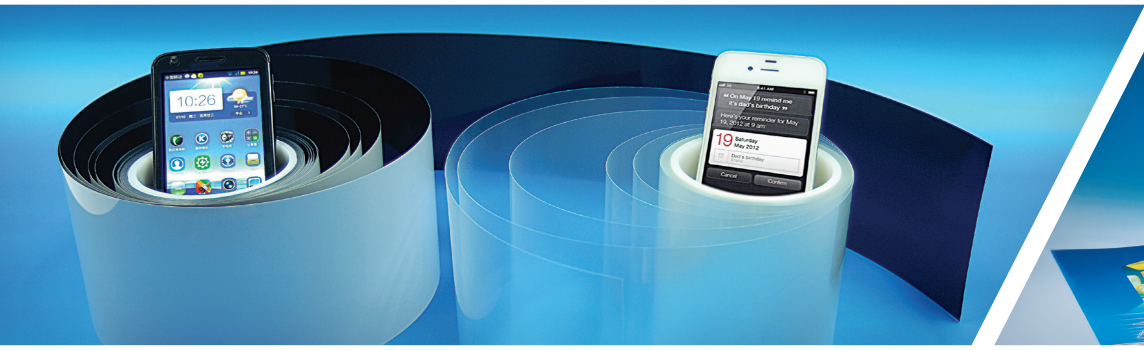
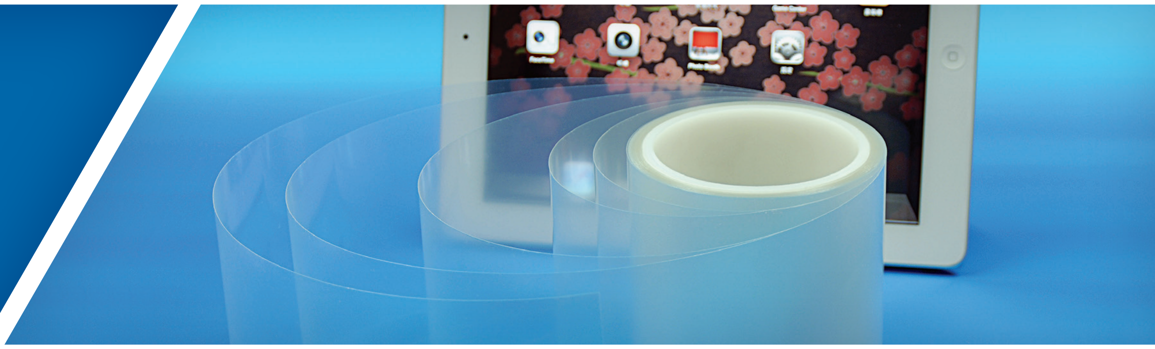
LUXKING





ANNUAL REPORT 2015

FOCUSED ON BUSINESS STABILITY

CONTENTS

Established in 1995, Luxking Group Holdings Limited ("Luxking") is a reputable manufacturer of pressure-sensitive adhesive ("PSA") tape products in the People's Republic of China, excluding Hong Kong and Macau (the "PRC").

Backed by strong research and development ("R&D") capabilities, Luxking has developed a broad range of industrial specialty tapes ("IS tapes") which are higher-grade products for use in the electronics and consumer electronics industries. The Group has established a sound reputation and track record for the supply of quality IS tapes, including PET spacers and optical clear adhesive tapes which are used in the production of consumer electronic devices. Luxking also manufactures general purpose adhesive tapes ("General tapes"), as well as biaxially oriented polypropylene ("BOPP") films, including higher-grade products that are used for paper laminations and specialty industrial packaging

Luxking's products are used by more than 1,000 customers in the PRC and overseas markets from diverse industries spanning the printing, packaging, automotive and electronics sectors.

The Group's large-scale and vertically-integrated manufacturing capabilities enhance its competitive edge. Luxking produces PSA tape products based on its proprietary formulations and also manufactures BOPP films which are used in the production of adhesive tapes. To deliver high quality and innovative products to its customers, Luxking continually invests in R&D programs, technical training, as well as state-of-the-art equipment at its manufacturing facility in Zhongshan, the PRC.

Luxking was listed on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST") in 2005.

CORPORATE STRUCTURE

LUXKING GROUP HOLDINGS LIMITED
(Incorporated in Bermuda)

100%

EXCEL GLORY LIMITED
(Incorporated in the British Virgin Islands)

100%

CHINA KING INTERNATIONAL TRADING LIMITED
(Incorporated in Hong Kong)

100%

TIAN HOLDINGS LIMITED
(Incorporated in Hong Kong)

100%

ZHONGSHAN NEW ASIA ADHESIVE PRODUCTS CO., LTD.
(Established in the PRC)

100%

LUXKING INVESTMENT LIMITED
(Incorporated in Hong Kong)

100%

LUXKING INTERNATIONAL CHEMICALS LIMITED
(Incorporated in Hong Kong)

#1 Pet Spacer
Characteristics:
Excellent adhesion, temparature resistance and good punchability

Applications:
Acts as a spacer in membrane switches used in consumer electronics such as home appliances, mobile phones etc

#2 Aluminum Foil Tape
Characteristics:
Water-proof, moistureproof, flame retardant, provide physical insulation

Applications:
Protects gas, exhaust, water and oil pipes against corrosion and also for insulation

#3 PVC Double-Sided Tape
Characteristics:
Excellent adhesion, good holding power, provide electrical insulation

Applications:
Used in demanding bonding applications

#4 BOPP Films
Characteristics:
High clarity, transparent, flexible

Applications:
Can be used directly or coated with other materials for packaging purpose

#5 Optical Clear Transfer Tape For LCDs
Characteristics:
Superior clarity and adhesion

Applications:
Used in bonding of film and glass laminates in touch screen displays, mounting of transparent graphic overlays and bonding of optical film/backlight module to LCD

#6 High Performance Double-Sided Tape
Characteristics:
Excellent adhesion to various surfaces and materials, good punchability, temperature and repulsion resistance

Applications:
Used in mounting of metal or plastic name plates and in foam and films lamination

#7 General Purpose Double-Sided Tape
Characteristics:
Good tensile strength, strong adhesion

Applications:
General applications in offices and homes

#8 Light Shielding/ Reflecting Double-Sided Tape
Characteristics:
Special black and white carrier, white side is light reflecting and black is light absorbing, strong peel adhesion and holding power to various substrates, good aging properties and is resistant to weather changes

Applications:
Used in mounting of LCD and backlight module of handheld devices such as smartphones

MESSAGE TO SHAREHOLDERS

"The Group's initiative to upgrade its BOPP films production line has been rewarding as it benefited from a notable shift in sales mix towards higher-margin products."

Dear Shareholders,

I shall like to present to you our annual report for Luxking Group Holdings Limited (the "Group") for the financial year ended 30 June 2015 ("FY2015").

During FY2015, the Group was able to sustain its overall sales volume despite softer demand conditions for adhesive tapes amid the weaker global and domestic economic environment. However, the Group's revenue declined by 10% to RMB629.3 million due to market pressure on selling prices.

The biaxially oriented polypropylene films ("BOPP films") products segment was the key driver of the Group's revenue in FY2015. This segment recorded revenue of RMB318.2 million, an increase of 7.2% from RMB296.8 million in the previous year. The increase was driven largely by higher demand for the Group's new range of higher-grade BOPP films that was introduced last year. The Group's initiative to upgrade its BOPP films production line has been rewarding as it benefited from a notable shift in sales mix towards higher-margin products and also improved the yield of the BOPP films business. For FY2015, the BOPP films segment accounted for the largest proportion of Group revenue with a contribution of 50.6%.

On the other hand, the Group's industrial specialty tapes ("IS tapes") business recorded lower revenue of RMB207.9 million, a decline of 23.4% from last year. This was attributed mainly to weaker demand and lower average selling prices in the second half of FY2015. Nevertheless, the Group has now established a respectable and quality customer base for its IS tapes business. This is attributed to the Group's tenacious efforts to achieve the requisite qualifications for its products to be used in several leading brands of smartphones and tablets. In line with this progress, manufacturers of smartphones have become a key sales driver of the IS tapes business of the Group's revenue in FY2015.

As the Group's strategy is to shift its product mix towards the higher margin IS tapes and BOPP films products, it has been gradually reducing its focus on the general purpose adhesive tapes ("General tapes") business. As a result, sales of General tapes in FY2015 decreased by 21.2% to RMB103.2 million, partly also due to weaker demand and pressure on selling prices.

The Group's gross profit eased 5.0% or RMB3.2 million to RMB61.8 million in FY2015. Gross profit margin improved in FY2015 despite incurring a write-down of inventories, as well as higher labour costs and overheads. The higher gross profit margin was lifted by higher production efficiency of its BOPP films business, improved sales mix of higher-margin products and lower raw material costs.

The Group continued to keep a close watch on its operating and finance expenses. Total operating expenses and finance costs in FY2015 were not significantly changed compared to FY2014. However, net profit decreased by 40.1% or RMB2.5 million to RMB3.7 million in FY2015, attributed largely to the net write-down of inventories of around RMB3.4 million. This provision for inventory was made with respect to slow-moving raw materials for the manufacture of certain IS tapes and General tapes products. In FY2015, the Group continued to generate positive operating cash flow, which was utilised for capital expenditure to upgrade the BOPP films production line and for repayment of its long-term loan. As at 30 June 2015, the Group's net asset value per share increased to RMB62.80 cents from RMB61.18 cents as at 30 June 2014.

Given the uncertainties in the global economy and China's economic growth, the Group expects business conditions to stay challenging. As such, the Group maintains a cautious outlook as it could face a slowdown in demand

"The Group will focus on maintaining the stability of its existing customer base and improving its products through R&D efforts."

amid a weaker business climate, while having to deal with the prevailing keen competition, fluctuations in currency and raw materials costs as well as higher labour costs.

To help withstand these challenges, the Group is continuing with its initiatives to drive higher production efficiencies and control operating expenses. In addition, the Group will focus on maintaining the stability of its existing customer base and improving its products through research and development ("R&D") efforts. From a long-term perspective, the IS tapes and higher-grade BOPP films businesses will remain as the key pillars of the Group's long-term sustainability.

The Group's IS tapes business is presently driven largely by demand from smartphone manufacturers. Although International Data Corporation (IDC) has lowered its growth forecast for smartphone shipments in 2015 to 10.4% from 11.3% previously due to slower growth in China, this country remains as the world's largest market for smartphone volumes.

In the past few years, the Group has made significant progress in expanding its base of customers from the smartphone industry. Today, it has been qualified and recognised as one of the suppliers of IS tapes for several leading smartphone brands. These achievements have elevated Luxking's brand reputation, and also demonstrates the high quality standards of the Group's IS tapes. Moving forward, the Group will focus on strengthening existing customer relationships by adapting its IS tapes to address the changing requirements of its customers in tandem with introduction of new product models. It will also continue with R&D efforts to expand its range of IS tape product lines for use in smartphones and tablets.

The Group is encouraged by the improvements seen in its BOPP films business following the upgrade of its production line. The improved production line boasts higher production efficiency with increased manufacturing speed and lower product defect rates. More importantly, it has also enabled the Group to penetrate the market for higher-grade and more sophisticated BOPP films. These higher-grade products, which have higher transparency, greater flexibility and strength, are used for a wide range of applications such as paper laminations and industrial use packaging.

Since the launch of this new range of sophisticated BOPP films last year, the Group has gained new customers and witnessed a notable improvement in the sales mix of its BOPP films business. The Group will continue working to build on the demand for its higher-grade BOPP films by targeting customers that accord greater emphasis on products of higher precision and quality. It also intends to expand the variety of its higher-grade BOPP films by carrying out further R&D.

On behalf of your Board of Directors, I wish to thank our shareholders for your continued support of Luxking Group. I would also like to express my appreciation to our customers and suppliers for your patronage and support. Last but not least, I wish to thank our management and employees for their commitment and valuable contributions to the Group.

Leung Chee Kwong
Executive Chairman and Chief Executive Officer
11 September 2015

GROUP REVENUE

For the financial year ended 30 June 2015 ("FY2015"), the Group's revenue decreased by 10.0% from RMB699.1 million to RMB629.3 million due mainly to lower average selling price as overall volume remained unchanged. In terms of revenue by product segments, the Group registered lower sales of industrial specialty tapes ("IS tapes") and general purpose adhesive tapes ("General tapes"), which was offset partially by an increase in sales of biaxially oriented polypropylene films ("BOPP films") in FY2015.

Revenue generated from the BOPP films business improved by 7.2% from RMB296.8 million to RMB318.2 million on the back of higher sales in the domestic and overseas markets. The increase was partly driven by the Group's improved product offering which includes more sophisticated and higher-grade BOPP films that were launched last year.

On the other hand, sales of industrial specialty tapes ("IS tapes") declined 23.4% from RMB271.5 million to RMB207.9 million due to weaker sales in the second half of FY2015. This was attributed mainly to lower average selling prices and slower demand from customers.

Sales of General tapes decreased by 21.2% from RMB130.8 million to RMB103.2 million as a result of weaker market demand, selling price pressure and the Group's strategy to shift its product mix towards the higher margin IS tapes and BOPP films products.

In FY2015, the BOPP films business contributed 50.6% to the Group's revenue, an increase from 42.4% in the previous financial year. The IS tapes and General tapes accounted for 33.0% and 16.4% of the Group's revenue respectively, compared to 38.8% and 18.7% in FY2014.

Total sales in the domestic market decreased by 6.2% from RMB538.6 million to RMB505.3 million, while total sales to overseas markets declined by 22.7% from RMB160.5 million to RMB124.0 million. The reductions were attributed to the IS tapes and General tapes businesses which were affected mainly by lower selling prices.

PROFITABILITY

The Group's gross profit remained substantially unchanged at RMB61.8 million, compared to RMB65.0 million in FY2014, despite taking into account a write-down of inventories of RMB3.4 million. While the Group incurred the write-down of inventories as well as higher labour costs and overheads, these were offset by higher production efficiency of the BOPP films business, improved sales mix of higher-margin products and reduction in raw material costs. As a result, the Group was able to increase gross profit margin from 9.3% to 9.8%.

Other income increased by 21.2% from RMB1.7 million to RMB2.0 million due mainly to higher net profit from sales of raw materials and interest income.

Selling and distribution costs increased by 5.6% from RMB16.1 million to RMB17.0 million. Administrative expenses increased by 4.9% from RMB23.6 million to RMB24.7 million. Both increases were the result of higher staff salaries.

Other operating expenses decreased from RMB3.2 million to RMB0.7 million as there was impairment loss of property, plant and equipment of RMB2.1 million in FY2014, as compared to nil in FY2015.

Finance costs remained steady at RMB14.5 million as the average borrowings were maintained at a similar level as FY2014.

The Group's profit before income tax decreased from RMB9.3 million to RMB7.0 million. However, income tax expense increased slightly by 4.6% from RMB3.1 million to RMB3.3 million as certain impairment loss and provision were not deemed as tax-deductible expenses. As a result of the aforesaid factors, the Group reported a 40.1% decrease in net profit from RMB6.2 million to RMB3.7 million.

FINANCIAL POSITION

Non-current assets changed from RMB111.7 million to RMB110.7 million due mainly to depreciation of property, plant and equipment of RMB17.4 million, offset by additions of property, plant and equipment of RMB16.4 million.

Inventories decreased from RMB64.8 million to RMB60.9 million, mainly due to write-down for inventories of RMB3.4 million recognised in FY2015. Trade receivables decreased from RMB196.5 million to RMB186.5 million. Prepayments, deposits and other receivables declined from RMB23.7 million to RMB18.6 million mainly attributed to a reduction in deposits paid to suppliers.

Cash and bank balances decreased from RMB25.0 million to RMB19.5 million, as net cash generated from operations was offset by purchases of property, plant and equipment, interest payments, as well as repayments of borrowings and other loan. Restricted bank deposits increased from RMB1.9 million to RMB2.0 million.

