controls arising from the audit and audit reports and matters which the external auditors wish to raise;

(ii) The quarterly and full-year results announcements and the financial position of the Group before submission to the Board for approval;

(iii) The consolidated financial statements of the Group before submission to the Board and the Independent Auditors' Report on those financial statements;

(iv) The adequacy of the assistance given by the Group's officers to the external and internal auditors;

(v) The requirements for approval and disclosure of interested person transactions, and where necessary, to obtain shareholders' approval;

(vi) The adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls and risk management policies;

(vii) Non-audit services provided by the external auditors and whether the provision of such services affects their independence; and

(viii) The appointment, re-appointment and removal of external auditors for making recommendations to the Board.

In line with the recommendation of the Code, a "Whistle-Blowing Programme" has been adopted, to encourage and to provide a channel for staff of the Group to report and to raise, in good faith and in confidence, their concerns about possible improprieties in matters of financial reporting or other matters. To facilitate independent investigation of such matters and appropriate follow-up actions, all whistle blowing reports are directed to the AC via a dedicated email address. The Whistle-Blowing programme is communicated to all staff and new recruits. The Whistle-Blowing Programme had been extended to persons other than staff of the Group.

In performing its functions, the AC has:

(i) the opportunity to meet with the external auditors, without the presence of management;

(ii) explicit authority to investigate any matter within its terms of reference;

(iii) full access to and cooperation from management and has full discretion to invite any Director and executive officer to attend its meetings; and

(iv) reasonable resources to enable it to discharge its functions properly.

For the year under review, the AC had met with BDO Limited, Certified Public Accountants, Hong Kong ("BDO HK") and BDO LLP, Public Accountants and Chartered Accountants ("BDO Singapore") without the presence of Management.

Audit fees paid to BDO HK and BDO Singapore for the audit of the Group in FY2014 amounted to HK$1,300,000. There were no non-audit fees paid to BDO HK and BDO Singapore in FY2014. Accordingly the AC is satisfied that the independence and objectivity of external auditors have not been affected as confirmed by BDO HK and BDO Singapore.

The AC has recommended the Board the nomination of BDO HK and BDO Singapore for reappointment to act jointly as auditors of the Company at the forthcoming AGM and to authorise the Directors to fix their remuneration.

In the appointment of BDO HK and BDO Singapore for the Company and its subsidiaries, the Group has complied with Rules 712, 715 or 716 of the Listing Manual.

Internal Audit

The internal audit function of the Group is carried out by an internal audit team, headed by a Manager. The Internal Audit Manager reports primarily to the AC and administratively to the CEO and Managing Director.

The AC reviews and approves an audit plan for each financial year. An internal audit report is tabled for discussion, on a quarterly basis, by the Audit Committee.

The AC also meets with the Internal Audit Manager without the presence of Management to ascertain if the level co-operation and assistance rendered by Management is sufficient and if any restrictions had been placed on the work of the internal audit team.

The AC and the Board are satisfied with the adequacy of the internal audit function. The internal audit function is adequately resourced and has appropriate standing within the Group.

SHAREHOLDERS RIGHTS AND RESPONSIBILITIES SHAREHOLDERS
PRINCIPLE 14: SHAREHOLDER RIGHTS
PRINCIPLE 15: COMMUNICATION WITH SHAREHOLDERS
PRINCIPLE 16: CONDUCT OF SHAREHOLDER MEETINGS

The Company is in regular communication with shareholders. In addition to the announcement of quarterly, half-year and annual financial results, the Company ensures that timely and adequate disclosure of information on material matters are made known through the SGXNET, circulars to shareholders, press releases and in its Annual Report.

Notices of shareholders' meeting are also advertised in a newspaper in Singapore and announced through the SGXNET.

All shareholders of the Company receive the Annual Report of the Company and the Notice of AGM within the mandatory notice period. Shareholders are encouraged to participate at the Company's general meetings. The Company's Bye-laws allow a shareholder to appoint not more than two proxies to attend and vote on his/her behalf at general meetings but do not currently provide for shareholders to vote at the Company's AGMs in absentia, such as via mail, email or fax. The Board (including the Chairmen of the respective Board Committees), Management, as well as the external auditors, attend the Company's AGM to address any questions that shareholders may have.

Resolutions on each distinct issue are structured separately for independent voting at general meetings.

DEALINGS IN SECURITIES

The Company has adopted an internal compliance policy to govern conduct of securities transactions by its Directors and staff. Under this policy, Directors and the Company's staff are not allowed to deal in the Company's securities during the period commencing two weeks before the announcement of the Company's financial results for each of the first three quarters of its financial year; and one month before the announcement of the Company's full-year financial results, and ending on the date of the announcements of the relevant results. All Directors and staff of the Company who have access to price-sensitive information are required to refrain from dealing in the Company's securities at all times as provided under the Securities & Futures Act.

Staff are also discouraged from dealing in the Company's securities on short-term considerations.

The Company has complied with SGX-ST Listing Rule 1207(19).

INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy in respect of any Interested Person Transactions ("IPTs") that sets out procedures for review and approval of these transactions. For FY2014, the AC had reviewed all relevant IPTs. Save as disclosed in the Directors' Report, the Group did not enter into any other IPTs during the financial year.

MATERIAL CONTRACTS

Save as disclosed in the Directors' Report, the Group did not enter into any material contracts involving the interest of the Directors and controlling shareholders during the financial year.

Risk
Management

Dependence on a Few Key Customers

While a small number of major customers contribute a substantial portion of the total revenue of Full Apex (Holdings) Limited (the "Company") and its subsidiaries (the "Group"), the Group has developed a loyal and diverse customer base comprising a good mix of multinational corporations and local manufacturers. Given our close ties with our customers as well as our track record for quality products and services, we are confident that we will continue to secure orders from our existing customers and further broaden our customer base. With the commencement of commercial operations of our Polyethylene Terephthalate ("PET") Plant in February 2008, we have expanded our customer base to include other beverage manufacturers which are leading beverage manufacturers in the People's Republic of China ("PRC").

Fluctuations in Raw Material Prices

The main raw materials used in the production of PET resin namely Purified Terephthalic Acid and Mono-Ethylene Glycol are petroleum by-products. Hence, the prices of our raw materials are affected by fluctuations in petroleum prices. We constantly monitor the prices of raw materials and endeavour to improve the quality of our products and services at competitive pricing.

Environmental Issues

We are committed to environmental protection and the safety standards of our products. We have implemented all the necessary controls to ensure compliance with the relevant environmental and hygiene standards in the PRC. Going forward, we will continue to comply with any new environmental standards or legislation which may become applicable globally as well as in the PRC.

Fire or Other Calamity that will Disrupt Production

To prevent fire or other calamity that may disrupt production, we have implemented extensive safety measures at all our production facilities. For example, we have put in place various fire safety procedures and conducted regular drills. All our employees undergo compulsory training on basic fire safety procedures. We also maintain insurance policies covering losses in respect of damage to our property, machinery and inventory of raw materials, semi-finished and finished products.

Technology Advances in our Industry

We are committed to keeping abreast with the latest technology advancements in our industry. We periodically evaluate the advantages and feasibility of implementing new technology and introducing new products to increase our productivity and efficiency. We work closely with our customers to adopt such technological advancements in the most cost-efficient manner to meet their needs and requirements.

Competition

We believe that barriers to entry faced by our competitors are high based on the close relationships we have established with our customers and suppliers. We are also confident that the pre-existing relationships built with our customers and suppliers have created a strong bond and rapport, which competitors will not be able to replicate easily. In addition, high capital investment and extensive qualification testing periods are required to meet the stringent qualification requirements of our customers.

While we expect to see increased competition from existing competitors and possibly new market entrants in the future, we believe our increased and enhanced production capabilities will contribute significantly towards our ability to expand market share. We are going upstream and set up our PET Plant to which expand our product range from upstream PET resin to downstream PET bottles will also enhance our competitive position in the future.

Political and Legal Structure in the PRC

We believe that the PRC legal system will continue to improve so as to ensure continued foreign investments into the country. In the meantime, we will deal with any legal issue in close consultation with the relevant legislative authorities and seek their advice to ensure that the interest of the Group is protected. As the PRC undergoes economic, political and social changes, we will adapt to changes as and when appropriate.

Directors' Report

The Directors are pleased to present their report to members together with the audited financial statements of Full Apex (Holdings) Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2014.

Directors

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

Executive Directors:

Guan Lingxiang (Chairman)
Liang Huiying
Wang Yunying

Independent and Non-Executive Directors

Tan Tew Han
Chng Hee Kok

In accordance with Bye-law 86(1) of the Company's Bye-laws, Mr Wang Yunying, an Executive Director, will retire and being eligible, will offer himself for re-election at the Company's forthcoming Annual General Meeting ("AGM").

Principal activities

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacture and sale of bottle-grade Polyethylene Terephthalate ("PET") resin, PET preforms, PET bottles and corrugated paper packaging products.

An analysis of the Group's segment information for each of its business segments and geographical segments is set out in note 6 to the financial statements.

Results for the year

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of comprehensive income on page 31 of the Annual Report.

Reserves

Movements in reserves of the Group and of the Company during the year are set out in the statements of changes in equity on pages 35 and 36 of the Annual Report respectively.

Share capital and debentures

Details of the share capital are set out in note 26 to the financial statements.

During the year ended 31 December 2014, neither the Company nor any of its subsidiaries purchased any of the Company's shares. There were no sale, transfer, disposal, cancellation and/or use of treasury shares during the year.

The Group did not issue any debentures during the year and have no outstanding debentures at the end of the year.

Arrangements to enable Directors to acquire shares and debentures

Neither at the end of nor at anytime during the financial year was the Company or any of its subsidiaries a party to any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of an acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Share options" of this Directors' Report.

Directors' interests in shares and share options

According to the Register of Directors' Shareholdings, the Directors who held office at the end of the financial year and who had an interest in shares of the Company or its related corporations on 1 January 2014, 31 December 2014 and 21 January 2015 were as follows:

As at 1 January 2014 **Name of Director**	**Direct interest** **Ordinary shares of HK$0.20 each**	**Deemed interest** **in the Company**
Guan Lingxiang	168,624,650	397,546,418
Liang Huiying	99,371,250	466,799,818
Wang Yunying	10,224,791	–
Chng Hee Kok	550,000	–
Tan Tew Han	–	198,000

As at 31 December 2014 **Name of Director**	**Direct interest** **Ordinary shares of HK$0.20 each**	**Deemed interest** **in the Company**
Guan Lingxiang	168,624,650	397,546,418
Liang Huiying	99,371,250	466,799,818
Wang Yunying	10,224,791	–
Chng Hee Kok	550,000	–
Tan Tew Han	–	198,000

As at 21 January 2015 **Name of Director**	**Direct interest** **Ordinary shares of HK$0.20 each**	**Deemed interest** **in the Company**
Guan Lingxiang	168,624,650	397,546,418
Liang Huiying	99,371,250	466,799,818
Wang Yunying	10,224,791	–
Chng Hee Kok	550,000	–
Tan Tew Han	–	198,000

Note:

1. Guan Lingxiang and Liang Huiying, who are spouses, are deemed to be interested in each other's shareholdings in the Company. Guan Lingxiang and Liang Huiying are also deemed interested in all the shares registered in the name of Full Excellent Limited by virtue of their interest in Full Excellent Limited.

Share options

On 5 May 2003, shareholders of the Company approved share option schemes known as the Full Apex Employee Share Option Scheme I ("Scheme I") and Full Apex Employee Share Option Scheme III ("Scheme III"). Both schemes have been expired in 2013 and no share options were outstanding as at end of the financial year under review.

