长安仁恒

Zhejiang Chang'an Renheng Technology Co., Ltd.*
浙江長安仁恒科技股份有限公司

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 8139)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of the companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the "**Directors**") of Zhejiang Chang'an Renheng Technology Co., Ltd.* (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange ("**the GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and is not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

* *For identification purpose only*

RESULTS HIGHLIGHTS

- Revenue decreased by 15.8% to approximately RMB77,444,000 (2014: RMB92,029,000).
- Gross profit decreased by 20.6% to approximately RMB38,785,000 (2014: RMB43,203,000).
- Gross profit margin up by 3.0% to 49.9% (2014: 46.9%).
- Profit before taxation decreased by 82.4% to approximately RMB2,539,000 (2014: RMB14,455,000).
- Profit for the year ended 31 December 2015 decreased by 83.8% to approximately RMB1,963,000 (2014: RMB12,143,000).
- Basic earnings per share decreased by 88.2% to approximately RMB0.06 (2014: RMB0.51).
- The Board did not recommend the payment of any final dividends for the year ended 31 December 2015 (2014: RMB0.2277, equivalent to HK$0.2879).

The board (the "**Board**") of directors (the "**Directors**") of Zhejiang Chang'an Renheng Technology Co., Ltd. (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2015 (the "**Year Under Review**") and selected explanatory notes, together with the comparative figures of the corresponding year in 2014 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2015

		Year ended 31 December	
		2015	2014
	Note	***RMB***	*RMB*
Revenue	3	**77,443,648**	92,029,197
Cost of sales	5	**(38,785,382)**	(48,826,206)
Gross profit		**38,658,266**	43,202,991
Distribution costs	5	**(11,942,223)**	(11,082,736)
Administrative expenses	5	**(15,898,089)**	(10,541,672)
Listing expenses		**(1,143,945)**	–
Research and development expenses	5	**(4,860,423)**	(3,760,840)
Other gains – net	4	**1,817,947**	3,403,018
Operating profit		**6,631,533**	21,220,761
Finance income	6	**153,574**	339,857
Finance expenses	6	**(4,246,472)**	(7,105,238)
Finance expenses – net	6	**(4,092,898)**	(6,765,381)
Profit before income tax		**2,538,635**	14,455,380
Income tax expense	7	**(575,760)**	(2,312,547)
Profit for the year attributable to the equity holders of the Company		**1,962,875**	12,142,833
Other comprehensive income		**–**	–
Total comprehensive income for the year attributable to the equity holders of the Company		**1,962,875**	12,142,833
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RMB per share)			
– Basic and diluted	8	**0.06**	0.51

CONSOLIDATED BALANCE SHEET

As at 31 December 2015

		As at 31 December	
		2015	2014
	Note	***RMB***	*RMB*
ASSETS			
Non-current assets			
Property, plant and equipment		**61,759,333**	42,695,190
Prepaid leasing expenses		**6,347,762**	6,527,391
Mining rights		**141,840**	20,076
Leasehold improvements		**2,034,645**	583,853
Deferred income tax assets		**1,553,838**	1,097,839
Trade and other receivables	*10*	**642,049**	649,881
		72,479,467	51,574,230
Current assets			
Inventories	*9*	**21,744,965**	17,378,815
Trade and other receivables	*10*	**71,602,529**	90,377,445
Prepaid income tax		**366,654**	–
Restricted cash	*11*	**3,500,000**	10,275,216
Cash and cash equivalents	*11*	**17,024,100**	7,051,265
		114,238,248	125,082,741
Total assets		**186,717,715**	176,656,971
EQUITY			
Capital and reserve attributable to equity holders of the Company			
Share capital	*12*	**32,000,000**	24,000,000
Other reserves		**36,502,717**	6,920,604
Retained earnings	*14*	**24,412,893**	29,924,016
Total equity		**92,915,610**	60,844,620