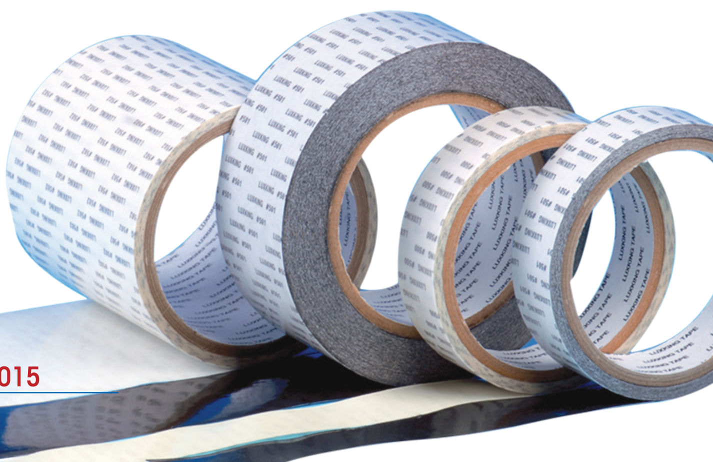
Total borrowings decreased from RMB213.4 million to RMB191.5 million as the Group pared down its long term loan by RMB19.6 million and reduced its bank borrowings.

Accrued expenses, deposits received and other payables increased from RMB16.9 million to RMB20.0 million due to higher accrued salaries and pensions. Income tax payable declined from RMB1.4 million to RMB1.1 million, following the payment of income tax expenses of both the PRC and Hong Kong subsidiaries.

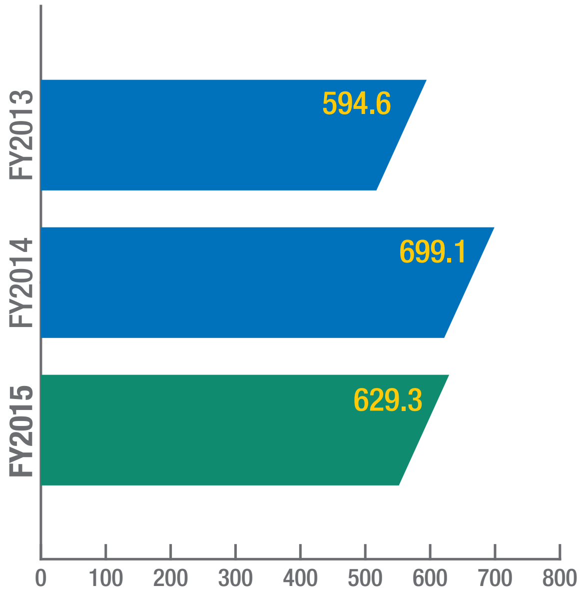
In FY2015, the Group generated net cash from operating activities of RMB46.2 million. This was derived primarily from operating profit before working capital changes of RMB42.3 million and positive changes in working capital of RMB7.4 million. These were partially offset by income tax payment of RMB3.6 million.

Net cash used in investing activities amounted to RMB16.7 million, arising mainly from purchases of property, plant and equipment for the BOPP films production line. Net cash used in financing activities was RMB34.9 million, due mainly to interest payments, repayment of other loan, and a net repayment of bank borrowings.

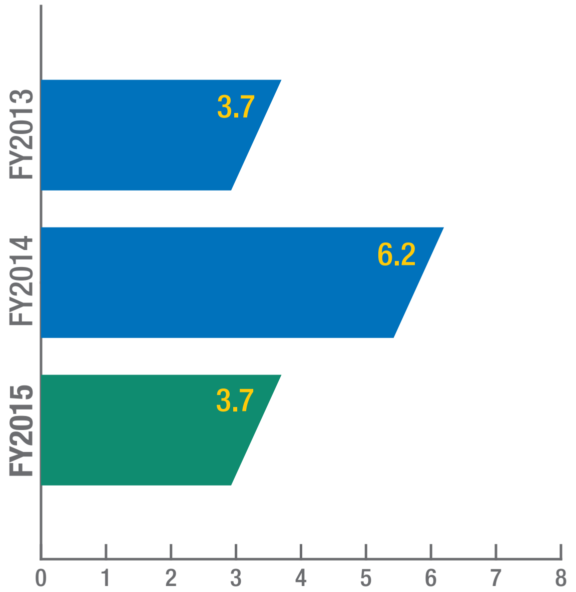
As a result, the Group recorded a net decrease in cash and cash equivalents of RMB5.4 million (before adjusting for foreign exchange rate changes) in FY2015.



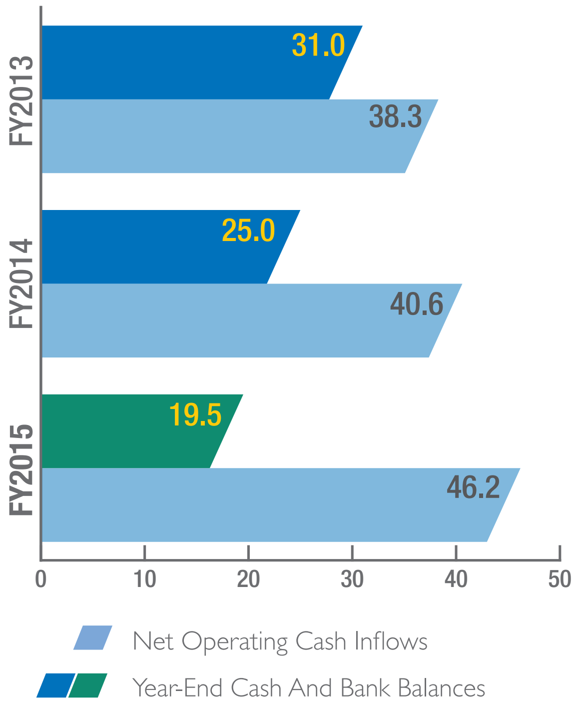
Revenue *(RMB million)*



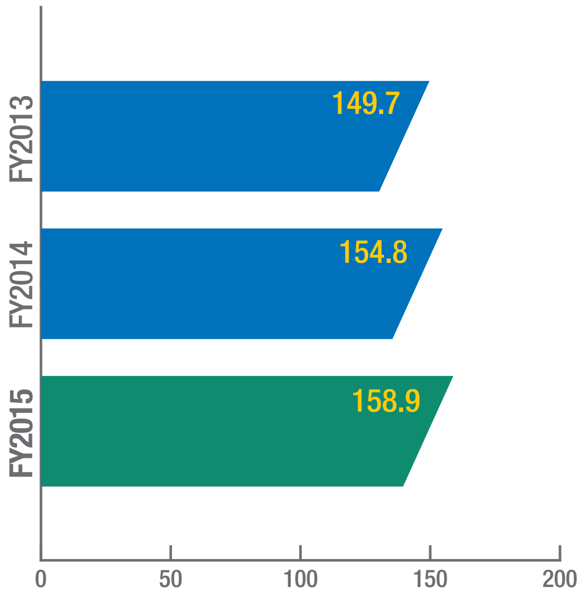
Net Profit *(RMB million)*



Net Operating Cash Inflows And Year-End Cash And Bank Balances *(RMB million)*



Shareholders' Equity *(RMB million)*



Mr Leung Chee Kwong
Executive Chairman and Chief Executive Officer

Mr Leung is a founder of our Group and is responsible for the formulation and execution of overall business strategies and policies as well as the overall management of our Group. He has more than 20 years of experience in the adhesive tape business. Mr Leung was previously the Vice-Manager of Wingtai Adhesive Product Factory Co. Ltd. from 1984 and was subsequently promoted to General Manager in 1989. He also worked as a salesperson and an operations worker in several companies and factories in Zhongshan Yongning.

Mr Leung was last re-elected a Director of the Company on 28 September 2012.

Dr Chan Siu Hang, Godwin
Executive Director

Dr Chan is a founder of our Group and is responsible for assisting our Executive Chairman in overseeing our Finance Department, and the formulation and execution of overall business strategies and policies of our Group. Dr Chan is also an Executive Director of Man Shing Ho Ltd. and Manshingho International Ltd., where he is responsible for overseeing the production, sourcing and sales of metal products. He holds a Bachelor of Science in Engineering Production from the University of Birmingham, the United Kingdom and a PhD in Manufacturing Engineering from the University of Dundee, the United Kingdom.

Dr Chan was last re-elected a Director of the Company on 25 October 2013.

Mr He Zhiming
Non-Executive Director

Mr He was appointed as an Non-Executive Director of the Company on 28 December 2010. He is currently the General Manager of Zhongshan Xiaolan Industrial Company (中山市小榄镇工业总公司) and Zhongshan Xiaolan Tourism Company (中山市小榄镇旅游总公司). Prior to that, Mr He was the Manager of Credit Control Department of Agricultural Bank of China Zhongshan Xiaolan Branch from 1994 to 2000 and Vice General Manager of Zhongshan Xiaolan Construction and Development Company from 2000 to 2007. Currently, Mr He is also the Vice Chairman of Honda Lock (Guangdong) Co., Ltd (本田制鎖(广东)有限公司), Guangdong Zhongshan Amerchol Specialty Chemicals Co., Ltd. (爱美高特种化工(广东中山)有限公司) and a Director of Guangdong Prb Bio-Tech Co., Ltd, (广东珠江桥生物科技股份有限公司) and Zhongshan Xiaolan Port Cargo Transportation Related Co., Ltd. (中山市小榄港货运联营有限公司).

Mr He was lasted re-elected a Director of the Company on 28 October 2014.

INDEPENDENT DIRECTORS

Mr Tan Tew Han
Lead Independent and Non-Executive Director

Mr Tan was appointed as an Independent and Non-Executive Director of the Company on 17 June 2005 and Lead Independent Director on 1 September 2013. Mr Tan started his banking career 35 years ago and has since held a number of senior positions in various foreign banks. Before his career in the banking industry, he was with the Administrative Service of the Singapore Civil Service. He joined the Overseas Union Bank ("OUB") in 1987 and was seconded to the International Bank of Singapore Limited, a then wholly owned subsidiary of OUB, as Head of Corporate Banking and the Overseas Department. He was subsequently appointed as Senior Vice President of Investment Banking and Corporate Finance Division of OUB in 1992. In 1999, he was promoted to the position of Executive Vice President where he was in charge of fund management, corporate finance, capital markets, syndication and trustee and custodian Services. Mr Tan retired from OUB in 2001. Mr Tan obtained his Bachelor of Science (Honours) degree from the University of Singapore in 1971 and his Master of Business Administration degree from the University of British Columbia, Canada in 1979.

Mr Tan was last re-elected a Director of the Company on 28 October 2014.

Mr Chan Kin Sang
Independent and Non-Executive Director

Mr Chan was appointed as an Independent and Non-Executive Director of the Company on 17 June 2005. A practicing solicitor in Hong Kong since 1982, he is presently the sole proprietor of Messrs. Peter K. S. Chan & Co. Solicitors and Notaries. Mr Chan graduated from the University of Hong Kong with a Bachelor of Laws degree in 1979. He was admitted as a Notary Public in 1997 and as a China-appointed Attesting Officer in 2000. He is a Fellow of the Hong Kong Institute of Directors and acts as an independent non-executive director or non-executive director on the board of directors of several listed companies in Hong Kong and Singapore.

Mr Chan was last re-elected a Director of the Company on 25 October 2013.

Mr Chng Hee Kok
Independent and Non-Executive Director

Mr Chng was appointed as an Independent and Non-Executive Director of the Company on 17 June 2005. He is presently Managing Director of LH Group Ltd and Director and Chairman of Ellipsiz Ltd. Mr Chng had served as the Chief Executive Officer of Scotts Holdings Limited, Yeo Hiap Seng Limited, Hartawan Holdings Ltd and HG Metals Manufacturing Ltd. He was a Member of Parliament of Singapore from 1984 to 2001. Mr Chng served on the board of Sentosa Development Corporation and Singapore Institute of Directors. Currently he sits on the boards of a number of listed companies which include Pacific Century Regional Developments Limited, Samudera Shipping Line Limited, Chinasing Investment Holdings Ltd. and Full Apex (Holdings) Limited. Mr Chng was awarded a Merit Scholarship by the Singapore Government and graduated with a BEng (First Class Honours) from the University of Singapore in 1972. He also holds a MBA from the National University of Singapore.

Mr Chng was last re-elected a Director of the Company on 28 October 2014.

Mr Yuen Kwun Ki Anthony
Financial Controller

Mr Yuen joined our Group as Financial Controller in November 2006. He is responsible for all finance and accounts matters, statutory compliance and corporate governance of our Group. Mr Yuen is currently a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. He also holds a Master of Finance degree from Curtin University of Technology, Australia.

Mr Yang Yongqiang
Vice General Manager

Mr Yang joined our Group in 2001 and was promoted to his current position in 2014. He is responsible for the production process of adhesive tapes, overseeing our Group's research and development activities including development of new adhesive tape products and improvement of existing products. Mr Yang graduated from the China Zhongshan Institute of Zhongshan University (中山大学孙文学院), specialising in Applied Chemistry.

Mr Xiao Yichi
Vice General Manager

Mr Xiao joined our group in 2001. He is responsible for the production process, sales and marketing activities of our BOPP films. He was promoted to his current position in 2014. Mr Xiao graduated with a Bachelor in Chemical Machinery from the Wuhan Institute of Technology（武汉工程大学）in 2001.

Mr Zhong Zhaoqiang
Adhesive Tape Production Manager

Mr Zhong, who joined our Group since 1999, was promoted as our Adhesive Tape Production Manager in December 2005. He is responsible for monitoring the production process of adhesive tapes, such as integration of adhesive solvents, and coating and cutting of finished goods. Mr Zhong graduated in 1999 from the China Zhongshan Institute of Zhongshan University (中山大学孙文学院), where he specialised in Applied Chemistry.

Mr Huang Zhilin
Purchasing Manager

Mr Huang is responsible for establishing and administering our Group's purchasing policies. He joined our Group in 1996 as a Manager of our Technical Department where he was responsible for quality control and technology development. Mr Huang was promoted to Research and Development Manager in 2003 and was subsequently transferred to his current position in 2006. Prior to joining our Group, he was the Production Head of Union Carbide (Guangdong Zhongshan) Co. Ltd. (联合碳化(广东中山)有限公司) from 1992 to 1995. Mr Huang graduated from the China Zhongshan Institute of Zhongshan University（中山大学孙文学院) in 1992, specialising in Applied Chemistry.

Mr Zhang Hongxi
Finance Manager

Mr Zhang assists our Financial Controller in overseeing accounting and financial matters of Zhongshan New Asia Adhesive Products Co., Ltd. Before joining our Group in 2000, he was a Finance Manager at the Zhongshan Mingtian Group (中山明天集团) from 1986 to 1995 and an Accountant at Zhongshan Xiaolan Industrial Company (中山市小榄镇工业总公司) from 1995 to 2000. Mr Zhang graduated from the Accounting Branch of the China Agricultural Broadcast and Television School (中央农业广播电视学校会计分校) in 1988 and was certified by the Committee of Science and Technology of Zhongshan City (中山市科学技术委员会) to be a qualified accountant in 1989.

CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Leung Chee Kwong
(Executive Chairman & Chief Executive Officer)
Chan Siu Hang, Godwin

NON-EXECUTIVE DIRECTORS
Tan Tew Han *(Lead Independent)*
Chan Kin Sang *(Independent)*
Chng Hee Kok *(Independent)*
He Zhiming

AUDIT COMMITTEE
Chng Hee Kok *(Chairman)*
Tan Tew Han
Chan Kin Sang

NOMINATING COMMITTEE
Chan Kin Sang *(Chairman)*
Chan Siu Hang, Godwin
Tan Tew Han
Chng Hee Kok

REMUNERATION COMMITTEE
Tan Tew Han *(Chairman)*
Chng Hee Kok
Chan Kin Sang

SECRETARIES
Cheng Lisa
Codan Services Limited (Assistant Secretary)

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SINGAPORE SHARE TRANSFER AGENT
B.A.C.S. Private Limited
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111 Connaught Road Central, Hong Kong
Engagement Director:
Au Yiu Kwan
(Commencing from the financial year ended 30 June 2013)

BDO LLP
Public Accountants and Chartered Accountants
21 Merchant Road #05-01
Singapore 058267
Partner In-charge:
Khoo Gaik Suan
(Commencing from the financial year ended 30 June 2013)

INVESTOR RELATIONS CONSULTANT
Octant Consulting
7500A Beach Road
The Plaza, #08-318
Singapore 199591
Tel : (65) 6296 3583

The Board of Directors (the "Board") and Management of Luxking Group Holdings Limited (the "Company") are committed to achieving high standards of corporate governance within the Company and its subsidiaries (the "Group"). Good corporate governance establishes and maintains a legal and ethical environment within the Group to protect the interest of all shareholders of the Company.