Dividends

The Directors had not recommended any dividend in respect of the financial year ended 31 December 2014.

Bad and doubtful debts

Before the financial statements of the Company and the consolidated financial statements of the Group were made out, the Directors took reasonable steps to ascertain the action taken in relation to the writing off of bad debts and provision for doubtful debts of the Group. The Directors have satisfied themselves that there are no known bad debts or doubtful debts for which adequate provisions have not been made.

As at the date of this report, the Directors are not aware of any circumstances which would render any amount written off for bad debts and provided for doubtful debts of the Group inadequate to any substantial extent.

Current assets

Before the financial statements of the Company and the consolidated financial statements of the Group were made out, the Directors took reasonable steps to ascertain that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values or that adequate provision had been made for diminution in value of such current assets.

As at the date of this report, the Directors of the Company are not aware of any circumstances which would render the value attributable to current assets in the consolidated financial statements misleading.

Charge on assets and contingent liabilities

As at the date of this report, no charge has arisen since the end of the year on the assets of the Company or any of its subsidiaries which secure the liability of any other person, nor has any contingent liability arisen since the end of the year in the Company and of its subsidiaries.

Ability to meet obligations

No contingent or other liability has become enforceable or is likely to become enforceable within a period of 12 months after the end of the year which, in the opinion of the Directors, will or may substantially affect the ability of the Company and of the Group to meet their obligations as and when they fall due.

Other circumstances affecting the financial statements

As at the date of this report, the Directors are not aware of any circumstances not otherwise dealt with either in this report or in the financial statements which would render any amounts stated in the financial statements of the Company and of the Group misleading.

Unusual items

In the opinion of the Directors of the Company, the results of the operations of the Company and of the Group have not been substantially affected by any item, transaction or event of a material and unusual nature during the financial year.

Unusual items after the end of the financial year

In the opinion of the Directors of the Company, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which would affect substantially the results of the operations of the Company and of the Group for the financial year in which this report is made.

Major customers and suppliers

In the year under review, sales to the Group's five largest customers accounted for 96% of total revenue for the year. Purchases from the Group's five largest suppliers accounted for 89% of total purchases for the year.

Directors' service contracts

The Company had entered into service agreements (the "Service Agreements") with Guan Lingxiang, Liang Huiying and Wang Yunying for an initial period of five years commencing from 1 July 2002. Their Service Agreements were renewed automatically for successive periods of one year each commencing from the next day after the expiry of the then current terms of their appointment. The Service Agreements may be terminated by not less than three months' notice in writing served by either party expiring at the end of the initial period or at any time thereafter and the Company is not required to compensate the Executive Directors for such termination in accordance with the terms of the Service Agreements.

Save as disclosed above, no Director has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

Directors' Interest in contracts of significance

Other than as disclosed in the financial statements and this report, there was no contract of significance to which the Company or its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, existing at the end of the financial year or at any time during the financial year.

Audit Committee

The nature and extent of the functions performed by the Audit Committee are described in the Annual Report under "Corporate Governance Report".

The Audit Committee has recommended the re-appointment of BDO Limited, Certified Public Accountants, Hong Kong ("BDO HK") and BDO LLP, Public Accountants and Chartered Accountants, Singapore ("BDO Singapore") to act jointly and severally as auditors of the Company at the forthcoming AGM.

Auditors

The auditors, BDO HK and BDO Singapore have expressed their willingness to accept re-appointment.

ON BEHALF OF THE BOARD

Guan Lingxiang Executive Chairman	Liang Huiying Executive Director

Hong Kong
7 April 2015

Statement by the Directors

In the opinion of the directors, the consolidated financial statements of Full Apex (Holdings) Limited (the "Company") and its subsidiaries (the "Group") set out on pages 31 to 75 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and of the results of the business of the Group, of the equity changes of the Group and of the Company and of the cash flows of the Group for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company and the Group will be able to pay its debts as and when they fall due.

ON BEHALF OF THE BOARD

Guan Lingxiang Executive Chairman	Liang Huiying Executive Director

Hong Kong
7 April 2015

Independent Joint
Auditors' Report

To the shareholders of Full Apex (Holdings) Limited
(incorporated in Bermuda with limited liability)

We have audited the financial statements of Full Apex (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 31 to 75, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2014, and the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of the 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 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 financial statements of the Group and the statement of financial position and the statement of changes in equity of the Company give a true and fair view of the financial position of the Group and of the Company as at 31 December 2014, and of the financial performance and cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards.

BDO LLP
Public Accountants and
Chartered Accountants
21 Merchant Road #05-01
Singapore 058267

7 April 2015

BDO Limited
Certified Public Accountants
25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

7 April 2015

Consolidated Statement of
Comprehensive Income

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Revenue	7	**1,090,267**	2,020,304
Cost of sales		**(1,032,704)**	(1,872,560)
Gross profit		**57,563**	147,744
Other income and gains	7	**3,376**	12,785
Selling and distribution costs		**(21,337)**	(39,174)
Administrative expenses		**(50,683)**	(54,205)
Other operating expenses		**(15,290)**	(8,596)
Finance costs	8	**(33,014)**	(41,997)
(Loss)/profit before income tax	9	**(59,385)**	16,557
Income tax expense	10	**(4,769)**	(14,969)
(Loss)/profit for the year		**(64,154)**	1,588
Other comprehensive income for the year:			
Items that may be reclassified subsequently to profit or loss:			
Exchange losses on translation of financial statements of foreign operations, net of tax amounting to RMB Nil		**–**	(740)
Total comprehensive income for the year		**(64,154)**	848
(Loss)/profit for the year attributable to:			
Owners of the Company		**(63,804)**	5,688
Non-controlling interests		**(350)**	(4,100)
		(64,154)	1,588
Total comprehensive income for the year attributable to:			
Owners of the Company		**(63,804)**	4,948
Non-controlling interests		**(350)**	(4,100)
		(64,154)	848
(Loss)/earnings per share for (loss)/profit attributable to the owners of the Company during the year (RMB cents)			
- Basic & diluted	12	**(7.26)**	0.65

Statement of
Financial Position

As at 31 December 2014

	Notes	Group 2014 RMB'000	Group 2013 RMB'000	Company 2014 RMB'000	Company 2013 RMB'000
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	13	**1,163,500**	1,154,446	**–**	–
Prepaid land lease payments	14	**87,608**	89,234	**–**	–
Interests in subsidiaries	15	**–**	–	**153,021**	151,842
Prepayments	16	**5,322**	5,494	**–**	–
		1,256,430	1,249,174	**153,021**	151,842
Current assets					
Inventories	17	**371,341**	641,886	**–**	–
Trade and bills receivables	18	**419,079**	337,662	**–**	–
Deposits, prepayments and other receivables	16	**134,211**	272,355	**115**	151
Financial assets at fair value through profit or loss	19	**36**	36	**–**	–
Amounts due from subsidiaries	15	**–**	–	**471,968**	473,668
Current tax recoverable		**1,153**	1,314	**–**	–
Amounts due from brokers		**1,335**	4,957	**–**	–
Cash and bank balances	21	**63,463**	109,416	**32**	32
		990,618	1,367,626	**472,115**	473,851
Current liabilities					
Trade and bills payables	22	**75,443**	215,001	**–**	–
Accruals, deposits received and other payables	23	**21,386**	18,876	**1,597**	1,261
Derivative financial instruments	20	**10,681**	96	**–**	–
Interest-bearing borrowings	24	**490,302**	598,198	**–**	–
Current tax liabilities		**10,829**	12,933	**–**	–
		608,641	845,104	**1,597**	1,261
Net current assets		**381,977**	522,522	**470,518**	472,590
Total assets less current liabilities		**1,638,407**	1,771,696	**623,539**	624,432
Non-current liabilities					
Interest-bearing borrowings	24	**194,958**	250,265	**–**	–
Deferred tax liabilities	25	**37,615**	36,453	**–**	–
		232,573	286,718	**–**	–
Net assets		**1,405,834**	1,484,978	**623,539**	624,432
EQUITY					
Equity attributable to the owners of the Company					
Share capital	26	**184,319**	184,319	**184,319**	184,319
Treasury shares	27	**(5,007)**	(5,007)	**(5,007)**	(5,007)
Reserves	28	**1,226,522**	1,279,582	**444,227**	445,120
		1,405,834	1,458,894	**623,539**	624,432
Non-controlling interests		**–**	26,084	**–**	–
Total equity		**1,405,834**	1,484,978	**623,539**	624,432

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Cash flows from operating activities			
(Loss)/profit before income tax		**(59,385)**	16,557
Adjustments for:			
(Gains)/ losses on disposals of property, plant and equipment	7	**(44)**	84
Interest income	7	**(697)**	(981)
Fair value losses on financial assets at fair value through profit or loss	7	**–**	13
Reversal of provision for impairment losses on trade receivables	7	**–**	(1,115)
Interest expenses	8	**33,014**	41,997
Amortisation of prepaid land lease payments	9	**1,626**	2,589
Depreciation	9	**90,607**	95,532
Write-down of inventories to net realisable value	9	**–**	5,425
Fair value losses on derivative financial instruments	9	**10,681**	96
Impairment losses on property, plant and equipment	9	**6,000**	8,500
Net foreign exchange losses arising from translation of borrowings		**–**	(4,725)
Operating profit before working capital changes		**81,802**	163,972
Decrease in inventories		**270,545**	14,246
Increase in trade and bills receivables		**(81,417)**	(221,122)
Decrease/(Increase) in deposits, prepayments and other receivables		**151,802**	(72,504)
(Decrease)/Increase in trade and bills payables		**(139,558)**	1,117
(Decrease)/Increase in accruals, deposits received and other payables		**(1,994)**	5,424
Cash generated from/(used in) operations		**281,180**	(108,867)
Income tax paid		**(5,550)**	(13,141)
Net cash generated from/(used in) operating activities		**275,630**	(122,008)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(105,692)**	(23,838)
Proceeds from disposals of property, plant and equipment		**75**	270
Bank interest received		**697**	981
Increase in margin deposits placed with brokers		**(14,973)**	(3,559)
Settlement of derivative financial instruments		**1,391**	–
Net cash used in investing activities		**(118,502)**	(26,146)

Consolidated Statement of
Cash Flows (continued)

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Cash flows from financing activities			
Decrease in pledged bank deposits		**14,480**	27,768
Proceeds from interest-bearing borrowings		**876,544**	1,630,738
Repayments of interest-bearing borrowings		**(1,041,130)**	(1,482,837)
Payments for acquisition of additional interests in subsidiaries	15	**(7,044)**	–
Interest paid		**(35,073)**	(38,458)
Net cash (used in)/ generated from financing activities		**(192,223)**	137,211
Net decrease in cash and cash equivalents		**(35,095)**	(10,943)
Cash and cash equivalents at 1 January		**91,281**	102,963
Effect of foreign exchange rate changes, net		**–**	(739)
Cash and cash equivalents at 31 December		**56,186**	91,281
Analysis of balances of cash and cash equivalents			
Amounts due from brokers		**1,335**	4,957
Cash on hand and at banks	21	**54,851**	86,324
		56,186	91,281

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Equity attributable to the owners of the Company								Non-controlling interests	Total equity
	Share capital	Treasury shares	Share premium*	Capital reserves*	Statutory reserves*	Foreign translation reserves*	Retained profits*	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(note 28)	(note 28)	(note 28)	(note 28)	(note 28)			
At 1 January 2013	184,319	(5,007)	318,742	1,492	101,161	(1,140)	854,379	1,453,946	30,184	1,484,130
Profit for the year	–	–	–	–	–	–	5,688	5,688	(4,100)	1,588
Other comprehensive income:										
Exchange losses on translation of financial statements of foreign operations, net of tax amounting to RMB Nil	–	–	–	–	–	(740)	–	(740)	–	(740)
Total comprehensive income for the year	–	–	–	–	–	(740)	5,688	4,948	(4,100)	848
Transfer to statutory reserves	–	–	–	–	4,600	–	(4,600)	–	–	–
At 31 December 2013	184,319	(5,007)	318,742	1,492	105,761	(1,880)	855,467	1,458,894	26,084	1,484,978
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(63,804)**	**(63,804)**	**(350)**	**(64,154)**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(63,804)**	**(63,804)**	**(350)**	**(64,154)**
Acquisition of additional interest in a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**10,744**	**10,744**	**(25,734)**	**(14,990)**
Transfer to statutory reserves	**–**	**–**	**–**	**–**	**1,080**	**–**	**(1,080)**	**–**	**–**	**–**
At 31 December 2014	**184,319**	**(5,007)**	**318,742**	**1,492**	**106,841**	**(1,880)**	**801,327**	**1,405,834**	**–**	**1,405,834**

* These reserve accounts comprise the consolidated reserves of approximately RMB1,231,313,000 (2013: RMB1,279,582,000) in the Group's statement of financial position.