		As at 31 December	
		2015	2014
	Note	***RMB***	*RMB*
LIABILITIES			
Non-current liabilities			
Deferred government grants		**768,465**	852,417
Provisions for environmental rehabilitation		**817,275**	634,533
Borrowings		**666,481**	1,066,077
		2,252,221	2,553,027
Current liabilities			
Deferred government grants		**84,000**	87,208
Trade and other payables	*13*	**23,638,887**	22,700,551
Current income tax liabilities		**71,538**	988,540
Borrowings		**67,755,459**	89,483,025
		91,549,884	113,259,324
Total liabilities		**93,802,105**	115,812,351
Total equity and liabilities		**186,717,715**	176,656,971

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1 GENERAL INFORMATION

Zhejiang Chang'an Renheng Technology Co., Ltd. (浙江長安仁恒科技股份有限公司, the "**Company**") and its subsidiaries (together, the "**Group**") are principally engaged in the business of development, production and sale of bentonite fine chemicals. The Group uses bentonite as its basic raw materials to manufacture paper chemicals, bentonite for metallurgy pellet, quality calcium-bentonite and other products.

The Company was established as a company with limited liability under the name of Changxing Renheng Fine Bentonite Co., Ltd. (長興仁恒精製膨潤土有限公司) in the People's Republic of China (the "**PRC**") on 4 December 2000. Mr. Zhang Youlian (張有連) is the controlling shareholder of the Company (the "**Controlling Shareholder**").

On 31 December 2008, the Company was converted into a joint stock company with limited liability and changed to its current name.

The address of the Company is Laoyatang, Si'an, Changxing, Zhejiang Province, PRC.

The English names of companies mentioned in this announcement represented the best effort by directors of the Company in translating their Chinese names as they may not have official English names.

The Company's H shares were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited on 16 January 2015 (the "**Listing**").

The consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 19 March 2016.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**") and under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the group for the first time for the financial year beginning on or after 1 January 2015:

- Amendment to IAS 19 on contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

- Amendments from annual improvements to IFRSs – 2010-2012 Cycle, on IFRS 8, 'Operating segments', IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' and IAS 24, 'Related party disclosures'.

- Amendments from annual improvements to IFRSs – 2011-2013 Cycle, on IFRS 3, 'Business combinations', IFRS 13, 'Fair value measurement' and IAS 40, 'Investment property'.

The amendments are not material to the group.

(b) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(c) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the group, except the following set out below:

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

- Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The group is yet to assess IFRS 9's full impact.

- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. IFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The group is assessing the impact of IFRS 15.

- IFRS 16, 'Leases' addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS 17 'Leases', and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted subject to the entity adopting IFRS 15 'Revenue from contracts with customers' at the same time. The group is currently assessing the impact of IFRS 16.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the group.

3 SEGMENT INFORMATION

The chief operating decision-maker of the Group assesses the performance and allocates the resources of the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the performance of production and sales of bentonite clay products. Therefore, management considers there is only one operating segment, under the requirements of IFRS 8, Operating Segments. In this regard, no segment information is presented.

4 OTHER GAINS – NET

	Year ended 31 December	
	2015	2014
	RMB	*RMB*
Foreign exchange losses – net	**–**	(117,826)
Government grants		
– Relating to assets *(Note 23)*	**87,160**	213,806
– Relating to costs *(i)*	**2,680,065**	3,401,500
Others	**(949,278)**	(94,462)
	1,817,947	3,403,018

(i) The Company received RMB2.01 million in 2015 from the Finance Bureau of Changxing (長興) and People's Government of Changxing (長興) Municipality for the listing of the Company's shares. The Company received RMB2 million in September 2014 from the Finance Bureau of Changxing (長興) for the submission of the listing application of the Company's shares. The remaining government grants were certain cost-related unconditional subsidies which were granted to award the Group's effort on product development and innovation.