The Company confirms that it has adhered to the principles and guidelines as set out in the Code of Corporate Governance 2012 (the "Code"), where applicable, and has specified and explained areas of non-compliance.

(A) BOARD MATTERS

Board's Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

The Board currently comprises the following six members:

Executive Directors
Mr Leung Chee Kwong
Dr Chan Siu Hang, Godwin

Non-Executive Director
Mr He Zhiming

Independent and Non-Executive Directors
Mr Tan Tew Han (Lead Independent Director)
Mr Chan Kin Sang
Mr Chng Hee Kok

Apart from its statutory duties and responsibilities, the Board is primarily responsible for:

a) overseeing the management and affairs of the Group;

b) approving the Group's corporate and strategic direction;

c) regularly reviewing business plans of the Group and the Company;

d) reviewing and monitoring financial performance of the Group and the Company;

e) establishing and maintaining a sound system of internal controls, covering not only financial controls but also operational and compliance controls;

f) reviewing the adequacy and improvement of its internal control systems; and

g) consider sustainability issues, e.g. environmental and social factors, as part of the Group's strategic formulation

The Group has in place internal guidelines on matters which are specifically reserved for Board decision include the following:

- the financial results and corporate strategies of the Group;
- the appointment of directors of the Company ("Directors") and key personnel;
- material acquisitions and disposal of assets;

- corporate or financial restructuring;
- policies relating to financial matters such as risk management and internal control and compliance;
- shares issuance and declaration of dividends; and
- conflict of interest for a substantial shareholder or a Director

To facilitate the execution of its responsibilities, the Board has established various Board Committees, such as the Nominating Committee (the "NC"), the Remuneration Committee (the "RC") and the Audit Committee (the "AC"). These Committees function within clearly defined terms of reference, which are subject to review on a regular basis. The Chairman of the respective Committees reports to the Board the outcome of the Committee meetings.

Formal Board meetings are held at least once every six months to review the business and financial performance of the Group. Ad-hoc meetings are also convened when required to address any significant issues that may arise. The Company's Bye-laws provides for telephonic attendance and conference via audio-visual communication at Board meetings to facilitate Board participation.

In the financial year ended 30 June 2015 ("FY2015"), the Board held two meetings to review the business of the Group and approve the Group's half-year and full-year financial statements. The attendance of Directors at meetings of the Board and Board Committees in FY2015 are summarised as follows:

	Number of Board		Number of AC		Number of RC		Number of NC	
Name of Director	**Meetings**	**Attendance**	**Meetings**	**Attendance**	**Meetings**	**Attendance**	**Meetings**	**Attendance**
Mr Leung Chee Kwong	2	2	N/A	N/A	N/A	N/A	N/A	N/A
Dr Chan Siu Hang, Godwin	2	2	N/A	N/A	N/A	N/A	1	1
Mr He Zhiming	2	2	N/A	N/A	N/A	N/A	N/A	N/A
Mr Chan Kin Sang	2	2	2	2	1	1	1	1
Mr Tan Tew Han	2	2	2	2	1	1	1	1
Mr Chng Hee Kok	2	2	2	2	1	1	1	1

N/A: Not applicable

Orientations are organised for new Directors, when appointed, that include briefing by Management on the Group's structure, business strategies and operations. As part of their continuing education, Directors may attend courses in areas of directors' duties and responsibilities, corporate governance, changes in financial reporting and insider trading, to keep themselves apprised and updated on the latest corporate, regulatory, legal and other requirements, at the Company's expenses.

The Directors are also updated on the business of the Group through meetings and site visits where possible.

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 ensure that the Directors are competent in carrying out their expected roles and responsibilities.

New Directors will be provided with a letter of appointment setting out their duties, obligations and terms of appointment.

No new Director was appointed to the Board for FY2015.

Board Composition and Balance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board comprises six Directors, three of whom are Independent and Non-Executive Directors. The composition of the Board is reviewed by the NC which is of the view that the current size is appropriate and effective, taking into account the nature and scope of the Group's operations. As more than one-third of the Board comprises Independent Directors, the Board is able to exercise independent judgement on corporate affairs and issues and avoid domination by any individual or small group of individuals in the Board's decision-making process.

The Board comprises experienced and qualified members who provide core competencies, such as business and management experience, industry knowledge, finance, legal and strategic planning experience that are necessary and critical to meet the Group's objectives. Details of the Directors' background are set out on pages 9 to 10 of the Annual Report.

The NC has reviewed the independence of the Board members with reference to the guidelines set out in the Code and the Board is of the view that three Independent and Non-Executive Directors to be independent. Each member of the NC has abstained from deliberations in respect of assessment of his own independence.

In compliance with the recommendation of the Code on rigorous review of independence of any Director who has served on the Board for a period beyond nine years from the date of his first appointment, the NC noted that all the three Independent and Non-Executive Directors (namely, Mr Chng Hee Kok, Mr Chan Kin Sang and Mr Tan Tew Han) have served on the Board for more than 9 years. The NC is of the view that the length of service has not compromised the objectivity of the three Independent and Non-Executive Directors and their commitment and ability to discharge their duties, having noted and taken into account –

a) The conclusions of the annual Board evaluation;

b) The declaration by each of the three Independent and Non-Executive Directors on their continuation to express their viewpoints, debate issues, scrutinize objectively and challenge Management's proposals on business activities as well as active participation on transactions involving conflicts of interests and other complexities; and

c) The three Directors' independent mindedness, conduct and objective views expressed at Board and Board Committee meetings.

The Board concurred with the NC and is of the view that the three Independent and Non-Executive Directors are considered independent and have the ability to continue exercising independent judgment in the best interest of the Company in discharging their duties as Directors, despite their extended tenure in office. Each member of the NC and Board has abstained from deliberations in respect of his own rigorous review of independence.

The Non-Executive Directors contribute to the Board process by monitoring and reviewing Management's performance. Their views and opinions provide alternative perspectives to the Group's business and they bring independent judgment to bear on business activities and transactions which may involve conflicts of interest and other complexities.

Non-Executive Directors communicate with each other without the presence of Management as and when the need arises.

Chairman and Chief Executive Officer ("CEO")

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

Mr Leung Chee Kwong is the Executive Chairman and CEO. As one of the co-founders of the Group, Mr Leung has in-depth knowledge of the adhesive tape industry. He is also experienced in managing the business. The Board supports his role as Chairman and CEO. Although the Company has not complied with the recommendation for the Chairman and CEO to be in principle separate persons, having Mr Leung assume both roles has not compromised accountability and independent decision making, as the Board comprises more than one-third of Independent Directors. All major decisions relating to operations and management of the Group are jointly and collectively made by the Board after taking into account the views of all Directors. As such, there is a balance of power and authority and no individual dominates the decision-making process of the Group.

As Chairman, Mr Leung ensures the integrity and effectiveness of the governance process of the Board. In addition, he is also responsible for representing the Board to shareholders, ensuring that Board meetings are held when necessary, setting the Board meeting agenda, acting as facilitator at Board meetings and maintaining regular dialogue with Management on all operational matters. He also ensures that Board members are provided with complete, adequate and timely information.

Mr Tan Tew Han, the Lead Independent Director of the Company, is available to address shareholders' concerns on issues that cannot be appropriately dealt with by the Chairman or the Financial Controller and ensures the Company has no unfettered powers of decision.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and reappointment of directors to the Board.

The NC comprises four members, the majority of whom, including the Chairman are independent. The Chairman of the NC is not related to any substantial shareholder of the Company.

The NC members are as follows:

Independent and Non-Executive Directors:
Mr Chan Kin Sang (Chairman)
Mr Tan Tew Han
Mr Chng Hee Kok

Executive Director:
Dr Chan Siu Hang, Godwin

Under its terms of reference, the duties of the NC include the following:

1. To make recommendations to the Board on the appointment of new Directors, including making recommendations on the composition of the Board generally and the balance between Executive and Non-Executive Directors appointed to the Board;

2. To regularly review the Board structure, size and composition and make recommendations to the Board with regards to any adjustments that are deemed necessary;

3. To be responsible for assessing nominees or candidates for appointment or election to the Board, and determining whether or not such nominee has the requisite qualifications and whether or not he/she is independent;

4. To make plans for succession, in particular for the Chairman and CEO;

5. To determine, on an annual basis, if a Director is independent. If the NC determines that a Director, who has one or more of the relationships mentioned under the Code is in fact independent, the Company would disclose in full, the nature of the Director's relationship and bear responsibility for explaining why he should be considered independent;

6. To recommend nominations of Directors retiring by rotation for re-election;

7. To review training and professional development programs for the Board;

8. To decide whether or not a Director is able to and has been adequately carrying out his duties as a Director of the Company, particularly when he/she has multiple board representations; and

9. To be responsible for assessing the effectiveness of the Board as a whole and the contribution of each individual Director to the effectiveness of the Board.

The Company has set up procedures for the selection, appointment and re-appointment of Directors including identification of potential candidates, evaluation of the skills, knowledge and experience required and assessment of candidates' suitability. All appointments and re-appointments are reviewed by the NC before recommendations to the Board.

The Company does not have alternate director.

Under the Company's Bye-laws, all Directors are subject to retirement at least once every three years by rotation and all newly-appointed Directors are required to retire at the next Annual General Meeting ("AGM") following their appointment. The retiring Directors may offer themselves for re-election. Mr Leung Chee Kwong will retire at the Company's forthcoming AGM.

In recommending a Director for re-appointment to the Board, the NC considers, amongst other things, his attendance and participation at Board and Board Committee meetings and the time and efforts accorded to the Group's business and affairs.

The NC had recommended the nomination of Mr Leung Chee Kwong for re-election at the forthcoming AGM. Mr Leung has given his consent to continue in office. The Board had accepted the NC's recommendation and accordingly, Mr Leung will be offering himself for re-election at this AGM.

The NC has reviewed the independence of the Board members with reference to the guidelines set out in the Code and has determined that Mr Chng Hee Kok, Mr Chan Kin Sang and Mr Tan Tew Han are independent.

The NC has reviewed from time to time competing commitments of Directors who serve on multiple boards and have other major commitments. Confirmations have been obtained from the Non-Executive Directors that despite their other Board representations, they are able to discharge their responsibilities as Directors of the Company. They had all contributed to the Board process through their attendance and participation at Board and Board Committee meetings and through consultation outside of these meetings as may be required. Accordingly, the NC is of the view that it would not fix maximum number of multiple board representations which may be held by a Director.

Details of each Director's academic and professional qualifications, directorships in other companies and other major appointments are presented on pages 9 to 10 of this Annual Report.

Board Performance

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and its Board committees and the contribution by each director to the effectiveness of the Board.

The NC has in place a Board performance evaluation process where the effectiveness of the Board as a whole is assessed. This annual evaluation exercise provides an opportunity to obtain feedback from each Director on whether the Board's procedures and processes have allowed him to discharge his duties effectively and to propose changes to enhance Board effectiveness. No external facilitator had been engaged by the Board for this purpose.

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

1. Board composition;
2. Information provided to the Board;
3. Board procedures;
4. Board accountability; and
5. Standards of conduct by the Board

In view of the size of the current operation of the Group, the NC is of the view that the current performance evaluation carried out for the Board as a whole based on the above areas of assessment is sufficient for the time being. There is no necessity to carry out evaluation of each individual Director and Board Committees for the time being. The NC has reviewed from time to time the time commitments and efforts contributed by each of the Directors to the affairs of the Company through their participation at Board and Board Committee meetings and will continue to assess the necessity to carry out the performance evaluation for each individual Director and Board Committees in future.

Access to Information

Principle 6: In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to Board meetings and on an ongoing basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Board members are provided with management reports containing adequate, complete and timely information prior to Board meetings, and on an on-going basis. The Board has separate and independent access to the Group's senior management and Company Secretaries at all times. The Directors may also, in appropriate circumstances, seek independent professional advice concerning the Company's affairs at the Company's expense.

The Company Secretaries and/or their representative(s) attend all Board and Board Committee meetings and are responsible for ensuring that Board procedures and other applicable rules and regulations are compiled with. They are also the primary channel of communication between the Company and the Singapore Exchange Securities Trading Limited ("SGX-ST").

The appointment and removal of the Company Secretaries is a matter for the Board.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Polices

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The RC comprises three members, all of whom are Independent and Non-Executive Directors.

The RC members are as follows:

Independent and Non-Executive Directors:
Mr Tan Tew Han (Chairman)
Mr Chan Kin Sang
Mr Chng Hee Kok

Under its terms of reference, the RC is responsible for reviewing and recommending a remuneration framework for the Board and key Executive Officers, and determines specific remuneration packages for each Executive Director. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses and benefits-in-kind are considered by the RC. The recommendations of the RC are submitted for consideration by the Board. No member of the RC or of the Board participates in the deliberation of his own remuneration package.

The remuneration packages of the Directors and key management personnel are set to attract, retain and motivate them to run the Group successfully. On the other hand, the Company avoids paying more than it is necessary for this purpose. Elements of the Group's relative performance and the performance of the individual Directors form part of the Executive Directors' remuneration packages so as to align their interests with those of shareholders and promote long-term success of the Group.

The RC reviews the Company's obligations arising in the event of termination of Executive Directors' and key management personnel's service agreements, to ensure that such agreement contains fair and reasonable termination clauses which are not overly generous. The Board is of the view that as the Group pays management bonus based on the performance of the Group/Company (and not on possible future results) and the results that have actually delivered by its Executive Directors and key management personnel, "claw back" provisions in the service agreements may not be relevant or appropriate.

Non-Executive Directors are paid Directors' fees based on their contribution and responsibilities on the Board and Board Committee. The Board supported the RC's recommendation for Non-Executive Directors' fees of S$185,220 for FY2015 (FY2014: S$185,220). This will be tabled for shareholders' approval at the forthcoming AGM.

The Company currently does not have any long-term incentive scheme or share option scheme in place.

No external facilitator had been engaged by the Board for advice and remuneration matters for FY2015. The RC has access to professional advice, if required.

Disclosure on Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

The remuneration of each Director has been disclosed in the respective remuneration bands.

Details of the remuneration of the Directors are set out in the following table:

Remuneration Band and Name of Director	Salary	Management Bonus	Fee	Total
Below S$250,000				
Mr Leung Chee Kwong *	93.99%	6.01%	–	100.00%
Dr Chan Siu Hang, Godwin *	88.94%	11.06%	–	100.00%
Mr He Zhiming **	–	–	100.00%	100.00%
Mr Chan Kin Sang **	–	–	100.00%	100.00%
Mr Tan Tew Han **	–	–	100.00%	100.00%
Mr Chng Hee Kok **	–	–	100.00%	100.00%

* In accordance with service agreements with the Company.
** Directors' fees are subject to the approval of shareholders at the AGM.

Details of the remuneration of the top Key Executives of the Group who are not Directors are set out in the following table:

Remuneration Band and Name of Key Executive	Salary	Management Bonus and/or Bonus	Pension	Total
Below S$250,000				
Mr Yuen Kwun Ki Anthony	95.92%	2.12%	1.96%	100.00%
Mr Yang Yongqiang	73.00%	24.61%	2.39%	100.00%
Mr Xiao Yichi	73.00%	24.61%	2.39%	100.00%
Mr Huang Zhilin	64.32%	32.52%	3.16%	100.00%
Mr Zhang Hongxi	64.32%	32.52%	3.16%	100.00%
Mr Zhong Zhaoqiang	64.32%	32.52%	3.16%	100.00%

The Company decided not to disclose the exact details of the remuneration of each individual Director and Key Executives due to the confidentiality and sensitivity of the remuneration matters. The annual aggregate remuneration paid to top six Key Executives of the Group (who are not Directors or the CEO) for FY2015 is equivalent to S$361,700.

Miss Leung Hi Man, daughter of the Company's Executive Chairman & CEO Mr Leung Chee Kwong, is in the employment of the Group whose annual remuneration exceeded S$50,000 and below S$100,000 for FY2015.

There is currently no share option scheme in place for employees of the Group.