Statement of
Changes in Equity
For the year ended 31 December 2014

	Share capital RMB'000	Treasury shares RMB'000	Share premium* RMB'000	Retained profits* RMB'000	Total equity RMB'000
			(note 28)	(note 28)	
At 1 January 2013	184,319	(5,007)	318,742	124,209	622,263
Profit for the year, representing total comprehensive income for the year	–	–	–	2,169	2,169
At 31 December 2013 and 1 January 2014	**184,319**	**(5,007)**	**318,742**	**126,378**	**624,432**
Loss for the year, representing total comprehensive income for the year	**–**	**–**	**–**	**(893)**	**(893)**
At 31 December 2014	**184,319**	**(5,007)**	**318,742**	**125,485**	**623,539**

* These reserve accounts comprise the Company's reserves of approximately RMB444,227,000 (2013: RMB445,120,000) in the Company's statement of financial position.

1. GENERAL INFORMATION

Full Apex (Holdings) Limited (the "Company") is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, and its principal place of business is Room 502, 5th Floor, The Sun's Group Centre, 200 Gloucester Road, Wanchai, Hong Kong. The Company's shares are listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST").

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the manufacture and sale of corrugated paper packaging products, polyethylene terephthalate ("PET") bottles, PET preforms and PET resin. There were no significant changes in the nature of the principal activities of the Company and its subsidiaries (the "Group") during the year. The Group's operations are principally conducted in the People's Republic of China, excluding Hong Kong and Macau (the "PRC"). Details of the principal activities of the Company's subsidiaries are set out in note 15.

The financial statements for the year ended 31 December 2014 were approved for issue by the board of directors on 7 April 2015.

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards and Interpretations approved by the International Accounting Standards Board (the "IASB"), and all applicable individual International Accounting Standards ("IASs") and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by the IASB. The financial statements also include the applicable disclosure requirements of the Listing Manual of the SGX-ST (the "Listing Manual").

The significant accounting policies that have been used in the preparation of these financial statements are summarised in note 4. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended IFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 3.

The financial statements have been prepared under the historical cost basis except for financial instruments which are measured at fair values. The financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000"), except when otherwise indicated.

It should be noted that accounting estimates and assumptions are used in the preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 5.

3. ADOPTION OF NEW OR AMENDED IFRSs

In the current year, the Group has applied for the first time all of the new standards, amendments and interpretations (the "new IFRSs") issued by the IASB and the International Financial Reporting Interpretation Committee (the "IFRIC") of the IASB, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2014.

IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities
IFRS 10, IFRS 12 and IAS 27 (Amendments)	Investment entities
IAS 36 (Amendments)	Recoverable Amount Disclosures
IAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies

Except as explained below, the adoption of the new IFRSs has no material impact on the Group's financial statements.

IAS 32 (Amendments) – Presentation – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to IAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement. The amendments are applied retrospectively.

The adoption of the amendments has no impact on these financial statements as the Group does not have any offsetting arrangements.

3. ADOPTION OF NEW OR AMENDED IFRSs (Continued)

IFRS 10, IFRS 12 and IAS 27 (Amendments) – Investment Entities

The amendments apply to a particular class of businesses that qualify as investment entities. An investment entity's business purpose is to invest funds solely for returns from capital appreciation, investment income or both. It evaluates the performance of its investments on a fair value basis. Investment entities could include private equity organisations, venture capital organisations, pension funds and investment funds.

The amendments provide an exception to the consolidation requirements in IFRS 10 Consolidated Financial Statements and require investment entities to measure particular subsidiaries at fair value through profit or loss rather than to consolidate them. The amendments also set out the disclosure requirements for investment entities. The amendments are applied retrospectively subject to certain transitional provisions.

The adoption of the amendments has no impact on these financial statements as none of the entities of the Group is an investment entity.

IAS 36 (Amendments) – Recoverable Amount Disclosures

The amendments limit the requirements to disclose the recoverable amount of an asset or cash generating unit ("CGU") to those periods in which an impairment loss has been recognised or reversed, and expand the disclosures where the recoverable amount of impaired assets or CGUs has been determined based on fair value less costs of disposal.

The adoption of the amendment had no impact on the disclosures in the financial statements of the Group.

IAS 39 (Amendments) – Novation of Derivatives and Continuation of Hedge Accounting

The amendments provide relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria. The amendments are applied retrospectively.

The adoption of the amendments has no impact on these financial statements as the Group does not apply hedge accounting.

IFRIC 21 – Levies

IFRIC 21 clarifies that an entity recognizes a liability to pay a levy imposed by government when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation has been applied retrospectively.

The adoption of IFRIC 21 has no impact on these financial statements as the interpretation is consistent with the Group's previous application of its accounting policies on provisions.

New or amended IFRSs that have been issued but are not yet effective

The Group has not early adopted the following new or amended IFRSs that have been issued but are not yet effective:

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

3. ADOPTION OF NEW OR AMENDED IFRSs (Continued)

New or amended IFRSs that have been issued but are not yet effective (Continued)

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 Effective for annual periods beginning on or after 1 January 2017
5 Effective for annual periods beginning on or after 1 January 2018

IFRS 9 – Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at FVTOCI if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at FVTPL.

IFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in IAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

IFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for derecognition of financial assets and financial liabilities.

IFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework 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 and services. IFRS 15 supersedes existing revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

IFRS 15 requires the application of a 5 steps 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 each performance obligation

Step 5: Recognise revenue when each performance obligation is satisfied

IFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under IFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

IAS 16 and IAS 38 (Amendments) – Clarification of Acceptance Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

3. ADOPTION OF NEW OR AMENDED IFRSs (Continued)

New or amended IFRSs that have been issued but are not yet effective (Continued)

IAS 19 (Amendments) – Defined Benefit Plans: Employee Contributions

The amendments permit contributions that are independent of the number of years of service to be recognised as a reduction in the service cost in the period in which the service is rendered instead of allocating the contributions to periods of service.

IAS 27 (Amendments) – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

Annual Improvements 2010-2012 Cycle, 2011-2013 Cycle and 2012-2014 Cycle

The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear. They include amendments to IAS 16 Property, Plant and Equipment to clarify how the gross carrying amount and accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to revalued amount. The accumulated depreciation may be eliminated against the gross carrying amount of the asset. Alternatively, the gross carrying amount may be adjusted in a manner consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The Group is in the process of making an assessment of the potential impact of these new or amended IFRSs and the directors of the Company (the "Directors") so far have concluded that the application of these new or amended IFRSs will have no material impact on the Group's financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (note 4.2) made up to 31 December each year.

The results of the subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains resulting from intra-group transactions and dividends are eliminated on consolidation in full. Unrealised losses resulting from intra-group transactions are also eliminated in full unless the transaction provides evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

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

Subsequent to initial recognition, the carrying amount of non-controlling interest is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

4.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.3 Foreign currency translations

The financial statements are presented in RMB, being the functional currency and presentation currency of the Company and most of its subsidiaries.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

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 and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rates at the reporting date. Income and expenses have been converted into RMB at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in the other comprehensive income and accumulated separately in the foreign translation reserves in equity.

On disposal of a foreign operation, such cumulative exchange differences are reclassified from equity to profit or loss as part of the gain or loss on disposal.

4.4 Property, plant and equipment

Buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease, and other items of property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses.

Depreciation is provided, to write off the cost, less their estimated residual values, over their estimated useful lives or lease terms, using the straight-line method, as follows:

Buildings	Over 15, 20 or 40 years
Leasehold improvements	Over 15, 20 or 40 years, or over the term of leases, whichever is shorter
Plant and machinery	Over 5, 10 or 20 years
Furniture, fixtures and office equipment	Over 3 to 5 years
Motor vehicles	Over 4 to 5 years

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Construction in progress, which represents buildings under construction and plant and equipment pending installation, is stated at cost less impairment losses, and is not depreciated. Cost comprises direct costs incurred during the periods of construction, installation and testing. Construction in progress is reclassified to the appropriate category of property, plant and equipment and depreciation commences when the construction work is completed and the asset is ready for use.

The gain or loss arising on retirement or disposal is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.5 Prepaid land lease payments

Upfront payments made to acquire land held under an operating lease are stated at costs less accumulated amortisation and any accumulated impairment losses. The determination if an arrangement is or contains a lease and the lease is an operating lease is detailed in note 4.13. Amortisation is calculated on a straight-line basis over 50 years (the term of the lease/right to use) except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

4.6 Financial assets

The Group's financial assets mainly include loans and receivables and financial assets at fair value through profit or loss.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

The Group's accounting policies for financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's policies in note 4.16.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Financial assets (Continued)

Loans and receivables (Continued)

Impairment of financial assets

At each reporting date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables, an impairment loss is recognised in profit or loss. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4.7 Derivative financial instruments

The Group entered into derivative financial instruments to manage its exposure to price fluctuation of raw materials. Derivative financial instruments, in individual contracts or separated from hybrid financial instruments, are initially recognised at fair value on the date the derivative contract is entered into and subsequently remeasured at fair value. Derivatives that are not designated as hedging instruments are accounted for as financial assets or financial liabilities at fair value through profit or loss. Gains or losses arising from changes in fair value are taken directly to profit or loss for the year. The Group has not designated any of its derivatives as hedging instruments in the current or previous financial year.

4.8 Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in equity.

4.9 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average basis, and in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

4.10 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of consolidated statement of cash flows presentation, cash and cash equivalents also include amounts due from brokers which are repayable on demand and form an integral part of the Group's cash management.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives are classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Financial liabilities at amortised cost

The Group's financial liabilities at amortised cost include trade, bills and other payables, accruals and interest-bearing borrowings. They are included in line items in the statements of financial position as trade and bills payables, accruals, deposits received and other payables and interest-bearing borrowings under current or non-current liabilities.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see note 4.19).

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value, net of transaction costs incurred. They are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Interest-bearing borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Trade, bills and other payables and accruals

Trade, bills and other payables and accruals are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method.