5 EXPENSES BY NATURE

	Year ended 31 December	
	2015	2014
	RMB	*RMB*
Changes in finished goods *(Note 18)*	**(1,016,837)**	(376,169)
Raw materials and consumable used	**31,777,145**	41,969,582
Employee benefit expenses *(Note 9)*	**10,347,726**	10,219,182
Utilities	**1,953,114**	1,989,415
Transportation expenses	**10,650,625**	9,051,094
Depreciation *(Note 13)*	**5,658,117**	5,090,228
Travelling and communication expenses	**2,210,315**	966,848
Taxes and levies	**1,288,670**	1,457,753
Amortisation of prepaid leasing expenses *(Note 14)*	**179,629**	162,122
Amortisation of mining rights *(Note 15)*	**35,836**	40,156
Listing expenses	**1,143,945**	–
Professional service fee		
– Auditor's remuneration		
– Audit services	**1,000,000**	1,000,000
– Non-audit services	**250,000**	–
– Others	**1,218,161**	188,463
Amortisation of leasehold improvements *(Note 16)*	**216,416**	130,557
Maintenance expenses	**184,408**	137,160
Entertainment expenses	**1,440,116**	612,925
Provision for/(reversal) of impairment of receivables *(Note 17)*	**3,051,152**	(131,973)
Miscellaneous	**1,041,524**	1,704,111
Total cost of sales, distribution costs, administrative expenses, listing expenses and research and development expenses	**72,630,062**	74,211,454

6 FINANCE EXPENSES – NET

	Year ended 31 December	
	2015	2014
	RMB	*RMB*
– Interest income derived from bank deposits	**153,574**	339,857
Finance expenses		
– Interest expense	**(5,285,173)**	(7,105,777)
– Capitalised interest expense	**87,970**	60,165
	(5,197,203)	(7,045,612)
– Foreign exchange gains/(losses) on borrowings and cash and cash equivalents – net	**958,563**	(56,119)
– Unrealised financial charges from financial assets measured at amortised cost	**(7,832)**	(3,507)
	(4,246,472)	(7,105,238)
Finance expenses – net	**(4,092,898)**	(6,765,381)

7 INCOME TAX EXPENSE

	Year ended 31 December	
	2015	2014
	RMB	*RMB*
Current income tax	**1,031,759**	2,315,540
Deferred income tax *(Note 27)*	**(455,999)**	(2,993)
	575,760	2,312,547

The Company obtained the certificates of High and New Tech Enterprises from the Ministry of Science and Technology, Ministry of Finance and office of the State Administration of Taxation and local taxation bureau of Zhejiang province, which granted tax preferential rate of 15% for three years from 14 October 2011 to 13 October 2014. The Company renewed the certificate in October 2014, which granted tax preferential rate of 15% for another three years from 27 October 2014 to 26 October 2017.

The other subsidiaries are subject to income tax rate of 25% for the years ended 31 December 2015 and 2014.

The difference between the actual income tax charge in the consolidated statement of comprehensive income and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	Year ended 31 December	
	2015	2014
	RMB	*RMB*
Profit before tax	**2,538,635**	14,455,380
Calculated at statutory tax rate	**634,659**	3,613,845
Expenses not deductible for tax purposes	**726,564**	130,844
Additional deduction for research and development expense *(i)*	**(522,337)**	(461,602)
Preferential tax rate of the Company	**(263,126)**	(1,085,548)
Adjustment in respect of prior years	**–**	115,008
Income tax expense	**575,760**	2,312,547

(i) Pursuant to the Corporate Income Tax Law, the Company can enjoy an additional tax deduction calculated at 50% of the actual research and development expenses recognised under PRC GAAP. The tax deduction can be charged to the consolidated statement of comprehensive income after obtaining approval from tax authorities.

8 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue for the years ended 31 December 2015 and 2014.

	Year ended 31 December	
	2015	2014
Profit attributable to the equity holders of the Company *(RMB)*	**1,962,875**	12,142,833
Weighted average number of ordinary shares in issue	**31,649,315**	24,000,000
Basic earnings per share *(RMB per share)*	**0.06**	0.51

(b) Diluted

The fully diluted earnings per share for the years ended 31 December 2015 and 2014 is the same as the basic earnings per share as there is no dilutive potential ordinary share for the years ended 31 December 2015 and 2014.