(C) ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

As stated above, the Board's primary role is to protect and enhance long-term value and returns for shareholders. In the discharge of its duties to shareholders, the Board, when presenting annual financial statements and announcements, seek to provide shareholders with a detailed analysis, explanation and assessment of the Group's financial position and prospects. Management currently provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a regular basis.

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interest and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board recognises the importance of maintaining a sound system of internal control processes to safeguard shareholders' investments and the Group's business and assets. The Board has oversight for reviewing and monitoring the significant internal controls of the Group which remains a primary responsibility of Management.

The Board regularly reviews the Company's financial, operational, compliance and information technology controls to identify business risks and take appropriate measures to mitigate these risks. The Group's external auditors, BDO Limited, Certified Public Accountants, Hong Kong ("BDO HK") and BDO LLP, Public Accountants and Chartered Accountants, Singapore ("BDO LLP") had carried out a review on key internal controls relevant to the Company's preparation of its financial statements in the course of the audit. Any significant internal control weaknesses and non-compliances noted during the audit together with recommendations by BDO HK and BDO LLP are reported to the AC.

During the financial year under review, the AC has reviewed the adequacy and effectiveness of the Group's internal controls and risk management systems. Based on the internal controls established and maintained by the Group, work performed by the Internal and External Auditors, and the reviews performed by Management, the Board, with the concurrence with the AC, is of the opinion that the Group's internal controls in place are adequate and effective in addressing the Group's financial, operational, compliance and information technology controls and risk management systems to which the Group is exposed in its current business environment as at 30 June 2015.

The system of internal controls provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that could be reasonably foreseen as if strives to achieve its business objectives.

However, the Board notes that no system of internal controls can provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human error, fraud or other irregularities.

For FY2015, the Board has received assurance from the Executive Chairman and Chief Executive Officer and Financial Controller (equivalent to CFO) that:

- The Company's financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and
- the effectiveness of the Company's risk management and internal control systems.

Audit Committee

Principle 12: The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

The AC comprises three members, all of whom are Independent and Non-Executive Directors.

The AC members are as follows:

Independent and Non-Executive Directors:
Mr Chng Hee Kok (Chairman)
Mr Chan Kin Sang
Mr Tan Tew Han

All AC members have many years' experience in senior management positions in commercial, financial and industrial sectors. The Board is of the view that the AC members, having accounting and related financial management expertise or experience, are appropriately qualified to discharge their responsibilities.

Under its term of reference, the AC performs the following functions:

1. To review the external auditor's audit plans, evaluation of the system of internal accounting controls, audit findings, management letter and Management's response;
2. To review the half-year and annual financial statements before submission to the Board for approval;
3. To review any formal announcements relating to the Company's financial performance;
4. To discuss problems and concerns, if any, arising from the interim and final audits, in consultation with the external auditor where necessary;
5. To meet with the external auditor without the presence of Management, at least annually and to discuss any problems and concerns it may have;
6. To review the assistance given by Management to the external auditor;

7. To review annually the scope and results of the audit and its cost effectiveness as well as the independence and objectivity of the external auditor;

8. To review the adequacy and effectiveness of the Company's internal controls;

9. To review the scope and results of the internal audit procedures including the effectiveness of the internal audit functions;

10. To review and discuss with the external auditor, any suspected fraud or irregularity, or suspected infringement of any law, rules or regulations, which has or is likely to have a material impact on the Company's operating results or financial position, and Management's response;

11. To investigate any matter within its terms of reference, with full access to Management and full discretion to invite any Director or Executive Officer to attend its meetings, and to be provided reasonable resources to enable it to discharge its functions;

12. To review arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;

13. To report to the Board its findings from time to time on matters arising and requiring the attention of the Committee;

14. To review interested person transactions ("IPTs") falling within the scope of the Listing Manual of the SGX-ST, including transactions that fall within the scope of Rule 912;

15. To recommend to the Board the appointment, re-appointment and removal of the external auditor, and approve the remuneration and terms of engagement of the external auditor;

16. To undertake such other reviews and projects as may be requested by the Board; and

17. To undertake such other functions and duties as may be required by statute or the Listing Manual, and by such amendments made thereto from time to time.

In performing its functions, the AC:

- meets at least once every financial year with the external auditor, without the presence of Management, and reviews the overall scope of the external audit and the assistance given by Management to the external auditor;

- has explicit authority to investigate any matter relating to the Group's accounting, auditing, internal controls and financial practices brought to its attention with full access to records, resources and personnel to enable it to discharge its function;

- generally undertakes such other functions and duties as may be required by statute or the Listing Manual, and by such amendments made thereto from time to time; and

- has full access to and cooperation of Management and full discretion to invite any Director or Executive Officer to attend its meetings.

The AC recommends to the Board the re-appointment of BDO HK and BDO LLP as joint auditors of the Company at the forthcoming AGM. Pursuant to Rule 1207(6)(c) of the Listing Manual, the Company confirms that it has complied with Rules 712 and 715 in relation to its Auditors.

Audit fee for FY2015 by BDO HK and BDO LLP is HK$980,000. BDO HK had also rendered tax representative services to a subsidiary of the Company and their fees were HK$15,000.

The AC has undertaken a review of all the non-audit services provided by BDO HK during the year under review and is satisfied that such services would not, in the AC's opinion, affect the independence of the external auditors.

All subsidiaries incorporated in Hong Kong are audited by BDO HK for statutory and/or consolidation purpose. Zhongshan New Asia Adhesive Products Co., Ltd., a subsidiary incorporated in the PRC, is audited by Flower Town Accountant Firm Ltd. of Zhongshan City, Certified Public Accountants for statutory purpose.

The Company has in place a whistle-blowing policy to provide a channel for staff as well as other persons to report and raise, in good faith and in confidence, their concerns about possible improprieties. The Company has set up a dedicated email address for such reporting purposes to which access is restricted to the Chairman of the AC and his designate.

During FY2015, the AC reviewed the half-yearly financial statements prior to approving or recommending their release to the Board, as applicable; the annual audit plan of the External and Internal Auditors and the results of the audits performed by them; interested person transactions (if any); effectiveness and adequacy of the Group's risk management and internal controls systems; audit and non-audit services rendered by the external auditors and the re-appointment of external auditors and their remuneration. The AC also communicated with the External Auditors to keep abreast of changes to accounting standards and issues, if any, which may have a direct impact on financial statements. The AC met with External Auditors without the presence of Management in respect of the Group's FY2015 audit.

Internal Audit

Principle 13: The Company should establish an internal audit function that is adequately resourced and independent of the activities it audits.

Weide Certified Public Accountants Zhongshan, the PRC, who is independent of the Group's business activities, has been appointed as the Company's Internal Auditors to undertake the internal audit function and to report functionally to the AC. The Internal Auditors have adopted a risk-based auditing approach in their internal audit review carried out in the financial year. Upon completion of the audit review, the Internal Auditors report the findings and recommendations to Management who would respond on the actions to be taken. A finalised report incorporating Management's response is submitted to the AC for review and discussion at its half-yearly meetings.

The AC assesses the adequacy and effectiveness of the internal audit function annually.

The AC approves the appointment, removal, evaluation and compensation of the Internal Auditors.

(D) SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognize, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Communication with Shareholders

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Conduct of Shareholder Meetings

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Board believes in timely communication of information to shareholders and the investing public. It is the Board's policy that all shareholders and the investing public should be equally and timely informed of all major developments that impact the Group and the Company.

Information is communicated to shareholders and the investing public on a timely basis through the following channels:

- Details of all general meetings via SGXNET, notices published in newspapers and circulars/reports;

- Annual reports that are issued to all shareholders. The Board makes every effort to ensure that the Annual Report include all relevant information on the Group, including current developments, strategic plans and disclosures required.

- Announcements of half-year and full-year results released via SGXNET; announcements relating to major developments of the Group made via SGXNET; press and analysts' briefings as may be appropriate.

The Group does not practise selective disclosure and ensures that price-sensitive information is publicly released on a timely basis.

To encourage communication with investors, the Company's annual reports provide Investor Relations contact information as channels to address inquiries from shareholders and investors.

At general meetings, shareholders are given the opportunity to communicate their views and to direct questions regarding the Group to Management and/or the Directors, including the Chairman of the AC, the NC and the RC. The external auditor is also present at the AGM to address any relevant queries from the shareholders before voting each of the resolution. All resolutions are to put to vote by poll, and the results of the general meeting will be announced via SGXNET after the conclusion of the meeting. Minutes of general meetings will be made available to shareholders upon request. The Company ensures that there are separate resolutions at the general meetings on each distinct issue. The Company's Bye-Laws allow shareholders to appoint proxies to attend and vote on their behalf at general meetings.

The Company does not have a formal dividend policy. The Board will consider various factors, such as Company's earnings, general financial position, capital expenditure requirements, cash flow, general business environment, development plans and other factors may deem appropriate, to determine whether dividends are paid for the financial year.

RISK MANAGEMENT POLICIES AND PROCEDURES

As part of standard management procedures, Management monitors various risks which the Group is subject to and such risks extend to risks affecting the Group's business and industry. While not an exhaustive list, the following is a summary of key risks which the Group would like to highlight and which are monitored by Management during the course of the financial year.

Credit Management of Customers

The Group's financial position and profitability are dependent on the credit worthiness of its customers. Generally, no prior approval from Management is required should the credit periods extended to the customers fall within 30 to 90 days. For an extension of larger credit limits or longer credit periods, approval has to be sought from our Executive Chairman and CEO, Mr Leung Chee Kwong. In determining whether an extension of credit should be granted, Management generally takes into account factors such as the working relationship, payment history, creditworthiness and financial position of the customers. The Group's Finance Department, Credit Risk Management Department and Sales and Marketing Department review outstanding debtor balances on a monthly basis and follow up with customers when payments are due. The Group does not impose interest charges on overdue balances.

Inventory Management

The Group's warehousing facilities are located at its headquarters at Lianfeng Road, Jiu Zhouji, Xiaolan Town, Zhongshan City, Guangdong Province, the PRC and its Hangzhou branch office at Jiang Jiabang Village, Kangqiao Town, Gongshu District, Hangzhou City, Zhejiang Province, the PRC. The total warehousing area is approximately 13,000 m^2. The warehouses are under surveillance by security personnel and inventories are insured.

Inventories comprise raw materials, work in progress and finished goods. To ensure accurate inventory records and monitoring of ageing of inventory, representatives from the Group's Finance Department, Production Department and Sales and Marketing Department conduct monthly stock counts.

Research and Development

The Group advocates the use of technology to enhance operations and improve competitiveness. Since the commencement of operations in 1995, the Group has placed great importance on research and development efforts. To this end, the Company set up a Research and Development Centre in 1999. It was recognised as a "Technology Centre of City-level Enterprise" by the Zhongshan Municipal Government in October 2002.

Intellectual Property Rights

The Group's trademarks are significant to the branding of its products. To protect its trademarks, the Company registered its logo as a trademark in the PRC and Hong Kong. The trademarks "LUXKING" and "力王" have also been successfully registered with the Trademark Bureau of the State Administration of Industry and Commerce of the PRC.

Government Regulations

The Group's business operations are not subject to any special legislation or regulatory controls other than those generally applicable to companies and businesses operating in the PRC and Hong Kong. It has all the necessary licenses and permits to operate in the PRC and Hong Kong.

DEALINGS IN SECURITIES

The Company had adopted a policy governing dealings in the securities of the Company for Directors and Executive Officers of the Group. Directors and Executive Officers are not permitted to deal in the securities of the Company for the periods commencing one month before the release of half-year and full-year results and ending on the date of the announcement of the results, or when they are in possession of unpublished price-sensitive information. In addition, the Directors and Executive Officers of the Group are discouraged from dealings in the Company's securities on short-term considerations.

MATERIAL CONTRACTS

There are no material contracts of the Company and its subsidiaries involving the interest of any Director or controlling shareholders either still subsisting at the end of the financial year or if then not subsisting, entered into since the end of the previous financial year.

INTERESTED PARTY TRANSACTIONS ("IPT")

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that the transactions are carried out on normal commercial terms and will not be prejudicial to the interest of the Company and its shareholders. There were no IPTs in FY2015.

FINANCIAL CONTENTS

The Directors of the Company (the "Directors") present their report together with the audited financial statements of Luxking Group Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the financial year ended 30 June 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 16 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the financial year ended 30 June 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 32.

The Directors did not recommend any dividend in respect of the financial year ended 30 June 2015.

SHARE CAPITAL AND SHARE OPTIONS

The Company did not issue any shares during the year.

There is currently no share option scheme relating to the unissued shares of the Company.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the statements of changes in equity on pages 34 and 35 respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 13 to the financial statements.

DIRECTORS

The Directors during the year and up to the date of this report are as follows:

Mr Leung Chee Kwong
Dr Chan Siu Hang, Godwin
Mr He Zhiming
Mr Chan Kin Sang
Mr Tan Tew Han
Mr Chng Hee Kok

In accordance with Bye-Law 86(1) of the Company's Bye-Laws, Mr Leung Chee Kwong will retire by rotation and being eligible, will offer himself for re-election at the forthcoming Annual General Meeting.

DIRECTORS' SERVICE CONTRACTS

The Company had entered into separate service agreements with Mr Leung Chee Kwong, and Dr Chan Siu Hang, Godwin, the Executive Directors for an initial period of three years commencing 19 August 2005. The service agreements are subsequently renewable automatically for successive terms of one year each unless 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.

DIRECTORS' INTEREST IN CONTRACTS

Except for the service agreements detailed above, no contracts of significant to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTEREST IN SHARES AND DEBENTURES

According to the Register of Directors' shareholdings, none of the Directors who held office at the end of the financial year had an interest in shares and debentures of the Company and related corporations, except as follows:

	Shareholdings registered in name of Director		**Other shareholdings in which the Director is deemed to have interest**	
	1 July 2014	**30 June 2015 and 21 July 2015**	**1 July 2014**	**30 June 2015 and 21 July 2015**
Mr Leung Chee Kwong (note i)	Nil	Nil	105,950,000	105,950,000
Dr Chan Siu Hang, Godwin (note ii)	Nil	Nil	53,550,000	53,550,000
Mr Chng Hee Kok	150,000	150,000	Nil	Nil
Mr Chan Kin Sang (note iii)	Nil	Nil	100,000	100,000

Notes:

(i) Mr Leung Chee Kwong is deemed to be interested in all the shares registered in the name of Fullwealth Trading Limited by virtue of his 100% shareholding in Fullwealth Trading Limited.

(ii) Dr Chan Siu Hang, Godwin, is deemed to be interested in all the shares registered in the name of China Fortune International Limited by virtue of his 100% shareholding in China Fortune International Limited.

(iii) Mr Chan Kin Sang's deemed interest are shares registered in the name of CIMB-GK Securities Pte Ltd.

Except as disclosed above, no Director who held office at the end of the financial year had an interest in any shares or debentures of the Company or related corporation either at the beginning or the end of the financial year ended 30 June 2015 and on 21 July 2015.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

MANAGEMENT CONTRACTS

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

AUDITORS

The joint auditors, BDO Limited, Certified Public Accountants, Hong Kong and BDO LLP, Public Accountants and Chartered Accountants, Singapore have expressed their willingness to accept re-appointment as the Company's auditors at the Company's forthcoming AGM.

For and on behalf of the Board of Directors

Mr Leung Chee Kwong
Chairman

Dr Chan Siu Hang, Godwin
Executive Director

11 September 2015

STATEMENTS BY THE DIRECTORS

Year ended 30 June 2015

In the opinion of the Directors,

i) the accompanying Consolidated Statement of Profit or Loss and Other Comprehensive Income, Statements of Financial Position, Statements of Changes in Equity, Consolidated Statement of Cash Flows, and notes thereto, as set out on pages 32 to 74, are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 30 June 2015 and the financial performance of the business and cash flows of the Group and changes in equity of the Company and of the Group for the year then ended; and

ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors authorised these financial statements for issue on 11 September 2015.