4.12 Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Company issues a financial guarantee to its subsidiaries, the fair value of the guarantee is initially recognised as deferred income within other payables. Where no consideration is received or receivable from its subsidiaries, such fair value is recognised in interests in subsidiaries on initial recognition of any deferred income.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.12 Financial guarantees issued (Continued)

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

4.13 Leases

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

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

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

4.14 Provisions, contingent liabilities and contingent assets

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

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

4.15 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

4.16 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and the use by others of the Group's assets yielding interest and dividends, net of discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

(a) Sale of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods;

(b) Interest income is recognised on a time-proportion basis on the principal outstanding at the applicable interest rate; and

(c) Dividend income is recognised when the right to receive the dividend is established.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.17 Impairment of non-financial assets

Property, plant and equipment and prepaid land lease payments of the Group and the Company's interests in subsidiaries are subject to impairment testing at each reporting date. They are tested for impairment whenever there are indications that the assets' carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimate future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment losses recognised for cash-generating units are charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4.18 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through a defined contribution plan.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries.

The employees of the Company's subsidiaries operating in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme.

Contributions are recognised as an expense in profit or loss as employees render the services during the year. The Group's obligations under these plans is limited to the fixed percentage contributions payable.

Short-term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.19 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

4.20 Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

4.21 Accounting for income taxes

Income taxes for the year comprise current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on interests 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 is calculated, without discounting, at the tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly to equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) the Group intends either to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.21 Accounting for income taxes (Continued)

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entity; or

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

4.22 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product lines.

The measurement policies of the Group uses for reporting segment results under IFRS 8 are the same as those used in its financial statements prepared under IFRSs, except that bank interest income, fair value changes on financial assets at fair value through profit or loss, fair value changes on derivative financial instruments, finance costs, income tax expense and corporate income and expenses which are not directly attributable to the business activities of any operating segment are not included in arriving at the operating results of the operating segment.

Segment assets exclude corporate assets which are not directly attributable to the business activities of any operating segment and are not allocated to a segment, which primarily applies to the Group's headquarter.

Segment liabilities exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment. These include interest-bearing borrowings and current and deferred tax liabilities.

4.23 Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.23 Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions apply: (Continued)

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

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

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

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

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

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management will reassess the estimates at each reporting date. The carrying amount of the Group's inventories is disclosed in note 17.

(b) Depreciation

The Group depreciates property, plant and equipment over the estimated useful life, and after taking into account of their estimated residual value, using the straight-line method, from 3 years to 40 years, commencing from the date on which the assets are available for use. The estimated useful life reflects the management's estimations of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The carrying amount of the Group's property, plant and equipment is disclosed in note 13.

(c) Provision for impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of these assets have been determined based on value-in-use calculations or fair value less cost to sell calculations. These calculations and valuation require the use of judgements and estimates. The carrying amount of the Group's property, plant and equipment is disclosed in note 13.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

5.1 Critical accounting estimates and assumptions (Continued)

(d) Provision for impairment of receivables

The policy for the provision for impairment of receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional provision for impairment may be required. The carrying amounts of the Group's trade and other receivables are disclosed in notes 18 and 16 respectively.

(e) Income tax

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the amount of the provision for tax and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises taxes based on estimates of the likely outcome with reference to current tax laws and practices. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of current tax recoverable, current tax liabilities and deferred tax liabilities as at 31 December 2014 are approximately RMB1,153,000 (2013: RMB1,314,000), RMB10,829,000 (2013: RMB12,933,000) and RMB37,615,000 (2013: RMB36,453,000), respectively.

(f) Deferred tax

Deferred tax assets relating to certain temporary differences and tax losses will be recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation in the periods in which such estimate is changed. The carrying amount of the Group's deferred tax liabilities is disclosed in note 25.

6. SEGMENT INFORMATION

The Group has identified the following reportable segments:

Paper packaging products - manufacture and distribution of corrugated paper packaging products such as cartons and die-cut boxes;

PET preforms and PET bottles - manufacture and distribution of PET preforms and PET bottles; and

PET resin - manufacture and distribution of bottle grade PET resin.

Each of the operating segments is managed separately as each of the product lines requires different resources as well as marketing approaches. The executive directors, who are also the chief operating decision makers for the purpose of resources allocation and assessment of performance, regularly review revenue, gross profit margin and operating results of each operating segment.

There have been no changes since prior periods in the measurement methods used to determine reported segment profit or loss. No asymmetrical allocations have been applied to reportable segments.

During the years ended 31 December 2014 and 2013, all inter-segment sales are priced with reference to prices charged to external parties for similar order.

6. SEGMENT INFORMATION (Continued)

Information regarding the Group's reportable segments as provided to the Group's executive directors is set out below:

	2014				
	Paper packaging products	PET preforms and PET bottles	PET resin	Eliminations	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	18,774	249,101	822,392	–	1,090,267
Other income	257	675	1,747	–	2,679
Intersegment sales	–		79,957	(79,957)	–
Reportable segment revenue	19,031	249,776	904,096	(79,957)	1,092,946
Reportable segment results	(7,727)	20,784	(21,103)	2,600	(5,446)
Depreciation and amortisation	1,590	39,783	50,780	–	92,153
Impairment losses on property, plant and equipment	6,000	–	–	–	6,000
Reportable segment assets	18,020	404,714	1,734,691	–	2,157,425
Corporate assets:					
Financial assets					
- Financial assets at fair value through profit or loss					36
- Amounts due from brokers					1,335
- Cash and bank balances					63,463
Non-financial assets					24,789
Consolidated total assets					2,247,048
Additions to non-current segment assets	–	44,757	60,935	–	105,692
Reportable segment liabilities	839	23,096	71,712	–	95,647
Corporate liabilities:					
Financial liabilities					697,123
Non-financial liabilities					
- Current tax liabilities					10,829
- Deferred tax liabilities					37,615
Consolidated total liabilities					841,214

6. SEGMENT INFORMATION (Continued)

	2013				
	Paper packaging products RMB'000	PET preforms and PET bottles RMB'000	PET resin RMB'000	Eliminations RMB'000	Group RMB'000
Revenue from external customers	24,147	371,837	1,624,320	–	2,020,304
Other income	866	1,170	4,546	–	6,582
Intersegment sales	–	–	145,966	(145,966)	–
Reportable segment revenue	25,013	373,007	1,774,832	(145,966)	2,026,886
Reportable segment results	(6,498)	47,095	15,677	920	57,194
Depreciation and amortisation	1,842	43,040	52,455	–	97,337
Impairment losses on property, plant and equipment	3,900	4,600	–	–	8,500
Reversal of provision for impairment losses on trade receivables	(485)	(630)	–	–	(1,115)
Write-down of inventories to net realisable value	425	–	5,000	–	5,425
Reportable segment assets	26,721	437,141	2,028,480	–	2,492,342
Corporate assets:					
Financial assets					
- Financial assets at fair value through profit or loss					36
- Amounts due from brokers					4,957
- Cash and bank balances					109,416
Non-financial assets					10,049
Consolidated total assets					2,616,800
Additions to non-current segment assets	233	13,355	10,250	–	23,838
Reportable segment liabilities	1,692	2,565	227,034	–	231,291
Corporate liabilities:					
Financial liabilities					851,145
Non-financial liabilities					
- Current tax liabilities					12,933
- Deferred tax liabilities					36,453
Consolidated total liabilities					1,131,822

6. SEGMENT INFORMATION (Continued)

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

	2014 RMB'000	2013 RMB'000
Reportable segment (loss)/profit	**(5,446)**	57,194
Interest income from banks	**697**	981
Fair value losses on financial assets at fair value through profit or loss	**–**	(13)
Fair value losses on derivative financial instruments	**(9,290)**	(96)
Unallocated corporate income	**–**	5,235
Unallocated corporate expenses	**(12,332)**	(4,747)
Finance costs	**(33,014)**	(41,997)
(Loss)/profit before income tax	**(59,385)**	16,557

The Group's segment revenue from external customers and its non-current assets are mainly generated and located in a single geographical region, the PRC which is the Company's country of domicile.

During the year, sales to the Group's five largest customers accounted for 96% (2013: 97%) of total revenue for the year. The largest two customers contributed 45% (2013: 39%) and 27% (2013: 35%) to the Group's revenue on PET resin segment respectively. While the third largest customer contributed 23% (2013: 18%) to the Group's revenue on PET preforms and PET bottles segment.

At the reporting date, 96% (2013: 97%) of the Group's trade receivables was due from these customers.

7. REVENUE, OTHER INCOME AND GAINS

Revenue from the Group's principal activities and other income and gains recognised during the year are as follows:

	2014 RMB'000	2013 RMB'000
Revenue		
Sale of goods	**1,090,267**	2,020,304
Other income and gains		
Other income		
Interest income from banks	**697**	981
Reversal of provision for impairment losses on trade receivables	**–**	1,115
Sale of scrap products	**2,635**	5,276
Others	**–**	275
	3,332	7,647
Gains		
Fair value losses on financial assets at fair value through profit or loss, net	**–**	(13)
Gain/ (losses) on disposals of property, plant and equipment, net	**44**	(84)
Foreign exchange gains, net	**–**	5,235
	44	5,138
	3,376	12,785

8. FINANCE COSTS

	2014 RMB'000	2013 RMB'000
Interest charges on interest-bearing borrowings stated at amortised cost	**33,014**	41,997

9. (LOSS)/PROFIT BEFORE INCOME TAX

	2014 RMB'000	2013 RMB'000
Profit before income tax is arrived at after charging:		
Amortisation of prepaid land lease payments *	**1,626**	2,589
Auditors' remuneration:		
Audit service	**1,027**	1,034
Non-audit service	**–**	–
	1,027	1,034
Cost of inventories recognised as expense	**1,032,704**	1,872,560
Write-down of inventories to net realisable value #	**–**	5,425
Depreciation *	**90,607**	95,532
Directors' fees	**613**	619
Fair value losses on derivative financial instruments **	**9,290**	96
Impairment losses on property, plant and equipment **	**6,000**	8,500
Minimum lease payments under operating leases recognised as an expense:		
Land and buildings	**2,413**	2,556
Motor vehicles	**477**	593
Foreign exchange losses, net	**1,529**	–
Staff costs (including Directors' remuneration):		
Salaries, wages and staff welfare	**31,640**	35,506
Retirement scheme contributions	**3,325**	3,542
Total staff costs	**34,965**	39,048

* Included in cost of sales and administrative expenses.

** Included in other operating expenses.

\# Included in cost of sales.

10. INCOME TAX EXPENSE

	2014 RMB'000	2013 RMB'000
Current tax on PRC corporate income tax		
Charge for the year	**3,607**	12,111
Deferred tax (note 25)		
Charge for the year	**1,162**	2,858
	4,769	14,969

In accordance with the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises and various approval documents issued by the Tax Bureau of the PRC, the Company's subsidiaries which operate in the PRC are subject to applicable tax rates at 25% (2013: 25%).

Reconciliation between income tax expense and accounting profit at applicable tax rates:

	2014 RMB'000	2013 RMB'000
(Loss)/profit before income tax	**(59,385)**	16,557
Tax on (loss)/profit before taxation, calculated at the rates applicable to (loss)/profits in the tax jurisdiction concerned	**(12,464)**	5,472
Tax effect of non-taxable income	**(1,593)**	(1,006)
Tax effect of non-deductible expenses	**13,825**	6,243
Tax effect of unutilised tax losses not recognised	**5,001**	5,823
Utilisation of tax losses previously not recognised	**–**	(1,563)
Income tax expense	**4,769**	14,969

11. DIVIDENDS

The Directors did not recommend the payment of dividend for the years ended 31 December 2014 and 2013.

12. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss attributable to the owners of the Company of approximately RMB63,804,000 (2013: profit of approximately RMB5,688,000) and on 879,340,752 (2013: 879,340,752) ordinary shares in issue during the year.

Diluted (loss)/earnings per share for the years ended 31 December 2014 and 2013 was not presented because there were no dilutive potential ordinary shares in existence during the years.