9 INVENTORIES

	As at 31 December	
	2015	2014
	RMB	*RMB*
Raw materials	**16,393,063**	13,063,298
Finished goods	**5,138,694**	4,121,857
Low value consumables	**213,208**	193,660
	21,744,965	17,378,815

No provision for impairment of inventories has been made as at 31 December 2015 and 2014.

The cost of inventories recognised as cost of sales amounted to RMB37,903,174 and RMB48,052,312 for the years ended 31 December 2015 and 2014, respectively.

10 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2015	2014
	RMB	*RMB*
Trade receivables	**48,383,236**	52,007,825
Less: provision for impairment	**(4,028,283)**	(1,669,921)
Trade receivables – net *(1)*	**44,354,953**	50,337,904
Bills receivable *(2)*	**14,020,530**	13,563,082
Other receivables	**12,359,691**	11,964,842
Less: provision for impairment	**(396,710)**	(201,232)
Other receivables – net *(3)*	**11,962,981**	11,763,610
Prepayments *(4)*	**1,893,597**	15,306,639
Interest receivables on time deposits	**12,517**	56,091
Trade and other receivables – net	**72,244,578**	91,027,326
Less: non-current portion *(3)*	**(642,049)**	(649,881)
Current portion	**71,602,529**	90,377,445

As at 31 December 2015 and 2014, the fair values of the trade and other receivables of the Group, except for the prepayments and prepaid value added tax which are not financial assets, approximated their carrying amounts.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	As at 31 December	
	2015	2014
	RMB	*RMB*
– RMB	**71,602,529**	90,368,030
– USD	**–**	9,415
	71,602,529	90,377,445

(1) The ageing analysis of trade receivables based on the invoice date is as follows:

	As at 31 December	
	2015	2014
	RMB	*RMB*
– Within 180 days	**32,142,275**	42,221,012
– Over 180 days and within 1 year	**6,503,661**	8,616,865
– Over 1 year and within 2 years	**9,367,575**	975,604
– Over 2 years and within 3 years	**240,857**	147,768
– Over 3 years	**128,868**	46,576
	48,383,236	52,007,825

The credit period granted to customers is normally up to 180 days. No interest is charged on the trade receivables. Provision for impairment of trade receivables has been made for estimated irrecoverable amounts from the sales of goods. This provision has been determined by reference to past default experience.

As at 31 December 2015 and 2014, trade receivables of RMB32,142,275 and RMB42,221,012 were fully performing, respectively.

As at 31 December 2015 and 2014, trade receivables of RMB16,240,961 and RMB9,786,813 respectively were partially impaired. The amounts of the provisions were RMB4,028,283 and RMB1,669,921 as at 31 December 2015 and 2014, respectively. The individually impaired receivables mainly relate to customers, which are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered.

The ageing of these receivables is as follows:

	As at 31 December	
	2015	2014
	RMB	*RMB*
– Over 180 days and within 1 year	**6,503,661**	8,616,865
– Over 1 year and within 2 years	**9,367,575**	975,604
– Over 2 years and within 3 years	**240,857**	147,768
– Over 3 years	**128,868**	46,576
	16,240,961	9,786,813

Movements in the provision for impairment of trade receivables are as follows:

	Year ended 31 December	
	2015	2014
	RMB	*RMB*
At beginning of the year	**1,669,921**	1,584,566
Provision for impairment *(Note 8)*	**2,855,674**	85,355
Write-off against uncollectible receivables	**(497,312)**	–
At the end of the year	**4,028,283**	1,669,921

Impairment provision for trade receivables is charged to administrative expenses in the consolidated statement of comprehensive income.

(2) The ageing of bills receivable is within 180 days, which is within the credit term. Bills receivable of RMB6,360,525 and RMB5,931,524 have been discounted to financial institutions to obtain working capital of RMB6,261,710 and RMB5,723,321 as at 31 December 2015 and 2014, respectively (Note 26(2)).