For and on behalf of the Board of Directors

Mr Leung Chee Kwong
Chairman

Dr Chan Siu Hang, Godwin
Executive Director

11 September 2015

To the shareholders of Luxking Group Holdings Limited
(incorporated in Bermuda with limited liability)

We have audited the financial statements of Luxking Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 32 to 74, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2015, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statement of cash flows 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 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 30 June 2015 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
11 September 2015

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong
11 September 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 30 June 2015

	Notes	**2015 RMB'000**	2014 RMB'000
Revenue	7	**629,337**	699,141
Cost of sales		**(567,556)**	(634,139)
Gross profit		**61,781**	65,002
Other income	7	**2,012**	1,660
Selling and distribution costs		**(16,985)**	(16,085)
Administrative expenses		**(24,727)**	(23,572)
Other operating expenses		**(657)**	(3,200)
Finance costs	8	**(14,453)**	(14,507)
Profit before income tax	9	**6,971**	9,298
Income tax expense	10	**(3,277)**	(3,133)
Profit for the year		**3,694**	6,165
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**391**	(1,079)
Total comprehensive income for the year		**4,085**	5,086
Profit for the year attributable to:			
Owners of the Company		**3,694**	6,165
Total comprehensive income for the year attributable to:			
Owners of the Company		**4,085**	5,086
Earnings per share for profit attributable to the owners of the Company during the year	12		
- Basic and diluted (RMB cents)		**1.46**	2.44

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2015

		Group		Company	
	Notes	**2015**	2014	**2015**	2014
		RMB'000	RMB'000	**RMB'000**	RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	**105,604**	107,250	**–**	–
Investment properties	14	**375**	565	**–**	–
Land use rights	15	**3,732**	3,843	**–**	–
Investments in subsidiaries	16	**–**	–	**1**	1
Deposits for acquisition of property, plant and equipment		**1,002**	–	**–**	–
		110,713	111,658	**1**	1
Current assets					
Inventories	17	**60,870**	64,787	**–**	–
Trade receivables	18	**186,520**	196,454	**–**	–
Prepayments, deposits and other receivables	19	**18,598**	23,673	**109,164**	114,661
Restricted bank deposits	20	**1,975**	1,884	**–**	–
Cash and bank balances	20	**19,520**	24,977	**–**	–
		287,483	311,775	**109,164**	114,661
TOTAL ASSETS		**398,196**	423,433	**109,165**	114,662
EQUITY AND LIABILITIES					
Equity attributable to the owners of the Company					
Share capital	21	**133,557**	133,557	**133,557**	133,557
Reserves	22	**25,326**	21,241	**(26,198)**	(22,671)
Total equity		**158,883**	154,798	**107,359**	110,886
Current liabilities					
Trade and bill payables	23	**26,724**	36,918	**–**	–
Accrued expenses, deposits received and other payables	24	**19,963**	16,908	**1,806**	3,776
Bank borrowings, secured	25	**109,989**	112,170	**–**	–
Finance lease liabilities	26	**123**	119	**–**	–
Income tax payables		**1,082**	1,364	**–**	–
		157,881	167,479	**1,806**	3,776
Non-current liabilities					
Finance lease liabilities	26	**32**	156	**–**	–
Other loan	27	**81,400**	101,000	**–**	–
		81,432	101,156	**–**	–
Total liabilities		**239,313**	268,635	**1,806**	3,776
TOTAL EQUITY AND LIABILITIES		**398,196**	423,433	**109,165**	114,662

STATEMENTS OF CHANGES IN EQUITY

Year ended 30 June 2015

Group

	Share capital RMB'000	Share premium* RMB'000 (note 22(a))	Other reserve* RMB'000 (note 22(b))	Exchange reserve* RMB'000 (note 22(c))	(Accumulated losses)/ Retained profits* RMB'000	Total equity RMB'000
At 1 July 2013	133,557	33,961	7,864	(18,456)	(7,214)	149,712
Profit for the year	–	–	–	–	6,165	6,165
Other comprehensive income, net of income tax						
- Exchange loss on translation of financial statements of foreign operations	–	–	–	(1,079)	–	(1,079)
Total comprehensive income for the year	–	–	–	(1,079)	6,165	5,086
Appropriation to other reserve	–	–	1,153	–	(1,153)	–
At 30 June 2014 and 1 July 2014	133,557	33,961	9,017	(19,535)	(2,202)	154,798
Profit for the year	–	–	–	–	3,694	3,694
Other comprehensive income, net of income tax						
- Exchange gain on translation of financial statements of foreign operations	–	–	–	391	–	391
Total comprehensive income for the year	–	–	–	391	3,694	4,085
Appropriation to other reserve	–	–	451	–	(451)	–
At 30 June 2015	**133,557**	**33,961**	**9,468**	**(19,144)**	**1,041**	**158,883**

* These reserve accounts comprise the consolidated reserves of approximately RMB25,326,000 (2014: RMB 21,241,000) in the consolidated statement of financial position.

COMPANY

	Share capital RMB'000	Share premium* RMB'000 (note 22(a))	Exchange reserve* RMB'000 (note 22(c))	Accumulated losses* RMB'000	Total equity RMB'000
At 1 July 2013	133,557	33,961	(41,096)	(11,905)	114,517
Loss for the year	–	–	–	(3,227)	(3,227)
Other comprehensive income, net of income tax					
- Exchange loss on translation of the Company's financial statements to RMB	–	–	(404)	–	(404)
Total comprehensive income for the year	–	–	(404)	(3,227)	(3,631)
At 30 June 2014 and 1 July 2014	133,557	33,961	(41,500)	(15,132)	110,886
Loss for the year	–	–	–	(2,811)	(2,811)
Other comprehensive income, net of income tax					
- Exchange loss on translation of the Company's financial statements to RMB	–	–	(716)	–	(716)
Total comprehensive income for the year	–	–	(716)	(2,811)	(3,527)
At 30 June 2015	**133,557**	**33,961**	**(42,216)**	**(17,943)**	**107,359**

* These reserve accounts comprise the Company's reserves of a deficit of approximately RMB26,198,000 (2014: RMB22,671,000) in the Company's statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 June 2015

	2015 RMB'000	2014 RMB'000
Cash flows from operating activities		
Profit before income tax	**6,971**	9,298
Adjustments for:		
Fair value gains on investment properties	**(10)**	(45)
Interest income	**(108)**	(29)
Gain on disposals of property, plant and equipment	**(396)**	(1)
Impairment loss on property, plant and equipment	**–**	2,100
Interest expenses	**14,453**	14,507
Amortisation of land use rights	**111**	112
Depreciation of property, plant and equipment	**17,418**	17,291
Bad debts written-off	**45**	–
Impairment of trade receivables	**–**	248
Write-back for impairment of trade receivables	**–**	(17)
Inventories write-down	**3,351**	114
Gain on financial liabilities at fair value through profit or loss	**–**	(108)
Property, plant and equipment written-off	**449**	211
Operating profit before working capital changes	**42,284**	43,681
Decrease in inventories	**566**	12,495
Decrease/(Increase) in trade receivables	**9,684**	(18,657)
Decrease/(Increase) in prepayments, deposits and other receivables	**4,659**	(2,851)
(Decrease)/Increase in trade and bill payables	**(10,156)**	9,808
Increase in accrued expenses, deposits received and other payables	**2,636**	492
Decrease in derivative financial instruments	**–**	(23)
Cash generated from operations	**49,673**	44,945
Interest received	**108**	29
Income taxes paid	**(3,556)**	(4,340)
Net cash generated from operating activities	**46,225**	40,634
Cash flows from investing activities		
(Increase)/Decease in restricted bank deposits	**(91)**	5,650
Purchases of property, plant and equipment	**(16,421)**	(20,966)
Increase in deposits for acquisition of property, plant and equipment	**(1,002)**	–
Proceeds from disposals of property, plant and equipment	**570**	17
Proceeds from disposal of an investment property	**200**	–
Net cash used in investing activities	**(16,744)**	(15,299)
Cash flows from financing activities		
Repayments of capital element of finance lease liabilities	**(120)**	(113)
Interest element of finance lease payments	**(10)**	(16)
Interest on bank borrowings and other loan	**(13,253)**	(13,648)
Proceeds from bank borrowings	**129,144**	121,813
Repayments of bank borrowings	**(131,034)**	(126,835)
Repayments of other loan	**(19,600)**	(12,500)
Net cash used in financing activities	**(34,873)**	(31,299)
Net decrease in cash and cash equivalents	**(5,392)**	(5,964)
Cash and cash equivalents at beginning of year	**24,977**	30,960
Effect of foreign exchange rate changes, net	**(65)**	(19)
Cash and cash equivalents at end of year	**19,520**	24,977
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**19,520**	24,977

1. GENERAL INFORMATION

Luxking Group Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda. The principal place of business of the Company is located at Unit 6, 12/F, Tower A, New Mandarin Plaza, 14 Science Museum Road, Kowloon, Hong Kong. The Company's shares are listed on the Main Board of the Singapore Exchange Securities Trading Limited (the "SGX-ST").

The principal activity of the Company is investment holding. Principal activities of the Company's subsidiaries are set out in note 16 to the financial statements.

The operations of the Company and its subsidiaries (the "Group") are principally conducted in the People's Republic of China, excluding Hong Kong and Macau (the "PRC"), and Hong Kong. The consolidated financial statements have been presented in Renminbi ("RMB"), being the presentation currency of the Group. The functional currency of the Company is Hong Kong dollar ("HK$"). In order to be consistent with the consolidated financial statements, the presentation currency of the Company is also RMB. Amounts are rounded to the nearest thousand, unless otherwise stated.

The financial statements for the year ended 30 June 2015 were approved for issue by the Board of Directors on 11 September 2015.

2. BASIS OF PREPARATION

The financial statements on pages 32 to 74 have been prepared in accordance with International Financial Reporting Standards ("IFRSs") which collective terms includes all applicable individual International Financial Reporting Standards and Interpretations approved by the International Accounting Standard 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 historical cost convention except for investment properties which are stated at fair values. The measurement bases are fully described in the accounting policies in note 4.

It should be noted that accounting estimates and assumptions are used in 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

During the year, the Group has adopted all the new and amended IFRSs which are first effective for the reporting year and relevant to the Group. Except as explained below, the adoption of these new and amended IFRSs did not result in substantial changes to the Group's accounting policies and had no material impact on how the results and financial positions for the current and prior periods have been prepared and presented.

3. ADOPTION OF NEW OR AMENDED IFRSs (Continued)

Amendments to IAS 32 Presentation – Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to IAS 32, Offsetting Financial Assets and Financial Liabilities, for the first time in the current year. The amendment has clarified and expanded the application guidance in relation to the offsetting of financial assets and financial liabilities in respect of (1) the meaning of 'currently has a legally enforceable right of set-off'; (2) the application of simultaneous realisation and settlement; (3) the offsetting of collateral amounts and (4) the unit of account for applying the offsetting requirements. The amendments have been applied retrospectively. As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendment has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

At the date of authorisation of these financial statements, certain new or amended IFRSs have been issued but are not yet effective. The directors of the Company anticipate that these pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new or amended IFRSs that are expected to have impact on the Group's accounting policies is provided below. Certain other new or amended IFRSs have been issued but are not expected to have a material impact on the Group's financial statements.

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to introduce requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain simple debt instruments.

Under IFRS 9, all recognised financial assets that are within the scope of IAS 39, Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of the subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of the subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

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

3. ADOPTION OF NEW OR AMENDED IFRSs (Continued)

IFRS 9 Financial Instruments (Continued)

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transaction eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principal of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's management activities have also been introduced.

IFRS 9 will be effective for accounting period beginning on or after 1 January 2018. The directors of the Company anticipate that the application of IFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide reasonable estimate of the effect of IFRS 9 until the Group undertakes a detailed review.

IFRS 15 Revenue from Contracts with Customers

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

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

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

IFRS 15 will be effective for accounting period beginning on or after 1 January 2018. The directors of the Company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.1 Basis of consolidation (Continued)

Acquisition of subsidiaries or businesses is accounted for using acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised 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 non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill, if any), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

4.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control, directly or indirectly. 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, subsidiaries are carried at cost less any impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre- or post-acquisition profits are recognised in the Company's profit or loss.

4.3 Foreign currency translation

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.3 Foreign currency translation (Continued)

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 at 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 exchange reserve in equity.

When a foreign operation is sold, such exchange differences are reclassified from equity to profit or loss as part of the gain or loss on sale.

4.4 Property, plant and equipment

Buildings held for own use which are situated on leasehold land, where the cost of the buildings could be measured separately from the cost of the leasehold land at the inception of the lease, and other items of plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation is provided to write off the cost of property, plant and equipment less their estimated residual values over their estimated useful lives, using straight-line method, as follows:

Leasehold land	Over the lease terms
Leasehold buildings	10 to 20 years or over the lease terms
Equipment and machinery	3 to 10 years
Motor vehicles	4 to 7 years

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

Gain or loss arising on retirement or disposal is determined as the difference between the 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.

Construction in progress ("CIP") represents property, plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction, installation and testing. CIP 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.5 Land use rights

Upfront payments made to acquire land held under an operating lease are stated at costs less accumulated amortisation and any 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 straight-line method over the term of the lease/right of use.

4.6 Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it was held under a finance lease.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at fair value. Fair value is determined by external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amounts recognised in the reporting date reflect the prevailing market conditions at the reporting date.

Gains or losses arising from either changes in the fair value or the sale of an investment property are included in the profit or loss for the period in which they arise.

4.7 Research and development costs

Costs associated with research activities are expensed in profit or loss as they occur. Costs that are directly attributable to the development phase are recognised as intangible assets provided they meet the following recognition requirements:

(a) demonstration of technical feasibility of the prospective product for internal use or sale;

(b) there is intention to complete the intangible asset and use or sell it;

(c) the Group's ability to use or sell the intangible asset is demonstrated;

(d) the intangible asset will generate probable economic benefits through internal use or sale;

(e) sufficient technical, financial and other resources are available for completion; and

(f) the expenditure attributable to the intangible asset can be reliably measured.

Direct costs include employee costs incurred on development along with an appropriate portion of relevant overheads. The costs of internally generated product developments are recognised as intangible assets. These are subject to the same subsequent measurement method as externally acquired intangible assets.

All other development costs are expensed as incurred.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.8 Financial assets

The Group's financial assets are classified into loans and receivables. 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.

De-recognition 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. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured at amortised cost using effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Impairment of financial assets

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

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;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of loss is recognised in profit or loss of the period in which the impairment occurs.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.8 Financial assets (Continued)

Impairment of financial assets (Continued)

If, in subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

Financial assets other than trade receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written-off against trade receivables and charged to profit or loss directly and any amounts held in the allowance account in respect of that receivable are reversed in both the allowance account and profit or loss. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written-off directly are recognised in profit or loss.

4.9 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using 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 and distribution costs.

4.10 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks (excluding pledged bank deposits) 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 insignificant risk of changes in value. For purposes of the consolidated statement of cash flows, cash and cash equivalents comprise cash and bank balances.

4.11 Financial liabilities

The Group's financial liabilities include trade and bill payables, accrued expenses, other payables, bank borrowings, finance lease liabilities and other loan.

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 de-recognised when the obligation under the liability is discharged or cancelled or expires.

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 de-recognition 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 Financial liabilities (Continued)

Finance lease liabilities

Finance lease liabilities are measured at initial value less the capital element of lease repayments (note 4.13).

Bank borrowings and other loan

These are recognised initially at fair value, net of transaction costs incurred and 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 bank borrowings and other loan using effective interest method.

Bank borrowings and other loan 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 and bill payables, accrued expenses and other payables

These are recognised initially at fair value and subsequently measured at amortised cost, using 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 Group issues a financial guarantee, the fair value of the guarantee is initially recognised at their fair values plus transaction costs in the Group's statement of financial position within other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition.

The amount of the guarantee initially recognised 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.

Classification of assets leased to the Group

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.13 Leases (Continued)

Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset or, if lower, the present value of the minimum lease payments ("the initial value"), of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance lease charges, are recorded as finance lease liabilities.

Subsequent accounting for assets held under finance leases corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance lease charges.

Operating lease charges as the lessee

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.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. These are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

4.15 Share capital and share premium

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

Share premium includes any premiums received on the issuance of shares over the par value. 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.16 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods, 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:

Sales 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.

Interest income is recognised on time-proportion basis using effective interest method.