13. PROPERTY, PLANT AND EQUIPMENT - GROUP

	Buildings and leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2013						
Cost	356,435	1,530,514	2,710	12,605	2,144	1,904,408
Accumulated depreciation	(99,932)	(558,936)	(2,117)	(8,428)	–	(669,413)
Net carrying amount	256,503	971,578	593	4,177	2,144	1,234,995
Year ended 31 December 2013						
Opening net carrying amount	256,503	971,578	593	4,177	2,144	1,234,995
Additions	115	23,665	58	–	–	23,838
Disposals	–	–	–	(354)	–	(354)
Exchange differences	–	–	(1)	–	–	(1)
Depreciation	(14,321)	(80,003)	(88)	(1,120)	–	(95,532)
Impairment loss	–	(8,500)	–	–	–	(8,500)
Closing net carrying amount	242,297	906,740	562	2,703	2,144	1,154,446
At 31 December 2013 and 1 January 2014						
Cost	**356,550**	**1,554,179**	**2,764**	**11,732**	**2,144**	**1,927,369**
Accumulated impairment	**–**	**(8,500)**	**–**	**–**	**–**	**(8,500)**
Accumulated depreciation	**(114,253)**	**(638,939)**	**(2,202)**	**(9,029)**	**–**	**(764,423)**
Net carrying amount	**242,297**	**906,740**	**562**	**2,703**	**2,144**	**1,154,446**
Year ended 31 December 2014						
Opening net carrying amount	**242,297**	**906,740**	**562**	**2,703**	**2,144**	**1,154,446**
Additions	**23**	**105,432**	**17**	**–**	**220**	**105,692**
Disposals	**–**	**–**	**–**	**(31)**	**–**	**(31)**
Depreciation	**(14,323)**	**(75,463)**	**(89)**	**(732)**	**–**	**(90,607)**
Impairment loss	**–**	**(6,000)**	**–**	**–**	**–**	**(6,000)**
Closing net carrying amount	**227,997**	**930,709**	**490**	**1,940**	**2,364**	**1,163,500**
At 31 December 2014						
Cost	**356,573**	**1,659,611**	**2,781**	**11,548**	**2,364**	**2,032,877**
Accumulated impairment	**–**	**(14,500)**	**–**	**–**	**–**	**(14,500)**
Accumulated depreciation	**(128,576)**	**(714,402)**	**(2,291)**	**(9,608)**	**–**	**(854,877)**
Net carrying amount	**227,997**	**930,709**	**490**	**1,940**	**2,364**	**1,163,500**

At the reporting date, the building ownership certificates of certain buildings with net carrying amount of approximately RMB172,247,000 (2013: RMB179,329,000) have not yet been obtained due to delay in completion of certain formal procedures. The respective land use rights certificates of these buildings have already been obtained and included in prepaid land lease payments (note 14). In the opinion of the PRC legal advisors of the Group, the Group is entitled to obtain the building ownership certificates without legal impediment.

13. PROPERTY, PLANT AND EQUIPMENT – GROUP (Continued)

In 2014, impairment loss of RMB6,000,000 (2013: RMB3,900,000) represented the write-down of certain property, plant and equipment in the paper packaging products segment to the recoverable amount as a result of recurring loss in the segment. This was recognised in the consolidated statement of comprehensive income as other operating expenses. The recoverable amount of RMB11,562,000 (2013: RMB12,068,000) as at 31 December 2014 was based on value in use and was determined at the level of the CGU. The CGU consisted of Nanhai Huaxiang Packing Co., Ltd. ("NHP"), a subsidiary. In determining value in use for the CGU, the cash flows were discounted at a rate of 9.7% (2013: 4.9%) on a pre-tax basis.

In 2013 certain machineries relating to PET preforms and PET bottles segment were idle. The recoverable amounts are based on the fair value less cost of disposal of those machineries by reference to the price offered in a second-hand market. An impairment loss of approximately RMB4,600,000 was recognised in the consolidated statement of comprehensive income as other operating expenses to write down the carrying amount of the machineries.

14. PREPAID LAND LEASE PAYMENTS - GROUP

	2014 **RMB'000**	2013 RMB'000
At 1 January		
Cost	**113,078**	113,078
Accumulated amortisation	**(23,844)**	(21,255)
Net carrying amount	**89,234**	91,823
Opening net carrying amount	**89,234**	91,823
Amortisation for the year	**(1,626)**	(2,589)
Closing net carrying amount	**87,608**	89,234
At 31 December		
Cost	**113,078**	113,078
Accumulated amortisation	**(25,470)**	(23,844)
Net carrying amount	**87,608**	89,234

15. INTERESTS IN AND AMOUNTS DUE FROM SUBSIDIARIES – COMPANY

Interests in subsidiaries

	2014 **RMB'000**	2013 RMB'000
Unlisted investments, at cost	**127,677**	127,677
Financial guarantees granted to subsidiaries (note 31)	**25,344**	24,165
	153,021	151,842

15. INTERESTS IN AND AMOUNTS DUE FROM SUBSIDIARIES - COMPANY (Continued)

Interests in subsidiaries (Continued)

Particulars of the subsidiaries at 31 December 2014 and 2013 are as follows:

Name	Date and place of incorporation/ establishment	Nominal value of paid-up share/ registered capital	Percentage of equity interest attributable to the Company	Place of operation and principal activities
Directly held				
Patum Manufacturing Limited	2 June 1993 British Virgin Islands ("BVI")	United States dollar ("US$")1,200	100	Investment holding in Hong Kong
Indirectly held				
Full Apex International Limited	24 October 1995 Hong Kong	Hong Kong dollar ("HK$") 10,010	100	Investment holding and trading of PET resin in Hong Kong
Superior International Investment Limited	8 November 1999 Hong Kong	HK$10,010	100	Investment holding in Hong Kong
Hi-profit Investment Limited	8 December 2003 BVI	US$1	100	Investment holding in Hong Kong
Tin Tat Investment Company Limited	3 June 2004 BVI	US$1	100	Investment holding in Hong Kong
Jetzen Investment Limited	8 April 2003 BVI	US$1	100	Investment holding in Hong Kong
Favour Development Limited	3 March 2010 BVI	US$150	100	Investment holding in Hong Kong
Cheerful Gold Limited	11 June 2004 BVI	US$1	100	Investment holding in Hong Kong
Great Return Business Limited	28 October 2003 BVI	US$1	100	Investment holding in Hong Kong
Speedy Harvest International Limited	19 August 2004 BVI	US$1	100	Investment holding in Hong Kong
Pan-Asia PET Resin (Guangzhou) Co., Ltd. ("PAPR") [1]	22 November 2004 PRC	US$30,000,000	100	Manufacture of PET preforms and manufacture and sale of PET resin in the PRC
Nanhai Huaxiang Packing Co., Ltd. ("NHP")	18 November 1996 PRC	US$3,100,000	100	Manufacture and sale of corrugated paper packaging products in the PRC
Chengdu Full Apex Packing Vessel Co., Ltd. ("CFA") [3]	22 December 1999 PRC	HK$21,500,000	100	Dormant
Guangzhou Full Apex Packing Co., Ltd. ("GFA") [4]	29 June 2000 PRC	US$9,800,000	100	Manufacture of PET preforms in the PRC
Qingdao Full Apex Packing Vessel Co., Ltd. ("QFA") [5]	28 December 1995 PRC	US$12,500,000	100 (2013: 70%)	Manufacture of PET preforms in the PRC

15. INTERESTS IN AND AMOUNTS DUE FROM SUBSIDIARIES - COMPANY (Continued)

Interests in subsidiaries (Continued)

Particulars of the subsidiaries at 31 December 2014 and 2013 are as follows: (Continued)

Name	Date and place of incorporation/ establishment	Nominal value of paid-up share/ registered capital	Percentage of equity interest attributable to the Company	Place of operation and principal activities
Indirectly held (Continued)				
Tianjin Full Apex Vessel Co., Ltd. ("TFA") [6]	5 April 2004 PRC	US$5,100,000	100	Manufacture and sale of PET bottles in the PRC
Shenzhen Full Apex Vessel Co., Ltd. ("SFA") [7]	10 January 2005 PRC	US$3,860,928	100	Manufacture and sale of PET bottles in the PRC
Jiedong Full Apex Vessel Co., Ltd. ("JFA") [8]	9 March 2005 PRC	US$3,380,000	100	Manufacture and sale of PET bottles in the PRC
Zhanjiang Full Apex Vessel Co., Ltd. ("ZFA") [9]	3 November 2004 PRC	US$3,380,000	100	Manufacture and sale of PET bottles in the PRC
Hangzhou Full Apex Vessel Co., Ltd. ("HFA") [10]	25 April 2007 PRC	US$3,870,000	100	Manufacture and sale of PET bottles in the PRC
Jetzen Plastic (Guangzhou) Co., Ltd. ("JPG") [11]	20 September 2010 PRC	US$23,800,000	100	Manufacture and sale of PET preforms in the PRC
Key City Holdings Limited	19 August 2004 BVI	US$1	100	Dormant
Ultra Return Limited	28 January 2004 BVI	US$1	100	Dormant

1 PAPR is a wholly-owned foreign enterprise with an operating period of 50 years commencing from 22 November 2004.

2 NHP is a wholly-owned foreign enterprise with an operating period of 45 years commencing from 18 November 1996.

3 CFA is a wholly-owned foreign enterprise and in process of de-registration.

4 GFA is a wholly-owned foreign enterprise with an operating period of 50 years commencing from 29 June 2000.

5 QFA is a wholly-owned foreign enterprise with an operating period of 50 years commencing from 28 December 1995.

6 TFA is a wholly-owned foreign enterprise with an operating period of 50 years commencing from 5 April 2004.

7 SFA is a wholly-owned foreign enterprise with an operating period of 50 years commencing from 10 January 2005.

8 JFA is a wholly-owned foreign enterprise with an operating period of 50 years commencing from 9 March 2005.

9 ZFA is a wholly-owned foreign enterprise with an operating period of 50 years commencing from 3 November 2004.

10 HFA is a wholly-owned foreign enterprise with an operating period of 50 years commencing from 25 April 2007.

11 JPG is a wholly-owned foreign enterprise with an operating period of 50 years commencing from 20 September 2010.

The financial statements of the above subsidiaries have been audited by BDO Limited, Certified Public Accountants, Hong Kong, for statutory purpose and/or the purpose of the Group's consolidation.

15. INTERESTS IN AND AMOUNTS DUE FROM SUBSIDIARIES - COMPANY (Continued)

During the year ended 31 December 2014, the Group acquired the remaining 30% of interests in QFA from non-controlling interest, increasing its continuing interests from 70% to 100%. The net cash consideration for the acquisition amounted to RMB14,990,000. Cash payment of approximately RMB7,044,000 has been made during the year and the remaining amount of approximately RMB7,946,000 has been included in other payables as at 31 December 2014 (note 23). An amount of approximately RMB25,734,000 (being the proportionate share of the carrying amount of the net assets of QFA) had been transferred from non-controlling interests. The difference of approximately RMB10,744,000 between the decrease in the non-controlling interests and the consideration had been credited to the Group's retained profits.

As at 31 December 2013, a 70% owned subsidiary of the Company, had material non-controlling interests. Summarised financial information in relation to the non-controlling interests of QFA, before intra-group eliminations, is presented below:

	2013 RMB'000
For the year ended 31 December	
Revenue	34,514
Loss for the year, representing total comprehensive income for the year	(13,820)
Loss allocated to NCI	(4,100)
For the year ended 31 December	
Cash generated from operating activities	616
Cash used in investing activities	(27)
Net cash inflows	589
As at 31 December	
Non-current assets	17,274
Current assets	69,852
Current liabilities	(327)
Net assets	86,799
Accumulated non-controlling interests	26,084

Amounts due from subsidiaries

Amounts due from subsidiaries are interest-free, unsecured, repayable on demand and to be settled in cash.