Bills receivable of RMB1,550,000 were secured for bank borrowings of RMB8,190,000 as at 31 December 2014 (Note 26(1)).

(3) As at 31 December 2015 and 2014, details of other receivables are as follows:

	As at 31 December	
	2015	2014
	RMB	*RMB*
Non-current:		
Guaranteed deposits for environmental rehabilitation	**642,049**	649,881
Current:		
Staff advances	**8,332,159**	4,633,471
Other deposits	**1,101,061**	3,530,809
Sale of property	**–**	1,303,370
Others	**2,284,422**	1,847,311
Current subtotal	**11,717,642**	11,314,961
Total	**12,359,691**	11,964,842

Movements in the provision for impairment of other receivables are as follows:

	Year ended 31 December	
	2015	2014
	RMB	*RMB*
At beginning of the year	**201,232**	418,560
Provision for/(reversal of) impairment *(Note 8)*	**195,478**	(217,328)
At the end of the year	**396,710**	201,232

Impairment provision for other receivables is charged to administrative expenses in the consolidated statement of comprehensive income.

(4) As at 31 December 2015 and 2014, prepayments are in connection with:

	As at 31 December	
	2015	2014
	RMB	*RMB*
Listing expenses relating to public offering	**–**	13,567,567
Purchase of raw materials	**1,823,597**	1,358,272
Guarantee fees	**70,000**	380,800
	1,893,597	15,306,639

11 CASH AND BANK BALANCES

	As at 31 December	
	2015	2014
	RMB	*RMB*
Cash at bank and on hand *(1)*	**20,524,100**	17,326,481
Less: Restricted cash *(2)*	**(3,500,000)**	(10,275,216)
Cash and cash equivalents	**17,024,000**	7,051,265

Cash at bank and in hand are denominated in:

	As at 31 December	
	2015	2014
	RMB	*RMB*
– RMB	**19,369,424**	17,326,443
– HKD	**1,154,676**	–
– USD	**–**	38
	20,524,100	17,326,481

(1) Cash and cash equivalents are deposits with original maturity within 3 months. The Group earns interest on cash and cash equivalents, at fixed annual rates of 0.35% for the years ended 31 December 2015 and 2014.

(2) As at 31 December 2015 and 2014, details of restricted cash are as follows:

	As at 31 December	
	2015	2014
	RMB	*RMB*
Time deposits	**3,500,000**	–
Guaranteed deposits secured for borrowings *(Note 26(1))*	**–**	8,125,216
Time deposits secured for borrowings *(Note 26(1))*	**–**	2,150,000
	3,500,000	10,275,216

12 SHARE CAPITAL

On 31 December 2008, the Company was converted into a joint stock company with limited liability by converting total equity as at 30 November 2008 into 12,000,000 ordinary shares of RMB1 each at par value. The difference of RMB1,128,932 between the total equity as at 30 November 2008 of RMB13,128,932 and nominal value of total issued ordinary shares of RMB12,000,000 was recorded in capital reserve (Note 22).

On 12 May 2011, as approved by the shareholders, the share capital of the Company was increased by 12,000,000 ordinary shares of RMB1 by way of capitalisation of retained earnings of RMB12,000,000 to share capital, which has the same characteristics with the shares previously issued.

On 16 January 2015, the H shares of the Company became listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The Company issued a total of 8,000,000 H shares with a per value of RMB1.00 each at a price of HK$9.70 per share. The listing proceeds to the Company, netting off listing expenses, were HK$47,334,829 (equivalent to RMB37,394,515), resulting in an increase of share capital of the Company by RMB8,000,000 and the capital reserve by RMB29,394,515 (Note 22).