4.17 Impairment of non-financial assets

Property, plant and equipment and land use rights of the Group and the Company's investments in subsidiaries are subject to impairment testing. These assets are tested for impairment whenever there are indications that the asset's 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 estimated 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 ("CGU")). As a result, some assets are tested individually for impairment and some are tested at CGU level.

Impairment losses recognised for cash-generating units are charged pro-rata to the assets in the CGU, 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

<u>Retirement benefits</u>

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.

Pursuant to the relevant regulations in the People's Republic of China ("PRC"), the Group has participated in a local municipal government retirement benefit scheme (the "Scheme"), whereby the Group is required to contribute a certain percentage of basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees in the PRC. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme mentioned above. The Group's contributions to the Scheme are expensed as incurred.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.18 Employee benefits (Continued)

Short-term employee benefits

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.

4.19 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.

4.20 Accounting for income taxes

Income tax comprises 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 calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition of assets and liabilities in a transaction (other than a business combination) that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.20 Accounting for income taxes (Continued)

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) intends either to settle on a net basis, or to realise the asset and settle the liabilities simultaneously.

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.

4.21 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 investment properties, gain on financial liabilities at fair value through profit or loss, 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 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 current and deferred tax liabilities, bank borrowings and other loan.

No asymmetrical allocations have been applied to reportable segments.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.22 Related parties

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

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

(ii) has significant influence over the Group; or

(iii) is a member of 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.

(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.

4.23 Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within equity, until they have been approved by the shareholders in a general meeting. When these dividends are approved and declared, they are recognised as a liability. Interim dividends are simultaneously proposed and declared and consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experiences 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 reassessed the estimates at each reporting date. The carrying amount of the Group's inventories as at 30 June 2015 was RMB60,870,000 (2014: RMB64,787,000).

(b) Impairment loss of receivables

The policy for impairment loss 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 impairment loss may be required. The carrying amount of the Group's and the Company's trade and other receivables (excluding prepayments, non-refundable deposits and VAT receivables) as at 30 June 2015 was RMB186,945,000 (2014: RMB196,862,000) and RMB109,161,000 (2014: RMB114,660,000) respectively.

(c) Depreciation

Property, plant and equipment are depreciated on straight-line method over their estimated useful lives. Management estimates the useful lives of property, plant and equipment to be within 3 to 20 years or over the lease terms. The estimated useful life reflects the directors' 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 was RMB105,604,000 (2014: RMB107,250,000).

The residual value reflects management's estimated amount that the Group would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, as if the asset was already of the age and in the condition expected at the end of its useful life. Changes in the expect level of usage and technological developments could affect the economics, useful lives and the residual values of these assets which could then consequentially impact future depreciation changes.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

5.2 Critical judgements in applying the Group's accounting policies

Estimates of current tax

The Group is subject to income taxes in the PRC and Hong Kong. Significant judgement is required in determining the amount of the provision for income 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 provision in the period in which such determination is made.

6. SEGMENT INFORMATION

The Group has identified the following reportable segments:

Manufacture of general purpose adhesive tapes ("General Tapes") – manufacture and distribution of adhesive tapes such as stationary tapes, masking tapes and double-sided tapes for industrial, commercial and customer uses.

Manufacture of industrial specialty tapes ("Industrial Tapes") – manufacture and distribution of adhesive tapes designed for more sophisticated industrial application such as manufacturing and/or assembly processes, especially used for mobile and electronic appliance.

Manufacture of biaxially oriented polypropylene films ("BOPP films") – manufacture and distribution of BOPP films for packaging in industries, such as food, pharmaceutical, medical and electrical industries.

Trading of tapes and BOPP films – distribution of General Tapes, Industrial Tapes and BOPP films in Hong Kong and overseas markets.

Each of these operating segments is managed separately as each of these product lines requires different resources as well as marketing approaches. The executive directors regularly review revenue, gross profit margin and operating results of each operating segment.

During the years ended 30 June 2015 and 2014, all inter-segment sales were transacted with reference to the costs incurred by respective segments.

6. SEGMENT INFORMATION (Continued)

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

	2015					
	Manufacture of General Tapes	**Manufacture of Industrial Tapes**	**Manufacture of BOPP films**	**Trading of tapes and BOPP films**	**Eliminations**	**Group**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Revenue from external customers	**33,075**	**158,470**	**313,757**	**124,035**	**–**	**629,337**
Other income	**148**	**286**	**563**	**–**	**–**	**997**
Inter-segment sales	**49,186**	**25,307**	**4,297**	**–**	**(78,790)**	**–**
Reportable segment revenue	**82,409**	**184,063**	**318,617**	**124,035**	**(78,790)**	**630,334**
Reportable segment profit/(loss)	**(4,556)**	**16,962**	**5,583**	**4,886**	**–**	**22,875**
Depreciation and amortisation	**(2,885)**	**(5,572)**	**(8,856)**	**(3)**	**–**	**(17,316)**
Gain on disposals of property, plant and equipment	**59**	**113**	**224**	**–**	**–**	**396**
Bad debts written off	**–**	**–**	**(45)**	**–**	**–**	**(45)**
Inventories (write-down)/write back	**(593)**	**(3,404)**	**646**	**–**	**–**	**(3,351)**
Property, plant and equipment written-off	**(449)**	**–**	**–**	**–**	**–**	**(449)**
Reportable segment assets	**45,303**	**91,814**	**205,627**	**29,870**	**–**	**372,614**
Corporate assets:						
- Financial assets						**21,474**
- Non-financial assets						**4,108**
Consolidated total assets						**398,196**
Additions to non-current segment assets	**133**	**253**	**16,035**	**–**	**–**	**16,421**
Reportable segment liabilities	**7,009**	**12,305**	**25,531**	**2**	**–**	**44,847**
Corporate liabilities:						
- Financial liabilities						**193,384**
- Non-financial liabilities						**1,082**
Consolidated total liabilities						**239,313**

6. SEGMENT INFORMATION (Continued)

	2014					
	Manufacture of General Tapes RMB'000	Manufacture of Industrial Tapes RMB'000	Manufacture of BOPP films RMB'000	Trading of tapes and BOPP films RMB'000	Eliminations RMB'000	Group RMB'000
Revenue from external customers	40,599	203,734	294,294	160,514	–	699,141
Other income	136	261	454	–	–	851
Inter-segment sales	47,214	3,383	2,385	–	(52,982)	–
Reportable segment revenue	87,949	207,378	297,133	160,514	(52,982)	699,992
Reportable segment profit/(loss)	(5,539)	28,631	(3,397)	6,254	–	25,949
Depreciation and amortisation	(3,133)	(6,012)	(8,025)	(3)	–	(17,173)
Gain on disposals of property, plant and equipment	–	–	1	–	–	1
Bad debt recovery	109	–	–	–	–	109
Impairment of trade receivables	–	(248)	–	–	–	(248)
Impairment of property, plant and equipment	(485)	–	(1,615)	–	–	(2,100)
Property, plant and equipment written-off	(34)	(65)	(112)	–	–	(211)
Reportable segment assets	80,341	155,795	107,258	49,456	–	392,850
Corporate assets:						
- Financial assets						26,045
- Non-financial assets						4,538
Consolidated total assets						423,433
Additions to non-current segment assets	3,351	6,430	11,169	–	–	20,950
Reportable segment liabilities	9,283	15,214	27,172	158	–	51,827
Corporate liabilities:						
- Financial liabilities						215,444
- Non-financial liabilities						1,364
Consolidated total liabilities						268,635

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:

	2015 RMB'000	2014 RMB'000
Reportable segment profit	**22,875**	25,949
Fair value gains on investment properties	**10**	45
Interest income	**108**	29
Gain on financial liabilities at fair value through profit or loss	**–**	108
Unallocated corporate income	**896**	627
Unallocated corporate expenses	**(2,465)**	(2,953)
Finance costs	**(14,453)**	(14,507)
Profit before income tax	**6,971**	9,298

6. SEGMENT INFORMATION (Continued)

The Group's revenue from external customers and non-current assets are divided into the following geographical areas:

	Revenue from external customers		Non–current assets	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
The PRC (domicile)	**505,302**	538,627	**106,978**	107,681
Hong Kong	**99,620**	135,804	**3,735**	3,977
Other countries	**24,415**	24,710	**–**	–
	629,337	699,141	**110,713**	111,658

Geographical location of customers is based on the location at which the goods are delivered whilst that of non-current assets is based on the physical location of the asset.

Revenue from the major customers with whom transactions have exceeded 10% of the Group's revenue is as follows:

	2015	2014
	RMB'000	RMB'000
Customer A (Trading of tapes and BOPP films)	**99,620**	135,804
Customer B (Manufacture of BOPP films)	**82,816**	–
	182,436	135,804

7. REVENUE AND OTHER INCOME

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

	2015	2014
	RMB'000	RMB'000
Revenue		
Sale of goods	**629,337**	699,141
Other income		
Fair value gains on investment properties	**10**	45
Interest income	**108**	29
Net gain on sale of raw materials	**997**	851
Net foreign exchange gain	**376**	317
Bad debt recovery	**–**	109
Gain on disposal of property, plant and equipment	**396**	1
Gain on financial liabilities at fair value through profit or loss	**–**	108
Others	**125**	200
	2,012	1,660

8. FINANCE COSTS

	2015 RMB'000	2014 RMB'000
Interest charges on:		
- Bank borrowings, wholly repayable within one year	**7,396**	6,317
- Bank borrowings, which contain a repayment on demand clause, wholly repayable within five years	**189**	265
- Other loan wholly repayable within five years	**6,858**	7,909
Finance lease charges	**10**	16
	14,453	14,507

9. PROFIT BEFORE INCOME TAX

	2015 RMB'000	2014 RMB'000
Profit before income tax is arrived at after charging/(crediting):		
Auditor's remuneration		
- Audit services	**777**	753
- Non-audit services	**12**	11
Cost of inventories recognised as an expense	**524,933**	596,748
Amortisation of land use rights	**111**	112
Bad debt recovery	**–**	(109)
Bad debts written-off*	**45**	–
Impairment of trade receivables*	**–**	248
Write-back for impairment of trade receivables*	**–**	(17)
Depreciation of property, plant and equipment	**17,418**	17,291
Impairment of property, plant and equipment	**–**	2,100
Net foreign exchange gain	**(376)**	(317)
Operating lease rentals in respect of lands and buildings	**1,203**	1,213
Property, plant and equipment written-off*	**449**	211
Research and development costs	**1,559**	1,557
Directors' remuneration:		
- Fee	**845**	917
- Other emoluments	**1,463**	1,830
	2,308	2,747
Retirement scheme contributions	**2,903**	1,933
Other staff costs	**25,852**	21,991
Total staff costs	**31,063**	26,671
Cost of inventories recognised as an expense includes the following expenses which are also included in the respective total amounts separately disclosed above for each of these types of expenses:		
- Depreciation	**13,757**	13,377
- Operating lease rentals in respect of land and buildings	**826**	840
- Inventories write-down	**3,351**	114
- Staff costs	**13,395**	11,900
- Research and development costs	**1,039**	1,092

* Included in other operating expenses.

10. INCOME TAX EXPENSE

	2015 RMB'000	2014 RMB'000
Current tax:		
The PRC	**2,712**	2,520
Hong Kong	**565**	613
	3,277	3,133

Zhongshan New Asia Adhesive Products Co., Ltd. ("Zhongshan New Asia"), a wholly-owned subsidiary of the Company, is subject to the PRC Enterprise Income Tax rate of 25% (2014: 25%).

Luxking International Chemicals Limited, a wholly-owned subsidiary of the Company, is subject to Hong Kong profits tax at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits for the year.

China King International Trading Limited, a wholly-owned subsidiary of the Company, is subject to Hong Kong profits tax at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits for the year.

Income tax has not been provided by the Company and other subsidiaries as the Company and other subsidiaries did not derive any assessable profits during the year (2014: Nil).

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

	2015 RMB'000	2014 RMB'000
Profit before income tax	**6,971**	9,298
Tax on profit before income tax, calculated at the rates applicable to profits in the tax jurisdiction concerned	**1,764**	2,222
Tax effect of non-taxable revenue	**(51)**	(141)
Tax effect of non-deductible expenses	**1,561**	1,051
Tax effect of temporary differences not recognised	**3**	1
Income tax expense	**3,277**	3,133

No deferred tax liability has been provided for the Company as the Company did not have any significant temporary differences which gave rise to a deferred tax liability at 30 June 2015 (2014: Nil).

11. DIVIDENDS

The directors do not recommend the payment of a dividend for the years ended 30 June 2015 and 2014.

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately RMB3,694,000 (2014: RMB6,165,000) divided by 253,000,000 (2014: 253,000,000) ordinary shares in issue during the year.

Diluted earnings per share for the financial years ended 30 June 2015 and 2014 is the same as basic earnings per share, as the Group has no dilutive potential shares during the current and prior year.

13. PROPERTY, PLANT AND EQUIPMENT - GROUP

	Leasehold land RMB'000	Leasehold buildings RMB'000	Equipment and machinery RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 July 2013						
Cost	3,658	63,635	230,792	1,511	4,135	303,731
Accumulated depreciation	(319)	(35,322)	(161,439)	(735)	–	(197,815)
Net carrying amount	3,339	28,313	69,353	776	4,135	105,916
Year ended 30 June 2014						
Opening net carrying amount	3,339	28,313	69,353	776	4,135	105,916
Exchange realignment	(11)	(1)	–	(2)	–	(14)
Additions	–	–	20,838	128	–	20,966
Depreciation charged for the year	(83)	(4,062)	(12,945)	(201)	–	(17,291)
Disposals	–	–	–	(16)	–	(16)
Transfer	–	–	4,135	–	(4,135)	–
Impairment loss	–	–	(2,100)	–	–	(2,100)
Write-off	–	–	(211)	–	–	(211)
Closing net carrying amount	3,245	24,250	79,070	685	–	107,250
At 30 June 2014 and 1 July 2014						
Cost	3,645	69,079	262,635	3,230	–	338,589
Accumulated depreciation and impairment losses	(400)	(44,829)	(183,565)	(2,545)	–	(231,339)
Net carrying amount	3,245	24,250	79,070	685	–	107,250
Year ended 30 June 2015						
Opening net carrying amount	3,245	24,250	79,070	685	–	107,250
Exchange realignment	(22)	(2)	–	(2)	–	(26)
Additions	–	–	16,421	–	–	16,421
Depreciation charged for the year	(83)	(3,757)	(13,361)	(217)	–	(17,418)
Disposals	–	–	(174)	–	–	(174)
Write-off	–	–	(449)	–	–	(449)
Closing net carrying amount	**3,140**	**20,491**	**81,507**	**466**	**–**	**105,604**
At 30 June 2015						
Cost	3,621	69,077	275,580	3,227	–	351,505
Accumulated depreciation and impairment losses	(481)	(48,586)	(194,073)	(2,761)	–	(245,901)
Net carrying amount	**3,140**	**20,491**	**81,507**	**466**	**–**	**105,604**

The Group's leasehold land and buildings of RMB20,127,000 (2014: RMB23,875,000) and RMB3,504,000 (2014: RMB3,620,000) are situated in the PRC and Hong Kong respectively and are held under remaining lease terms ranging from 42 to 63 years (2014: 43 to 64 years).

As at 30 June 2015, entire leasehold land and certain leasehold buildings of the Group with net carrying amounts of RMB3,140,000 and RMB13,495,000 respectively were pledged to secure the Group's bank borrowings (note 25) and bills payables (note 23).

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

As at 30 June 2014, entire leasehold land, certain leasehold buildings and equipment and machineries of the Group with net carrying amounts of RMB3,245,000, RMB9,457,000 and RMB3,003,000 respectively were pledged to secure the Group's bank borrowings (note 25) and bills payables (note 23).

As at 30 June 2015, a motor vehicle of the Group with carrying amount of RMB221,000 (2014: RMB325,000) were held under finance leases arrangements. The finance lease asset is pledged as a security for the related lease liabilities (note 26).

As at 30 June 2014, the building ownership of a building in PRC with net carrying amount of approximately RMB5,554,000 was still in the process of application whilst the land use right certificate of the building had already been obtained. The building ownership application was subsequently completed in September 2014.