As disclosed in notes 21and 28, the Group's pledged bank deposits and bank balances placed with banks in the PRC are not freely convertible into foreign currencies, and the Group's PRC subsidiaries are required to contribute to and maintain non–distributable statutory reserves fund. The Group has to obtain approval by the relevant PRC authorities before transfer those bank balances outside the PRC or utilisation of the statutory reserves fund.

16. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES - GROUP AND COMPANY

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deposits for raw materials	**84,899**	233,207	**–**	–
Margin deposits *	**18,436**	3,559	**–**	–
Other deposits	**176**	176	**–**	–
Prepayments	**6,179**	6,405	**115**	151
Other receivables	**29,843**	34,502	**–**	–
Total	**139,533**	277,849	**115**	151
Less: Prepayments for rent	**(5,322)**	(5,494)	**–**	–
Non-current portion	**(5,322)**	(5,494)	**–**	–
Current portion	**134,211**	272,355	**115**	151

* Amount of RMB18,436,000 (2013: RMB3,559,000) represents gross initial deposit placed with brokers for the trading of derivative financial instruments.

Deposits, prepayments and other receivables of the Group and the Company do not contain impaired assets and their carrying amounts approximate their fair values.

17. INVENTORIES - GROUP

	2014	2013
	RMB'000	RMB'000
Raw materials	**155,351**	206,349
Work in progress	**51,399**	171,794
Finished goods	**164,591**	263,743
	371,341	641,886

As at 31 December 2014, inventories with carrying amount of approximately RMB 371,341,000 was stated at cost.

As at 31 December 2013, inventories with carrying amount of approximately RMB 641,886,000 was stated at net realisable value.

18. TRADE AND BILLS RECEIVABLES - GROUP

	2014	2013
	RMB'000	RMB'000
Trade receivables, gross	**55,543**	113,027
Less: Provision for impairment losses	**–**	–
Trade receivables, net	**55,543**	113,027
Bills receivables	**363,536**	224,635
	419,079	337,662

Trade receivables generally have 14 to 60 (2013: 14 to 60) days credit terms and no interest is charged.

18. TRADE AND BILLS RECEIVABLES – GROUP (Continued)

Bills receivables have 90 to 180 (2013: 90 to 180) days credit terms and no interest is charged.

The Directors consider that the fair values of trade and bills receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods at their inception.

The movement in the provision for trade receivables is as follows:

	2014 RMB'000	2013 RMB'000
At 1 January	–	1,115
Impairment losses reversed during the year	–	(1,115)
At 31 December	–	–

At each reporting date, the Group reviews receivables for evidence of impairment on both an individual and collective basis.

The Group did not hold any collateral as security or other credit enhancements over the impaired trade receivables, whether determined on an individual or collective basis. As at 31 December 2014, the Group determined nil trade receivables as individual impaired (2013: Nil). The impaired trade receivables were due from customers experiencing financial difficulties that were in default or delinquent on payment.

At 31 December 2014, ageing analysis of trade and bills receivables that are not impaired is as follows:

	2014 RMB'000	2013 RMB'000
Neither past due nor impaired	418,682	337,050
Less than 1 month past due	110	507
1 to 3 months past due	287	105
	419,079	337,662

Trade and bills receivables that were neither past due nor impaired related to certain customers for whom there were no recent history of default.

Trade receivables that were past due but not impaired related to certain customers that has a good track record with the Group. Based on past credit history, management believes that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group does not hold any collateral in respect of trade receivables past due but not impaired.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - GROUP

	2014 RMB'000	2013 RMB'000
At 1 January	36	49
Fair value losses	–	(13)
Exchange differences	–	–
At 31 December	36	36

The above financial assets represent investments in equity securities listed in Hong Kong which are classified as held for trading and are subject to financial risk exposure in terms of price risk. All listed equity investments are denominated in HK$.

The fair value of the above financial assets has been determined by reference to their quoted bid prices at the reporting date.

20. DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses commodity future contracts to mitigate the exposure against price fluctuations of raw materials. The commodity future contracts are stated at fair value. During the year, net fair value losses of approximately RMB9,290,000 (2013: RMB96,000) were recognised and included in "other operating expenses" in the consolidated statement of comprehensive income, which included realised gain of RMB1,391,000 (2013: Nil) and unrealised loss of RMB10,681,000 (2013: RMB96,000). As at 31 December 2014, the notional principal amount of the outstanding commodity future contracts amounted to approximately RMB110,789,000 (2013: RMB38,481,000).

Derivative financial instruments contracts entered by the Group are traded on active markets. Fair values have been determined by reference to their quoted bid prices at the reporting date. All commodity future contracts are denominated in RMB.

21. CASH AND BANK BALANCES – GROUP AND COMPANY

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Pledged bank deposits	**8,612**	23,092	**–**	–
Cash on hand and at banks	**54,851**	86,324	**32**	32
	63,463	109,416	**32**	32

Pledged bank deposits and cash at banks earn interest at floating rates based on daily bank deposit rates. The pledged bank deposits are held in dedicated bank accounts under the name of certain subsidiaries for the issuance of bills payables to suppliers.

As at 31 December 2014, the average effective interest rate of pledged bank deposits is 2.35% (2013: 2.68%) per annum. They have a maturity of 90 to 180 days (2013: 90 to 180) days.

As at 31 December 2014, the Group had pledged bank deposits and bank balances denominated in RMB of approximately RMB60,480,000 (2013: RMB100,839,000) placed with banks in the PRC. RMB is not freely convertible into foreign currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

22. TRADE AND BILLS PAYABLES - GROUP

	2014	2013
	RMB'000	RMB'000
Trade payables	**3,083**	5,326
Bills payables	**72,360**	209,675
	75,443	215,001

Trade payables and bills payables are non-interest-bearing and are normally settled on 30 (2013: 30) days and 90 to 180 (2013: 90 to 180) days credit terms respectively.

As at 31 December 2014 and 2013, the bills payables are secured by the pledged bank deposits of the Group and/or guarantees executed by the Company and/or certain subsidiaries.

All amounts are to be settled within 12 months and hence the carrying amounts of trade and bills payables are considered to be a reasonable approximation of their fair values.

23. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES - GROUP AND COMPANY

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Accruals	**8,052**	14,132	**–**	402
Deposits received	**1,417**	488	**–**	–
Fair value of financial guarantee contract	**–**	–	**1,581**	859
Other payables	**11,917**	4,256	**16**	–
	21,386	18,876	**1,597**	1,261

As at 31 December 2014, amount of RMB7,946,000 included in the other payables represents the remaining balance of the net cash consideration for the acquisition of 30% interests in QFA.

All amounts are to be settled within 12 months and hence the carrying amounts of accruals and other payables are considered to be a reasonable approximation of their fair values.

24. INTEREST-BEARING BORROWINGS - GROUP

	Notes	**2014** RMB'000	2013 RMB'000
Current:			
Syndicated loans	(a)	**55,307**	26,962
Other bank loans	(b)	**229,940**	261,280
Trust receipt loans	(c)	**205,055**	309,956
		490,302	598,198
Non-current:			
Syndicated loans	(a)	**194,958**	250,265
Total borrowings		**685,260**	848,463

Notes:

(a) The syndicated loans of the Group are supported by corporate guarantee executed by the Company and certain subsidiaries and are subject to compliance of certain financial covenants of the Group on a quarterly basis.

As at 31 December 2014, the balances of US$41,400,000 are repayable in four equal instalments of US$4,600,000 due on 20 June 2015, 20 December 2015, 20 June 2016 and 20 December 2016 respectively and a final instalment of US$23,000,000 due on 20 June 2017.

As at 31 December 2013, the balances of US$46,000,000 were repayable in five equal instalments of US$4,600,000 due on 20 December 2014, 20 June 2015, 20 December 2015, 20 June 2016 and 20 December 2016 respectively and a final instalment of US$23,000,000 due on 20 June 2017.

(b) As at 31 December 2014, the Group's other bank loans of approximately RMB39,814,000 (2013: RMB39,299,000) were unsecured. The remaining balance of the Group's other bank loans of approximately RMB190,162,000 (2013: RMB221,981,000) were supported by corporate guarantees executed by the Company and certain subsidiaries and the Special Loan Guarantee Scheme executed by the Government of Hong Kong Special Administrative Region to the extent of approximately RMB494,000 (2013: RMB2,448,000).

(c) As at 31 December 2014, the Group's trust receipt loans of approximately RMB181,767,000 (2013: RMB280,740,000) were unsecured. The remaining balance of the Group's trust receipt loans of approximately RMB23,288,000 (2013: RMB29,216,000) were supported by corporate guarantees executed by the Company.

24. INTEREST-BEARING BORROWINGS - GROUP (Continued)

The carrying amounts of the interest-bearing borrowings are denominated in the following currencies:

	2014 RMB'000	2013 RMB'000
RMB	363,082	428,551
HK$	39,562	30,098
US$	282,616	389,814
Total borrowings	685,260	848,463

The average effective interest rates at the reporting dates are as follows:

	2014			2013		
	RMB	HK$	US$	RMB	HK$	US$
Syndicated loans	–	–	3.60%	–	–	3.60%
Other bank loans	6.71%	2.59%	3.58%	5.90%	2.90%	3.34%
Trust receipt loans	5.95%	–	2.55%	5.86%	–	2.54%

25. DEFERRED TAX LIABILITIES - GROUP

Deferred tax liabilities of the Group at the reporting date relate to the followings:

	Unutilised Tax Loss RMB'000	Accelerated Tax depreciation RMB'000	Acquisition of a subsidiary RMB'000 (note)	Total RMB'000
At 1 January 2013	–	19,127	14,468	33,595
Charge to profit or loss for the year (note 10)	–	5,197	(2,339)	2,858
At 31 December 2013 and 1 January 2014	–	24,324	12,129	36,453
Charge to profit or loss for the year (note 10)	(4,444)	5,895	(289)	1,162
At 31 December 2014	**(4,444)**	**30,219**	**11,840**	**37,615**

Note: The deferred tax liabilities have been recognised in relation to a subsidiary, Jetzen Investment Limited, whose land use rights were revalued before the acquisition in 2005.

The amounts of estimated temporary differences of approximately RMB406,523,000 (2013: RMB425,728,000) have not been established for the deferred tax liabilities on withholding taxation that would be payable on the unremitted earnings of certain subsidiaries because the Company controls the dividend policy of these subsidiaries and it is not probable that the temporary differences will reverse in the foreseeable future.

The Group has estimated unrecognised tax losses of approximately RMB22,086,000 (2013: RMB3,562,000) arising in Hong Kong available to carry forward against future taxable income. No deferred tax assets are recognised for tax losses carried forward by certain subsidiaries as these losses have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised. These tax losses have no expiry date.

26. SHARE CAPITAL - GROUP AND COMPANY

	Number of ordinary shares	Amount	
		HK$'000	RMB'000
Authorised:			
Ordinary shares			
At 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014	10,000,000,000	2,000,000	2,120,000
Issued and fully paid:			
Ordinary shares			
At 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014	883,477,752	176,695	184,319

The holders of ordinary shares (except for treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have a par value of HK$0.20 each.