During the financial year, the Group carried out a review of the recoverable amount of its property, plant and equipment because the cash generating units of manufacture of general tapes and BOPP films had been making losses for the past few years. The Group recognised no impairment loss (2014: RMB2,100,000) in "Other operating expenses" line in profit or loss for the financial year ended 30 June to write down the carrying amount of the relevant assets of these cash generating units to its recoverable amount. The recoverable amount has been determined based on fair value less cost of disposal estimated by independent professional valuers with reference to recent market transactions in similar assets adjusted for differences in key attributes such as location, area, age, condition, tenure, design and layout, dates of transaction and prevailing economic conditions affecting the market among others. The fair value less cost of disposal of property, plant and equipment is classified as a level 3 measurement. The fair value measurement is based on the above impaired property, plant and equipment's highest and best use, which does no differ from their actual use.

14. INVESTMENT PROPERTIES - GROUP

Changes to the carrying amounts presented in the statements of financial position can be summarised as follows:

	2015 **RMB'000**	2014 RMB'000
Carrying amount at beginning of year	**565**	520
Disposal during the year	**(200)**	–
Change in fair value of investment properties	**10**	45
Carrying amount at end of year	**375**	565

All of the Group's property interests held for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties. The investment properties comprised leasehold land (2014: leasehold land and buildings) located in the PRC.

No income or direct operating expenses were recognised during both years ended 30 June 2015 and 2014 as all the investment properties were unlet.

As at 30 June 2015 and 2014 the property ownership certificates of all investment properties have not yet been obtained. In the opinion of the independent PRC legal advisers of the Group, all investment properties are owned by the Group to earn rental income and/or for capital appreciation without any legal impediment.

14. INVESTMENT PROPERTIES - GROUP (Continued)

The fair value of investment properties is a level 3 recurring fair value measurement. Fair values of the Group's investment properties at 30 June 2015 and 2014 were revalued by a firm of independent qualified professional valuers, who had the recent experience in the location and category of property being valued, which was based on market comparison approach. Fair values were estimated based on recent market transactions for similar properties in the same location and condition.

	2015	2014
Significant unobservable input		
Price per square meter	**RMB1,700 – RMB3,000**	RMB1,800 – RMB3,780

The fair value as described above is determined based on the above properties' highest and best use and this does not differ from their actual use.

There were no changes to the valuation techniques during the year.

15. LAND USE RIGHTS - GROUP

	RMB'000
At 1 July 2013	
Cost	5,666
Accumulated amortisation	(1,711)
Net carrying amount	3,955
Year ended 30 June 2014	
Opening net carrying amount	3,955
Amortisation charged for the year	(112)
Closing net carrying amount	3,843
At 30 June 2014 and 1 July 2014	
Cost	5,666
Accumulated amortisation	(1,823)
Net carrying amount	3,843
Year ended 30 June 2015	
Opening net carrying amount	3,843
Amortisation charged for the year	(111)
Closing net carrying amount	**3,732**
At 30 June 2015	
Cost	5,666
Accumulated amortisation	(1,934)
Net carrying amount	**3,732**

The Group's land use rights comprise leasehold interest in land located in the PRC and with lease terms expiring in 2048. The land use rights have a remaining tenure of 33 (2014: 34) years.

As at 30 June 2015 and 2014, the entire land use rights were pledged to secure the Group's bank borrowings (note 25).

Amortisation of land use rights is included as administrative expense in profit or loss.

16. INVESTMENTS IN SUBSIDIARIES - COMPANY

	2015 RMB'000	2014 RMB'000
Unlisted investments, at cost	**1**	1

Particulars of the subsidiaries at 30 June 2015 and 2014 are as follows:

Name	Place of incorporation/ principal place of business	Nominal value of paid-up share/registered capital	Effective percentage of equity interest attributable to the Company 2015 and 2014	Principal activities
Directly held:				
Excel Glory Limited	British Virgin Islands	US$100	100	Investment holding
Indirectly held:				
Zhongshan New Asia Adhesive Products Co., Ltd. ("ZHNA")[(i)]	The PRC	US$11.6 million	100	Production of adhesive tapes and BOPP films
Luxking International Chemicals Limited	Hong Kong	HK$1	100	Trading of polypropylene resin
China King International Trading Limited	Hong Kong	HK$1	100	Trading of adhesive tapes and BOPP films
Tian Holdings Limited	Hong Kong	HK$1	100	Investment holding
Luxking Investment Limited	Hong Kong	HK$1	100	Investment holding

(i) ZNHA is a wholly foreign-owned enterprise and its initial operation period was from 21 February 1995 to 20 February 2015. On 6 November 2014, ZNHA obtained a further 30 years extension on the business operational license which extend the operation period to 20 February 2045.

The financial statements of the above subsidiaries have been audited/reviewed by BDO Limited for statutory purpose and/or the purpose of the Group's consolidation.

17. INVENTORIES - GROUP

	2015 RMB'000	2014 RMB'000
Raw materials	**28,395**	26,338
Work-in-progress	**18,953**	18,608
Finished goods	**20,023**	22,991
	67,371	67,937
Less: Write-down for inventory obsolescence	**(6,501)**	(3,150)
	60,870	64,787

The Group has recognised a reversal of RMB646,000 (2014: RMB Nil), being part of an inventory write-down made in the previous financial years, as the inventories were sold above the carrying amounts in 2015.

18. TRADE RECEIVABLES - GROUP

	2015 RMB'000	2014 RMB'000
Trade receivables	**186,768**	196,702
Less: Impairment loss	**(248)**	(248)
	186,520	196,454

Trade receivables generally have credit terms of 7 to 180 (2014: 7 to 180) days and no interest is charged.

The directors of the Company consider that the fair values of trade 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 on their inception.

Impairment loss in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the outstandings are written-off as bad debts against trade receivables directly.

Movement in impairment loss of trade receivables is as follows:

	2015 RMB'000	2014 RMB'000
At beginning of year	**248**	17
Impairment loss for the year	**–**	248
Write-back for the year	**–**	(17)
At end of year	**248**	248

At each reporting date, the Group reviews receivables for evidence of impairment on both an individual and collective basis. As at 30 June 2015, trade receivables of approximately RMB248,000 (2014: RMB248,000) were determined as individually impaired.

18. TRADE RECEIVABLES – GROUP (Continued)

Ageing analysis of trade receivables that are not impaired is as follows:

	2015 RMB'000	2014 RMB'000
Neither past due nor impaired	**154,848**	166,337
Past due but not impaired		
- Less than 1 month past due	**11,300**	9,132
- 1 to 3 months past due	**14,101**	17,471
- More than 3 months but less than 12 months past due	**4,713**	3,514
- More than 12 months past due	**1,558**	–
	186,520	196,454

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

Trade receivables that were past due but not impaired related to a large number of diversified customers that has a good track record of credit or long established business relationship with the Group. Based on past credit experience, management believes that no impairment loss are 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.

As at 30 June 2015, trade receivables of approximately US$8,050,000 (equivalent to RMB49,284,000) and RMB4,000,000 (2014: US$9,279,000 (equivalent to RMB57,094,000)) were discounted to the banks with recourse. These receivables continue to be recognised as assets in the consolidated financial statements as the Group is still exposed to credit risk on these receivables as at the end of the respective reporting date. Accordingly, bank borrowings associated with these trade receivables, as disclosed in note 25, are not de-recognised in the consolidated financial statements as at the end of the respective reporting date.

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

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Due from a subsidiary	**–**	–	**109,161**	114,660
Prepayments	**403**	562	**3**	1
Advance to suppliers	**4,698**	8,751	**–**	–
VAT receivables	**13,072**	13,952	**–**	–
Other receivables and deposits	**425**	408	**–**	–
Total	**18,598**	23,673	**109,164**	114,661

Amount due from a subsidiary is unsecured, interest-free, repayable on demand and are to be settled by cash. The movement of amount due from a subsidiary represented the net repayment from a subsidiary during the year.

The directors of the Company consider that the fair values of amount due from a subsidiary, deposits and other 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 on their inception.

20. RESTRICTED BANK DEPOSITS AND CASH AND BANK BALANCES - GROUP

As at 30 June 2015 and 2014, restricted bank deposits of approximately RMB1,975,000 (2014: RMB1,884,000) represented guaranteed deposits placed in the banks in the PRC and Hong Kong in relation to the Group's bank borrowings (note 25).

Restricted bank deposits and bank balances earn interest at floating rates based on daily bank deposit rates of less than 1% per annum. The restricted bank deposits pledged for bank borrowings will last for the period from the date of drawdown of secured bank borrowings to the date when bank borrowings are fully settled.

As at 30 June 2015, the Group had cash and bank balances of approximately RMB10,572,000 (2014: RMB15,504,000) placed with the 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 the banks that are authorised to conduct foreign exchange business.

21. SHARE CAPITAL - GROUP AND COMPANY

	2015		2014	
	HK$'000	**RMB'000**	HK$'000	RMB'000
Authorised:				
1,000,000,000 (2014: 1,000,000,000) ordinary shares of HK$0.50 each	**500,000**	**530,000**	500,000	530,000
Issued and fully paid:				
253,000,000 (2014: 253,000,000) ordinary shares of HK$0.50 each	**126,500**	**133,557**	126,500	133,557

Share capital of the Company comprises of fully paid ordinary shares with a par value of HK$0.50 each. The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share at shareholders' meetings of the Company without restriction.

22. RESERVES - GROUP AND COMPANY

(a) Share premium

This represented the premium arising from the issue of shares of the Company. Under the Bye-Laws of the Company, the share premium account may be distributed in the form of fully paid bonus shares.

(b) Other reserve

The Group's other reserve represent appropriation of profits retained by the Group's PRC subsidiary. In accordance with the relevant laws and regulations of the PRC, Zhongshan New Asia is required to appropriate an amount not less than 10% of its profit after income tax to other reserve each year until the other reserve balance reaches 50% of its registered capital. Subject to approval from the relevant PRC authorities, this other reserve may be used to offset any accumulated losses or for capitalisation as paid-up capital. Other reserve is not available for dividend distribution to shareholders.

(c) Exchange reserve

This comprise all foreign exchange differences arising from the translation of the financial statements of the Company and subsidiaries whose functional currency are different from that of the Group's presentation currency which is RMB and is non-distributable.

23. TRADE AND BILL PAYABLES - GROUP

	2015 RMB'000	2014 RMB'000
Trade payables	**26,631**	33,219
Bill payables	**93**	3,699
	26,724	36,918

Trade payables and bill payables are non- interest bearing and are normally settled on 30 (2014: 30) days and 90 (2014: 45 to 75) days credit terms respectively.

As at 30 June 2015 and 2014, the Group's bill payables were secured by a property held by the Group and secured by the guarantees executed by the Company.

All amounts are short-term and hence the carrying values of trade and bill payables are considered to be a reasonable approximation of fair values.

24. ACCRUED EXPENSES, DEPOSITS RECEIVED AND OTHER PAYABLES - GROUP AND COMPANY

	Group		Company	
	2015 **RMB'000**	2014 RMB'000	**2015** **RMB'000**	2014 RMB'000
Due to a subsidiary	**–**	–	**–**	1,974
Accrued expenses	**16,469**	12,324	**1,806**	1,802
Deposits received	**2,303**	3,162	**–**	–
Other payables	**1,191**	1,422	**–**	–
	19,963	16,908	**1,806**	3,776

Amount due to a subsidiary is unsecured, interest-free, repayable on demand and to be settled by cash.

The carrying amounts of the amount due to a subsidiary, accrued expenses, deposits received and other payables are short-term and hence their carrying values are considered to be a reasonable approximation of fair values.

25. BANK BORROWINGS, SECURED - GROUP

	2015 RMB'000	2014 RMB'000
Current portion		
Bank borrowings due for repayment within one year	**107,884**	107,646
Bank borrowings due for repayment after one year which contain a repayment on demand clause	**2,105**	4,524
	109,989	112,170

Bank borrowings of RMB2,105,000 (2014: RMB4,524,000) are classified as current liabilities as the related borrowings agreements contain a clause that provides the lenders with an unconditional right to demand repayment at any time at its own discretion. None of the portion of these bank borrowings is expected to be settled within one year.

Assuming that the banks do not request the clause for repayment on demand and based on the repayment dates as schedules in the loan agreements, the Group's bank borrowings are due for repayment, as at each of the reporting dates, as follows:

	2015 RMB'000	2014 RMB'000
Within one year	**107,884**	107,646
In the second year	**2,105**	2,433
In the third to fifth year	**–**	2,091
Wholly repayable within five years	**109,989**	112,170

As at 30 June 2015, the Group's bank borrowings are secured by corporate guarantees which are executed by the Company, a subsidiary of the Company and Leung Chee Kwong and Chan Siu Hang Godwin, directors of the Company, the pledge of certain of the Group's property, plant and equipment (note 13), the Group's entire land use rights (note 15), certain of the Group's trade receivables (note 18), the Group's restricted bank deposits (note 20) and an independent third party's land use rights (2014: corporate guarantees which were executed by the Company, a subsidiary of the Company, Leung Chee Kwong and Chan Siu Hang Godwin, directors of the Company and independent third parties, the pledge of certain of the Group's property, plant and equipment (note 13), the Group's entire land use rights (note 15), certain of the Group's trade receivables (note 18), the Group's restricted bank deposits (note 20) and an independent third party's land use rights).

As at 30 June 2015, these bank borrowings bear fixed interest rate ranging from 3.7% to 6.0% (2014: 4.8% to 6.0%) per annum and floating interest rates ranging from 1.4% to 7.2% (2014: 3.3% to 7.2%) per annum.

The Group's bank borrowings are denominated in the following currencies:

	2015 RMB'000	2014 RMB'000
RMB	**63,691**	70,530
HK$	**4,494**	6,877
United States dollar ("US$")	**41,804**	34,763
	109,989	112,170

26. FINANCE LEASE LIABILITIES - GROUP

	2015 RMB'000	2014 RMB'000
Total minimum lease payments		
Due within one year	**128**	128
Due in the second to fifth years	**32**	161
	160	289
Future finance charges on finance leases	**(5)**	(14)
Present value of finance lease liabilities	**155**	275
Present value of minimum lease payments		
Due within one year	**123**	119
Due in the second to fifth years	**32**	156
	155	275
Less: Portion due within one year included under current liabilities	**(123)**	(119)
Non-current portion included under non-current liabilities	**32**	156

The finance lease term is 4 years. The lease does not have options to renew or any contingent rental provisions. The Group's finance lease carries effective interest rate of 4.85% (2014: 4.85%) per annum. Interest rate is fixed from the contract date, thus expose the Group to fair value interest rate risk. As at the end of the reporting period, the fair values of the Group's finance lease obligations approximate their carrying amounts.

Finance lease liabilities, which are denominated in HK$, are effectively secured by the underlying assets as the rights to the leased asset would be reverted to the lessor in the event of default of repayment by the Group (note 13).

27. OTHER LOAN - GROUP

This is unsecured and bear floating interest rate at the PRC banks' standard rate plus 1% per annum (2014: the PRC banks' standard rate plus 1% per annum). As at 30 June 2015, effective interest rate of the loan was 7.4% (2014: 7.4%) per annum. The loan lender is an independent third party and has originally given a written consent on 1 August 2001 that it would not call for loan repayment until 2008. The loan repayment date was subsequently extended on several occasions and the last written consent to extend the loan to 2017 was made on 17 December 2014. As the loan is not due for repayment until 2017, the amount is classified as a non-current liability. The fair value of the loan approximate its carrying amount as it is subject to floating rates.

28. FINANCIAL GUARANTEE CONTRACTS AND CONTINGENT LIABILITIES - COMPANY

As at 30 June 2015, the Company executed guarantees amounting to approximately RMB9,290,000 (2014: RMB9,674,000) with respect to certain bank borrowings utilised by a subsidiary of the Company. Under the guarantees, the Company would be liable to pay the bank if the bank is unable to recover the bank borrowings. At the reporting date, no provision for the Company's obligation under the guarantee contracts has been made (2014: Nil) as the directors have assessed that the likelihood of the subsidiary defaulting on repayments of its loan is remote. There has been no default or non-repayment since the utilisation of the banking facilities.