27. TREASURY SHARES - GROUP AND COMPANY

	2014	2013	**2014**	2013
	Number of ordinary shares of HK$0.20 each		**Amount**	
			RMB'000	RMB'000
At 1 January and 31 December	**4,137,000**	4,137,000	**5,007**	5,007

The Company's own shares purchased through SGX-ST were held as treasury shares, and included as a deduction against owners' equity. The Company acquired 4,137,000 of its own shares through purchases on the SGX-ST in the previous years. The total amount paid to acquire its own shares was approximately Singapore dollar 974,000 (equivalent to approximately RMB5,007,000). These shares, held as treasury shares, were included as a deduction against owners' equity.

During the year, the Company has not acquired any of its own shares.

28. RESERVES - GROUP AND COMPANY

Share premium

The share premium mainly includes share issued at amount exceed par value.

Capital reserves

The Group's capital reserves represent capital contributions made by Nanhai Hualai Industrial Co., Ltd., the former joint venture partner of NHP.

Statutory reserves

The Group's statutory reserves represent appropriations of profits retained by the Company's PRC subsidiaries. In accordance with the respective articles of association of the Company's PRC subsidiaries, they are required to appropriate an amount not less than 10% of their profits after tax to statutory reserves each year, until the balance of the statutory reserves reaches 50% of their respective registered capital. Subject to approval from the relevant PRC authorities, the statutory reserves may be used to offset any accumulated losses or increase the registered capital of the subsidiary. The statutory reserves is not available for dividend distribution to shareholders.

28. RESERVES - GROUP AND COMPANY (Continued)

Foreign translation reserves

The Group's foreign translation reserves represent all foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

Retained profits

The retained profits represent all other net gains and losses and transactions with owners not recognised elsewhere.

29. RELATED PARTY TRANSACTIONS

Save as the Directors' and the key management personnel compensation disclosed below and other transactions disclosed elsewhere in these financial statements, the Group had the following significant transactions with related parties during the year :

	2014 **RMB'000**	2013 RMB'000
Payment of salaries and retirement scheme contributions to a related party (note)	**348**	201

Note: During the year, the Group paid salary and retirement scheme contributions to certain close family member of Mr. Guan Lingxiang. The amounts paid to the related party are for the purpose of normal course of business.

Key management personnel compensation (including Directors' remuneration)

	2014 **RMB'000**	2013 RMB'000
Directors' fee	**613**	619
Salaries	**5,995**	6,337
Other short-term employee benefits	**1,138**	1,145
Retirement scheme contributions	**26**	24
Total	**7,772**	8,125

30. COMMITMENTS

(a) Capital commitments

At 31 December 2014, the Group has outstanding commitments as follows:

	2014 **RMB'000**	2013 RMB'000
Contracted but not provided for in respect of property, plant and equipment	**1,359**	1,579

At 31 December 2014, the Company did not have any significant capital commitments (2013: Nil).

30. COMMITMENTS (Continued)

(b) Operating lease arrangements

At 31 December 2014, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2014 RMB'000	2013 RMB'000
Within one year	1,371	1,371
In the second to fifth years	997	2,368
	2,368	3,739

The Group leases a number of properties under operating leases. The leases run for an initial period of one year to twenty years (2013: one year to twenty years), with options to renew the lease terms at the expiry dates or at dates as mutually agreed between the Group and the respective landlords. None of these leases includes any contingent rentals.

31. FINANCIAL GUARANTEE CONTRACTS - COMPANY

The Company has executed guarantees with respect to certain banking facilities granted to and utilised by its subsidiaries. Under the guarantees, the Company would be liable to pay the banks if the banks are unable to recover the loans. During the year, the Company has given addition guarantees amounting to approximately RMB250,000,000 (2013: RMB499,076,000) to certain banks in respect of banking facilities granted to the subsidiaries. Such addition guarantees have resulted a fair value of financial guarantee contracts approximately RMB1,179,000 (2013: RMB985,000) recognised in interests in subsidiaries of the Company during the year. The fair value of financial guarantee are amortised to profit or loss of the Company in accordance to the accounting policy as disclosed in note 4.12. During the year, the amortised fair value of financial guarantee of approximately RMB458,000 (2013: RMB4,988,000) have been recognised in profit or loss of the Company. The valuation of financial guarantee contracts were carried out by an independent and qualified valuer. The aggregate fair value of financial guarantee contracts issued is disclosed in note 15.

As at 31 December 2014, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately RMB418,501,000 (2013: RMB555,649,000). The Directors have assessed that the likelihood of the subsidiaries defaulting on repayment of their loan is remote. There has been no default or non-repayment since the utilisation of the banking facilities.

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate measures to manage the Group's exposure to financial risks. Generally, the Group employs conservative strategies regarding its risk management. As the Group's exposure to financial risk is kept to a minimum level, the Group has used derivatives to mitigate the risk, but no derivatives are designated as effective hedging instruments.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

(a) Summary of financial assets and liabilities by category

The carrying amounts presented in the statements of financial position relate to the following categories of financial assets and financial liabilities:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Financial assets at fair value through profit or loss – Held for trading:				
Listed equity investments	**36**	36	**–**	–
Loans and receivables carried at amortised cost:				
Trade and bills receivables	**419,079**	337,662	**–**	–
Margin deposits and other receivables	**48,279**	38,061	**–**	–
Amounts due from subsidiaries	**–**	–	**471,968**	473,668
Amounts due from brokers	**1,335**	4,957	**–**	–
Cash and bank balances	**63,463**	109,416	**32**	32
	523,192	490,132	**472,000**	473,700
Financial liabilities				
Financial liabilities at fair value through profit or loss – Held for trading:				
Derivative financial instruments	**10,681**	96	**–**	–
Financial liabilities measured at amortised cost:				
Trade and bills payables	**75,443**	215,001	**–**	–
Accruals and other payables	**19,969**	18,388	**1,597**	1,261
Interest-bearing borrowings	**685,260**	848,463	**–**	–
	791,353	1,081,948	**1,597**	1,261

(b) Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposures to currency risk arise mainly from its overseas purchases, which are primarily denominated in US$. These are not the functional currencies of the Group entities to which these transactions relate. The Group also has interest-bearing borrowings denominated in foreign currencies, primarily HK$ and US$. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

(b) Foreign currency risk (Continued)

Summary of exposure

At 31 December 2014, foreign currency denominated financial assets and liabilities, translated into RMB at the respective rates at that date, are as follows:

	Group	
	2014 RMB'000	2013 RMB'000
Financial assets at held for trading denominated in		
- HK$	**36**	–
Cash and bank balance denominated in		
- HK$	**1,330**	60
- US$	**1,672**	292
Trade and other payables denominated in		
- HK$	**(10,372)**	–
Accruals and other payables denominated in		
- HK$	**(9,241)**	(1,112)
- US$	**(577)**	(2,945)
Interest-bearing borrowings denominated in		
- HK$	**(16,294)**	–
- US$	**(327,107)**	(331,848)

Currency exchange rate sensitivity analysis

At 31 December 2014, if a general appreciation of 3% (2013: 3%) in RMB against HK$ and US$ respectively is estimated, with all other variables held constant, the net profit for the year and retained profits of the Group would increase by approximately RMB9,029,000 (2013: RMB9,976,000) respectively. The assumed changes have no significant impact on the Group's other components of equity.

A general depreciation of 3% (2013: 3%) in RMB against HK$ and US$ respectively would have had the equal but opposite effect on the net profit for the year and retained profits to the amounts shown above, on the basis that all other variables held constant.

The sensitivity analysis above has been determined assuming that the change in currency exchange rates had occurred at the beginning of the year and had been applied to the abovementioned financial instruments at that date and throughout the year constantly. The percentage increase or decrease represents management's assessment of a reasonably possible change in currency exchange rates over the period until the next annual reporting date.

As the Company does not have significant exposure to foreign currency risk, the Company's income and operating cash flows are substantially independent of changes in foreign currency exchange rates.

(c) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk mainly arises on cash and bank balances (note 21) and interest-bearing borrowings (note 24). It is the Group's policy to obtain quotes from banks to ensure that the rates available to the Group are stated at market rate.

Interest rate sensitivity analysis

At 31 December 2014, if a general increase of 50 basis points (2013: 50 basis points) in interest rate is estimated, with all other variables held constant, each of the net profit for the year and retained profits of the Group would decrease by approximately RMB1,383,000 (2013: RMB1,198,000) respectively. The assumed changes have no significant impact on the Group's other components of equity.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

(c) Interest rate risk (Continued)

A general decrease of 50 basis points (2013: 50 basis points) in interest rate would have had the equal but opposite effect on the net profit for the year and retained profits to the amounts shown above, on the basis that all other variables held constant.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the beginning of the year and had been applied to the abovementioned financial instruments at that date and throughout the year constantly. The 50 basis points (2013: 50 basis points) increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date.

As the Company has no significant interest-bearing assets and liabilities, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

(d) Price risk

Equity price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rate and foreign exchange rates). The Group is exposed to equity security price risk arising from individual security investments classified as financial assets at fair value through profit or loss (note 19).

The Group's listed investments are primarily listed in Hong Kong. As the Group does not have significant exposure to equity price risk, the Group's income and operating cash flows are substantially independent of changes in equity price.

The Group also exposed to commodity price risk in relation to its derivative financial instruments which is largely dependent on the market price of the relevant commodity. The major raw materials used in the production of the Group's products are purified terephthalic acid ("PTA"). The Group is exposed to fluctuations in the price of PTA which are influenced by global as well as regional supply and demand conditions. Fluctuations in the prices of raw materials could adversely affect the Group's financial performance. The Group uses PTA future contracts to mitigate its exposure against price fluctuations of PTA. Fair values of future contracts have been determined by reference to their quoted bid prices at the reporting date. As at 31 December 2014, the notional principal amount of the outstanding commodity future contracts amounted to approximately RMB 110,789,000 (2013: RMB38,481,000).

Price sensitivity analysis on PTA future contracts

At 31 December 2014, if a general increase of 25% (2013: 10%) in price of PTA future contracts is estimated, with all other variables held constant, each of the net profit for the year and retained profits of the Group would increase by approximately RMB27,707,000 (2013: RMB3,848,000) respectively.

A general decrease of 25% (2013: 10%) in price of PTA future contacts would have had the equal but opposite effect on the net profit for the year and retained profits to the amounts shown above, on the basis that all other variables held constant.

The sensitivity analysis above has been determined assuming that the change in price of PTA future contracts had occurred at the beginning of the year and had been applied to the abovementioned financial instruments at that date and throughout the year constantly. The 25% (2013: 10%) increase or decrease represents management's assessment of a reasonably possible change in price of PTA future contact over the period until the next annual reporting date.

(e) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its business.

None of the financial assets of the Group and the Company are secured by collateral or other credit enhancements.

All the Group's bank balances are deposited with major financial institutions located in Hong Kong and the PRC.

All the Group's margin deposits are placed to a major securities agent located in the PRC.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

(e) Credit risk (Continued)

The Group trades mainly with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The carrying amounts of the trade receivables included in the statements of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets. No other financial assets carry a significant exposure to credit risk. The major concentration of credit risk as disclosed in note 6 arises from the Group's exposure to a substantial number of trade receivables in one geographical region, i.e., the PRC.

The Company's credit risk is primarily attributable to the amounts due from subsidiaries. The Company is exposed to credit risk through the granting of financial guarantees, further details of which have been discussed in note 31 above.

(f) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

Prudent liquidity risk management implies maintaining sufficient cash and availability of funding through the ability to close-out market positions. As disclosed in note 24, the Group's syndicated loans are subject to compliance of certain financial covenants of the Group on a quarterly basis. In preparation of the financial statements for the year ended 31 December 2014, the Group has assessed its ability to comply with these financial covenants for the next 4 quarters from 31 December 2014 based on a monthly profit forecast of the Group for the year ending 31 December 2015. In the opinion of the Directors, the Group does not have any significant liquidity risk exposure.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's interest-bearing borrowings, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Company can be required to pay.