29. COMMITMENTS

Operating leases commitments

At the reporting date, the total future minimum lease payments payable by the Group under non-cancellable operating leases in respect of lands and buildings are as follows:

	2015	2014
	RMB'000	RMB'000
Within one year	**895**	895
In the second to fifth years	**1,071**	1,413
	1,966	2,308

The Group leases a number of properties under operating leases. The leases run for an initial period of three to fifteen years (2014: three to fifteen years), with an option to renew certain leases and negotiate the terms at the expiry date or at dates as mutually agreed between the Group and the respective landlords/lessors. None of the leases include contingent rentals.

The Company does not have any significant operating lease commitments as at 30 June 2015 (2014: Nil).

Capital commitments

	2015	2014
	RMB'000	RMB'000
Contracted but not provided for in respect of property, plant and equipment	**658**	147

The Company does not have any significant capital commitments as at 30 June 2015 (2014: Nil).

30. RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the financial statements, the Group had the following related party transactions:

Included in staff costs are key management personnel compensations and comprise the following categories:

	2015	2014
	RMB'000	RMB'000
Directors' fee	**845**	917
Short-term employee benefits	**3,343**	3,586
Post-employment benefits	**53**	40
	4,241	4,543

31. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table show the carrying amounts of the Group's financial assets and liabilities:

	Group		Company	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Loans and receivables				
- Trade receivables	**186,520**	196,454	**–**	–
- Due from subsidiaries	**–**	–	**109,161**	114,660
- Other receivables and deposits	**425**	408	**–**	–
- Restricted bank deposits	**1,975**	1,884	**–**	–
- Cash and bank balances	**19,520**	24,977	**–**	–
	208,440	223,723	**109,161**	114,660
Financial liabilities				
Financial liabilities measured at amortised cost				
- Trade and bill payables	**26,724**	36,918	**–**	–
- Accrued expenses and other payables	**17,154**	13,746	**1,806**	3,776
- Bank borrowings, secured	**109,989**	112,170	**–**	–
- Finance lease liabilities	**155**	275	**–**	–
- Other loan	**81,400**	101,000	**–**	–
	235,422	264,109	**1,806**	3,776

32. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group does not have written risk management policies and guidelines. However, the directors of the Company meet periodically to analyse and formulate measures to manage the Group's exposure to market risk (including principally changes in interest rates and currency exchange rates), credit risk and liquidity risk. Generally, the Group employs conservative strategies regarding its risk management. The Group has not used any derivatives or other instrument for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

(a) Interest rate risk

The Group's exposure to interest rate risk mainly arises on bank deposits (note 20), bank borrowings (note 25) and other loan (note 27). The Group has not used any derivative contracts to hedge its exposure to interest rate risk.

Interest rate sensitivity analysis

As at 30 June 2015, if a general increase of 50 (2014: 40) basis points in interest rates is estimated, with all other variable held constant, profit after income tax for the year would decrease by approximately RMB622,000 (2014: RMB560,000) and retained profits of the Group would decreased by approximately RMB622,000 (2014: accumulated losses of the Group would increase by approximately RMB560,000). The assumed changes have no impact on the Group's other components of equity.

A general decrease of 50 (2014: 40) basis points in interest rates would have had the equal but opposite effect on the results for the year and accumulated losses to the amounts shown above, on the basis that all other variables remain constant.

32. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Interest rate risk (Continued)

Interest rate sensitivity analysis (Continued)

The sensitivity analysis above is 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 (2014: 40) basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis had been performed on the same basis for the year ended 30 June 2014.

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

(b) Foreign currency risk

The Group's transactions are mainly denominated in RMB, US$ and HK$. Certain trade receivables, deposits, bank deposits, trade and bill payables, accrued expenses and bank borrowings of the Group are denominated in US$ and HK$ which are not the functional currencies of the Group entities to which these balances relate, and the Group is therefore exposed to foreign currency risk. To mitigate the impact of exchange rate fluctuations, the management continuously assesses and monitors foreign exchange exposure.

As at 30 June 2015, the Group's foreign currency denominated financial assets and liabilities, translated into RMB at the closing rates, are as follows:

	2015		2014	
	US$ RMB'000	**HK$ RMB'000**	US$ RMB'000	HK$ RMB'000
Financial assets	**40,680**	**5**	67,428	5
Financial liabilities	**(44,034)**	**(4,494)**	(46,743)	(6,877)
	(3,354)	**(4,489)**	20,685	(6,872)

Currency exchange rate sensitivity analysis

The following table illustrates the sensitivity of the net results for the year and accumulated losses in regards to the Group's financial assets and financial liabilities at the reporting date and the reasonably possible changes in the foreign exchange rates in the next 12 months to which the Group has significant exposure at the reporting date, based on the assumption that other variables are held constant. Changes in foreign exchange rates have no impact on the Group's other components of equity.

	2015			**2014**		
	Appreciation of foreign currency against RMB	**Effect on profit after tax RMB'000**	**Effect on retained profits RMB'000**	**Appreciation of foreign currency against RMB**	**Effect on profit after tax RMB'000**	**Effect on accumulated losses RMB'000**
US$	7%	(451)	(451)	0.5%	97	(97)
HK$	7%	(25)	(25)	0.5%	(31)	31

32. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Foreign currency risk (Continued)

Currency exchange rate sensitivity analysis (Continued)

A general depreciation of 7% (2014: 0.5%), and 7% (2014: 0.5%) in US$ and HK$ against RMB respectively would have had the equal but opposite effect on the results for the year and retained profits/accumulated losses to the amounts shown above, on the basis that all other variables remain constant.

The sensitivity analysis above is 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. 7% (2014: 0.5%), and 7% (2014: 0.5%) increase or decrease in RMB against US$ and HK$ respectively represents management's assessment of a reasonably possible change in currency exchange rates over the period until the next annual reporting date. The analysis had been performed on the same basis for the year ended 30 June 2014.

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

(c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and financial assets. The Group's credit risk is primarily attributable to trade and other receivables, restricted bank deposits and cash and bank balances.

No other financial assets carry a significant exposure to credit risk. None of the financial assets of the Group and the Company are secured by collateral or other credit enhancements.

The carrying amounts of financial assets recorded in the financial statements grossed up for any allowance for losses, represent the Group's and the Company's maximum exposure to credit risk.

The management has a credit policy and the exposures to credit risks are monitored on an ongoing basis. 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. Major concentration of credit risk arises from the Group's exposure to top 5 (2014: 5) major trade debtors who contributed approximately 40% (2014: 42%) of the trade receivables balance of the Group. Management has regularly obtained financial information of the Company's subsidiary to ensure that the subsidiary is financially viable to settle the debts due to the Company and considered that credit risk on the balance due from a subsidiary as disclosed in note 19 is insignificant.

All the Group's restricted bank deposits and cash and bank balances are deposited with major financial institutions located in the PRC and Hong Kong, including an aggregated balance of approximately RMB16,257,000 (2014: RMB22,991,000) representing 76% (2014: 86%) of the reporting date balances maintained with 3 banks (2014: 4).

(d) Financial guarantee

The principal risk to which the Group is exposed to is credit risk in connection with guarantee contracts it has issued. The credit risk represents the loss that would be recognised upon a default by the parties to which the guarantees were given on behalf of. To mitigate these risks, management continually monitors the risks and has established processes including performing credit evaluations of the parties it is providing the guarantee on behalf of. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosed in note 32(e). There are no terms and conditions attached to the guarantee contracts that would have a material effect on the amount, timing and uncertainty of the Group's future cash flows.

32. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and availability of funding through the ability to close-out market positions. In the opinion of the directors of the Company, the Group does not have any significant liquidity risk exposure.

The following table summarises the remaining contractual maturities at the reporting date of the Group's financial liabilities, which are based on contractual undiscounted cash flows and the scheduled repayments dates for bank borrowings and the earliest date the Group may be required to pay for other financial liabilities.

Group

	Carrying amount RMB'000	Contractual cash flows RMB'000	Less than 6 months RMB'000	6 to 12 months RMB'000	1 year or above RMB'000
At 30 June 2015					
Non-derivative financial liabilities					
Trade and bill payables	**26,724**	**26,724**	**26,724**	**–**	**–**
Accrued expenses and other payables	**17,154**	**17,154**	**17,154**	**–**	**–**
Bank borrowings, secured	**109,989**	**112,128**	**87,416**	**22,602**	**2,110**
Finance lease liabilities	**155**	**160**	**64**	**64**	**32**
Other loan	**81,400**	**96,501**	**9,012**	**9,012**	**78,477**
	235,422	**252,667**	**140,370**	**31,678**	**80,619**
At 30 June 2014					
Non-derivative financial liabilities					
Trade and bill payables	36,918	36,918	36,918	–	–
Accrued expenses and other payables	13,746	13,746	13,746	–	–
Bank borrowings, secured	112,170	115,274	68,330	42,273	4,671
Finance lease liabilities	275	289	64	64	161
Other loan	101,000	112,683	9,730	10,192	92,761
	264,109	278,910	128,788	52,529	97,593

The following table summarises the maturity analysis of bank borrowings including those with 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 is required to pay, that is if the banks were to invoke the unconditional rights to call the loans with immediate effect. The directors of the Company do not consider that it is probable that the banks will exercise their discretion to demand immediate repayment. The directors of the Company also believe that such term loans will be repaid in accordance with the scheduled repayment dates as set out in the loan agreements.

32. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Liquidity risk (Continued)

Group

	Carrying amount RMB'000	Contractual cash flows RMB'000	On demand or less than 6 months RMB'000	6 to 12 months RMB'000
Bank borrowings:				
30 June 2015	**109,989**	**111,973**	**90,636**	**21,337**
30 June 2014	112,170	114,934	73,934	41,000

Company

	Carrying amount RMB'000	Contractual cash flows RMB'000	On demand or less than 6 months RMB'000
At 30 June 2015			
Accrued expenses	1,806	1,806	1,806
Financial guarantees issued			
Maximum amount guaranteed	9,290	9,290	9,290
At 30 June 2014			
Accrued expenses and due to a subsidiary	3,776	3,776	3,776
Financial guarantees issued			
Maximum amount guaranteed	9,674	9,674	9,674

(f) Fair values

The fair values of the Group's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments. The fair values of non-current financial liabilities are disclosed in notes 26 and 27.

33. CAPITAL MANAGEMENT

The Group's capital objectives 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 achieves these objectives by 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.

Management regards total equity as capital. The amount of capital at 30 June 2015 amounted to approximately RMB158,883,000 (2014: RMB154,798,000) which the management considers as optimal. 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 dividend paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debts.

Capital-to-overall financing ratio at reporting date was as follows:

	2015	2014
	RMB'000	RMB'000
Capital:		
Total equity	**158,883**	154,798
Overall financing:		
Total equity	**158,883**	154,798
Bank borrowings, secured	**109,989**	112,170
Finance lease liabilities	**155**	275
Other loan	**81,400**	101,000
	350,427	368,243
Capital-to-overall financing ratio	**45.3%**	42.0%

As disclosed in note 22(b), subsidiaries of the Group are required by the relevant laws and regulations in the PRC to contribute to and maintain a non-distributable statutory reserve fund which utilisation is subject to the approval of the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above mentioned subsidiary for the financial years ended 30 June 2015 and 2014.

The Group has complied with all externally imposed capital requirements for the financial years ended 30 June 2014 and 2015. The Group's overall strategy remains unchanged from 2014.

As at 16 September 2015

AUTHORISED SHARE CAPTIAL	:	HK$500,000,000
ISSUED AND FULLY-PAID SHARE CAPITAL	:	HK$126,500,000
CLASS OF SHARES	:	ORDINARY SHARES OF HK$0.50 EACH
VOTING RIGHTS	:	ONE VOTE PER ORDINARY SHARE

DISTRIBUTION OF SHAREHOLDERS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	0	0.00	0	0.00
100 - 1,000	95	13.79	94,300	0.04
1,001 - 10,000	212	30.77	1,192,000	0.47
10,001 - 1,000,000	370	53.70	35,069,700	13.86
1,000,001 & ABOVE	12	1.74	216,644,000	85.63
TOTAL	689	100.00	253,000,000	100.00

TREASURY SHARES - RULE 1207(9)(F)

The Company does not hold any treasury shares.

TOP TWENTY SHAREHOLDERS

		NO. OF SHARES	%
1	FULLWEALTH TRADING LIMITED	105,950,000	41.88
2	CHINA FORTUNE INTERNATIONAL LIMITED	53,550,000	21.17
3	POWERUP ASSETS MANAGEMENT LIMITED	19,000,000	7.51
4	DBS VICKERS SECURITIES (S) PTE LTD	10,208,000	4.03
5	RAFFLES NOMINEES (PTE) LTD	8,533,000	3.37
6	LI LONGSI	5,700,000	2.25
7	RAMESH S/O PRITAMDAS CHANDIRAMANI	4,986,000	1.97
8	PHILLIP SECURITIES PTE LTD	2,133,000	0.84
9	MAYBANK KIM ENG SECURITIES PTE LTD	2,119,000	0.84
10	OCBC SECURITIES PRIVATE LTD	1,875,000	0.74
11	TSAO SAN	1,545,000	0.61
12	ZENG JIANHUA	1,045,000	0.41
13	SEACARE FOUNDATION PTE LTD	930,000	0.37
14	TEO SIEW WAH	886,000	0.35
15	PEH HOCK CHOON	870,000	0.34
16	BANK OF SINGAPORE NOMINEES PTE LTD	755,000	0.30
17	GUNAWAN	656,000	0.26
18	LEE WEE KOK	600,000	0.24
19	LIM TIONG KHENG STEVEN	600,000	0.24
20	LIM CHYE HUAT @ BOBBY LIM CHYE HUAT	500,000	0.20
	TOTAL:	222,441,000	87.92

As at 16 September 2015

SUBSTANTIAL SHAREHOLDERS
(as recorded in the Register of Substantial Shareholders)

	DIRECT INTEREST	%	DEEMED INTEREST	%
FULLWEALTH TRADING LIMITED	105,950,000	41.88	–	–
CHINA FORTUNE INTERNATIONAL LIMITED	53,550,000	21.17	–	–
POWERUP ASSETS MANAGEMENT LIMITED	19,000,000	7.51	–	–
LEUNG CHEE KWONG (1)	–	–	105,950,000	41.88
CHAN SIU HANG, GODWIN (2)	–	–	53,550,000	21.17
HEBE FINANCE LIMITED (3)	–	–	19,000,000	7.51
WANG LIN JIA (3)	–	–	19,000,000	7.51

Notes:

(1) Deemed interest in the 105,950,000 shares registered in the name of Fullwealth Trading Limited.
(2) Deemed interest in the 53,550,000 shares registered in the name of China Fortune International Limited.
(3) Deemed interest in the 19,000,000 shares registered in the name of Powerup Assets Management Limited.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS:

25.59% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rules 723 of the Listing Manual of SGX-ST.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Luxking Group Holdings Limited (the "Company") will be held at Hotel Re! @ Pearl's Hill, Re! Union, 175A Chin Swee Road, Level 2, Singapore 169879 on 26 October 2015 at 9.00 am 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 financial year ended 30 June 2015 together with the Independent Joint Auditors' Report thereon.
(Resolution 1)

2. To re-elect Leung Chee Kwong retiring pursuant to Bye-laws 86(1) of the Company's Bye-laws.
(Resolution 2)

3. To approve the payment of Directors' fees of S$185,220.00 for the year ended 30 June 2015 (FY2014: S$185,220.00).
(Resolution 3)

4. To re-appoint 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 to fix their remuneration.
(Resolution 4)

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

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolution, with or without any modifications:

6. **Authority to allot and issue shares up to 50 per centum (50%) of issued shares**

That pursuant to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be given to the Directors of the Company to issue shares ("Shares") whether by way of rights, bonus or otherwise, and/or 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 to such persons as the Directors of the Company may in their absolute discretion deem fit and (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:

(a) 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 (b) 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 (b) below);

(b) (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 (a) 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:

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

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

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

(c) 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

(d) 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

Cheng Lisa
Company Secretary
Singapore, 9 October 2015

Explanatory Note to Resolution 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,he/she/it must complete and deposit the Depository Proxy Form at the office of the Singapore Share Transfer Agent, B.A.C.S. Private Limited at 8 Robinson Road #03-00, ASO Building, Singapore 048544, at least forty-eight (48) hours before the time of the 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.

LUXKING GROUP HOLDINGS LIMITED

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