Specifically, for interest-bearing borrowings which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other interest-bearing borrowings is prepared based on the scheduled repayment dates.

Group

	Within three months or on demand RMB'000	Four to twelve months RMB'000	One year or above RMB'000	Total contractual undiscounted amount RMB'000	Carrying amount RMB'000
At 31 December 2014					
Non-derivative financial instruments:					
Trade and bills payables	**75,443**	**–**	**–**	**75,443**	**75,443**
Accruals and other payables	**19,969**	**–**	**–**	**19,969**	**19,969**
Interest-bearing borrowings	**306,048**	**204,700**	**207,625**	**718,373**	**685,260**
	401,460	**204,700**	**207,625**	**813,785**	**780,672**
Derivative financial instruments – settled net:	**–**	**10,681**	**–**	**10,681**	**10,681**
At 31 December 2013					
Non-derivative financial instruments:					
Trade and bills payables	136,407	78,594	–	215,001	215,001
Accruals and other payables	18,388	–	–	18,388	18,388
Interest-bearing borrowings	433,511	181,804	273,013	888,328	848,463
	588,306	260,398	273,013	1,121,717	1,081,852
Derivative financial instruments – settled net:	–	96	–	96	96

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

(f) Liquidity risk (Continued)

Company

	Within three months or on demand RMB'000	Four to twelve months RMB'000	One year or above RMB'000	Total contractual undiscounted amount RMB'000	Carrying amount RMB'000
At 31 December 2014					
Accruals and other payables	**16**	**–**	**–**	**16**	**16**
Financial guarantees issued					
Maximum amount guaranteed	**128,417**	**130,865**	**198,416**	**457,698**	**444,264**
At 31 December 2013					
Accruals and other payables	402	–	–	402	402
Financial guarantees issued					
Maximum amount guaranteed	175,677	146,919	273,013	595,609	564,763

The table that follows summarises the maturity analysis of interest-bearing borrowings with a repayment on demand clause based on agreed scheduled repayments set out in the banking facilities. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis. Taking into account the Group's financial position, the Directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The Directors believe that such interest-bearing borrowings will be repaid in accordance with the scheduled repayment dates set out in the banking facilities.

Group

	Within three months or on demand RMB'000	Four to twelve months RMB'000	One year or above RMB'000	Total contractual undiscounted amount RMB'000	Carrying amount RMB'000
At 31 December 2014					
Interest-bearing borrowings	**46,348**	**5,880**	**22,777**	**75,005**	**71,913**
At 31 December 2013					
Interest-bearing borrowings	69,306	30,148	35,130	134,584	131,197

(g) Fair values

The financial assets measured at fair value in the statements of financial position in accordance with the fair value hierarchy are described below. The hierarchy groups financial assets into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

(g) Fair values (Continued)

Group

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2014				
Financial assets at fair value through profit or loss				
- Listed equity investments	**36**	**–**	**–**	**36**
Financial liabilities at fair value through profit or loss				
- Derivative financial instruments	**(10,681)**	**–**	**–**	**(10,681)**
At 31 December 2013				
Financial assets at fair value through profit or loss				
- Listed equity investments	36	–	–	36
Financial liabilities at fair value through profit or loss				
- Derivative financial instruments	(96)	–	–	(96)

The methods used for the purpose of measuring fair value are unchanged compared to the previous reporting periods.

The listed equity investments (note 19) are denominated in HK$. Fair values have been determined by reference to their quoted bid prices at the reporting date and have been translated using the spot foreign currency rates at the end of the reporting period where appropriate.

The PTA future contracts (note 20) are denominated in RMB. Fair values have been determined by reference to their quoted bid prices at the reporting date.

The fair values of interest-bearing borrowings which reprice after one year or above, determined for disclosure purposes, are calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. The Directors consider that the carrying amounts of the interest-bearing borrowings approximate their fair values.

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and bills receivables, cash and cash equivalents, trade and bills payables, accruals and other payables and interest-bearing borrowings) are assumed to approximate their fair values because of the short period to maturity.

33. CAPITAL MANAGEMENT

The Group's objectives when managing capital include:

(a) To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;

(b) To support the Group's stability and growth; and

(c) To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

33. CAPITAL MANAGEMENT (Continued)

The Group sets the amount of equity capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

As disclosed in note 24, the Group's syndicated loans are subject to compliance of certain financial covenants of the Group on a quarterly basis. As disclosed in note 28, the Group's PRC subsidiaries are required by the relevant laws and regulations of the PRC to contribute to and maintain non–distributable statutory reserves fund whose utilisation is subject to approval by the relevant PRC authorities.

Except for the above, the Group and the Company are not subject to any externally imposed capital requirements for the financial year ended 31 December 2014 and 2013.

The capital-to-overall financing ratio at the reporting date was as follows:

	2014 **RMB'000**	2013 RMB'000
Capital:		
Total equity	**1,405,835**	1,484,978
Overall financing:		
Interest-bearing borrowings	**685,260**	848,463
Capital-to-overall financing ratio	**2.1 times**	1.8 times

34. LITIGATION

During the year ended 31 December 2011, the Company was made a defendant in a lawsuit brought by a few minority shareholders ("Petitioners") in the Supreme Court of Bermuda ("Petition"). It was alleged in the Petition, inter alia, that there had been unfair prejudice against the Petitioners.

During the year ended 31 December 2012, in the course of the legal proceedings, the Company had successfully struck off one of the Petitioners as well as a significant portion of the Petition. The Petitioner had amended the Petition and the Company had pursuant to the direction of the court, filed a defence. The parties had provided discovery and were exchange of witness statements and were preparing for trial. This lawsuit has no significant update during the year and remains dormant as at the date of approval of these consolidated financial statements.

While this is a shareholder dispute, in which the Company is in most respects a purely nominal defendant, the Directors, based on advice from the Company's legal counsel, believe that the Petition has no proper basis and is defending itself against the allegations. The Company has set up a committee comprising the Company's independent directors to conduct the defence of the Petition. In light of the above, the Company will not be providing for any claim arising from the Petition. The related legal and ancillary costs of amount approximately RMB332,000 (2013: RMB1,715,000) incurred during the year were recognised as administrative expenses.

Shareholders' Information

As at 16 March 2015

Class of shares	:	Ordinary shares
Authorised share capital	:	HK$2,000,000,000.00
Issued and fully paid-up capital (excluding Treasury Shares)	:	HK$175,868,150.40
No. of Issued Shares (Excluding Treasury Shares)	:	879,340,752 Ordinary shares of HK$0.20 each
Voting rights	:	One vote per share
Number / Percentage of Treasury Shares	:	4,137,000 (0.47%)

STATISTICS OF SHAREHOLDINGS

Size of Shareholdings	No of Shareholders	%	No of Shares	%
1 - 99	5	0.24	47	0.00
100 -1,000	94	4.52	50,800	0.01
1,001 - 10,000	489	23.52	2,292,112	0.26
10,001 - 1,000,000	1,467	70.56	69,768,385	7.93
1,000,001 and above	24	1.16	807,229,408	91.80
Total	2,079	100.00	879,340,752	100.00

TWENTY LARGEST SHAREHOLDERS AS AT 16 MARCH 2015

No.	Name	No. of Shares	%
1	FULL EXCELLENT LIMITED	298,175,168	33.91
2	GUAN LINGXIANG	168,624,650	19.18
3	CITIBANK NOMINEES SINGAPORE PTE LTD	115,825,499	13.17
4	LIANG HUIYING	99,371,250	11.30
5	TANG WEE LOKE	36,130,700	4.11
6	ANNUITY AND LIFE REASSURANCE LTD	16,022,000	1.82
7	UOB KAY HIAN PTE LTD	14,419,700	1.64
8	GUAN LINGYUN	10,561,831	1.20
9	WANG YUNYING	10,224,791	1.16
10	LIU CHAOHUI	7,531,337	0.86
11	GUAN YONG	4,319,337	0.49
12	MAYBANK NOMINEES (S) PTE LTD	3,985,865	0.45
13	UNITED OVERSEAS BANK NOMINEES PTE LTD	3,550,200	0.41
14	HOU JORDAN	3,025,000	0.35
15	KUNG HOOI KOON	2,125,000	0.24
16	OCBC SECURITIES PRIVATE LTD	2,033,300	0.23
17	LOU GUANGDENG	1,854,930	0.21
18	PHILLIP SECURITIES PTE LTD	1,852,900	0.21
19	LOH YEW VOON @ LAU AH MOI	1,589,700	0.18
20	BANK OF SINGAPORE NOMINEES PTE LTD	1,428,300	0.16
		802,651,458	91.28

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

16.60% of the Company's Shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

SUBSTANTIAL SHAREHOLDERS

	Direct Interest	%	Deemed Interest	%
Full Excellent Limited	298,175,168	33.91	–	–
Guan Lingxiang	168,624,650	19.18	397,546,418[(1)]	45.21
Liang Huiying	99,371,250	11.30	466,799,818[(1)]	53.09
Pope Asset Management, LLC	–	–	132,012,599[(2)]	15.01

(1) Guan Lingxiang and Liang Huiying who are spouses, are deemed to be interested in each other's shareholding in the Company. Guan Lingxiang and Liang Huiying are also deemed interested in all the shares registered in the name of Full Excellent Limited by virtue of their interest in Full Excellent Limited.

(2) Deemed interest held through Citibank Nominees Singapore Pte Ltd.

Notice of
Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of FULL APEX (HOLDINGS) LIMITED (the "**Company**") will be held at Kingfisher 3, Level 1, Seletar Country Club, 101 Seletar Club Road Singapore 798273, on Wednesday, 29 April 2015 at 9.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Financial Statements of the Company for the year ended 31 December 2014 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors of the Company retiring pursuant to Bye-Law 86(1) of the Company's Bye-Laws:

   Mr Wang Yunying **(Resolution 2)**

   Mr Wang Yunying will, upon re-election as a Director of the Company and will be considered non-independent.

3. To approve the payment of Directors' fees of S$124,000/- for the year ended 31 December 2014 (FY2013: S$124,000). **(Resolution 3)**

4. To re-appoint Messrs BDO Limited, Certified Public Accountants, Hong Kong and BDO LLP, Public Accountants and Chartered Accountants, Singapore, as the Company's Auditors, to act jointly and severally and to authorise the Directors of the Company to fix their remuneration. **(Resolution 4)**

5. To transact any other ordinary business which may be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions:

6. **AUTHORITY TO ISSUE SHARES**

   That pursuant to Companies Act 1981 of Bermuda and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:

   (a) (i) issue shares in the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

   provided that:

   (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

   (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

   (a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Bye-Laws of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (i)] **(Resolution 5)**

By Order of the Board
Gwendolin Lee Soo Fern
Secretary

Singapore, 13 April 2015

Explanatory Notes to Resolutions to be passed –

(i) The Ordinary Resolution 5 proposed in item 6 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed, after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed, and any subsequent bonus issue, consolidation or subdivision of shares.

Notes:

1. A Shareholder being a Depositor whose name appears in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore) is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. If a Depositor wishes to appoint a proxy/proxies to attend the Annual General Meeting, then he/she must complete and deposit the Depositor Proxy Form at the office of the Singapore Share Transfer Agent, B.A.C.S. Private Limited at 63 Cantonment Road, Singapore 078758, at least forty-eight (48) hours before the time of the Annual General Meeting.

3. If the Depositor is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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FULL APEX
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