Ordinary shares, issued and fully paid:

	Number of shares *(thousands)*	**Share capital** *RMB*
At 1 January 2014 and 31 December 2014	24,000,000	24,000,000
– Proceeds from shares issued	8,000,000	8,000,000
At 31 December 2015	32,000,000	32,000,000

13 TRADE AND OTHER PAYABLES

	As at 31 December	
	2015	2014
Trade payables	**12,670,603**	13,584,558
Other payables	**6,442,971**	4,475,763
Staff salaries and welfare payables	**2,694,706**	2,940,425
Advances from customers	**177,420**	51,650
Accrued taxes other than income tax	**1,653,187**	1,648,155
	23,638,887	22,700,551

As at 31 December 2015 and 2014, all trade and other payables of the Group were non-interest bearing, and their fair value, except for the advance from customers, staff salaries and welfare payables and accrued taxes other than income tax which are not financial liabilities, approximate their carrying amounts due to their short maturities.

As at 31 December 2015 and 2014, trade and other payables were all denominated in RMB.

The ageing analysis of the trade payables is as follows:

	As at 31 December	
	2015	2014
	RMB	*RMB*
Trade payables		
– Within 6 months	**8,924,889**	12,015,801
– Over 6 months and within 1 year	**95,509**	1,332,952
– Over 1 year and within 2 years	**3,531,959**	214,766
– Over 2 years and within 3 years	**97,207**	573
– Over 3 years	**21,039**	20,466
	12,670,603	13,584,558

14 DIVIDENDS

	As at 31 December	
	2015	2014
	RMB	*RMB*
Proposed final dividend of nil (2014: RMB0.2277) per share	**–**	7,286,400

The dividends in respect of the year ended 31 December 2014 was paid in 2015 of RMB7,286,400 (RMB0.2277 per share). No dividends in respect of the year ended 31 December 2015 were to be proposed at the forthcoming annual general meeting.

CHAIRMAN'S STATEMENT

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Zhejiang Chang'an Renheng Technology Co., Limited (the "**Company**"), I hereby present the annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2015 (the "**Year Under Review**") to shareholders (the "**Shareholders**") for your review.

The year of 2015 was a year of challenges for the Group. As China's economy entered a "new normal state", various industries were experiencing the short-term pain of structural adjustment and streamlining of production capacity. Against this backdrop, the Group took an active approach to adjusting its development strategy, with a focus on the capital security. It also dedicated its efforts to building relationship with major clients with a sound financial position, and had established business partnership with a number of large foreign-owned enterprises.

RESULTS OF OPERATION

The Group recorded an aggregate turnover of approximately RMB77,444,000 for the year ended 31 December 2015, representing a decrease of approximately RMB14,585,000 or 15.8% as compared to the previous year. Profit attributable to Shareholders was approximately RMB1,963,000, representing a decrease of approximately 83.8% as compared to the previous year. The overall gross profit margin was up to 49.9%, while earnings per share was approximately RMB0.06, representing a decrease of approximately 88.2% as compared to the previous year. The Board believes that the existing financial position and cash flow of the Group are sufficient to support the long-term development of the Group.

ACTIVE EXPANSION OF SALES CHANNELS

The Group continued to adopt its regional development strategy, with a focus on forging relationship with major clients with high potential and mature scale, as well as a preference for foreign-owned enterprises with a sound financial position. The Group has been able to maintain the average selling price of our products above the average level of the industry on the market where it operates. In addition, high-quality products and technical services of the Group have obtained extensive recognition across the industry, which further consolidated our position as leading supplier of bentonite fine chemicals.

ENHANCING PRODUCT QUALITY

The Group is committed to enhancing the quality of existing products, developing new products and building new production lines in accordance with its overall strategies, with a view to further strengthening its competiveness. In addition to maintaining mature product lines, the Group also expanded into new product domains by building an organic bentonite production line with annual output of 10,000 tons and a water treatment agent product line with annual output of 10,000 tons.

FUTURE OUTLOOK AND DEVELOPMENT STRATEGIES

Looking into the year of 2016, we will continue to see fluctuations in the economic environment, while markets in different regions will deliver mixed performance. However, we believe that the government will maintain the supportive macro policies for the bentonite fine chemicals industry. Accordingly, the Group will endeavor to maintain its competition advantage and growth prospect through strategic area extension, gradual optimization of its product portfolio, and the offer of high-quality products and services.

ACKNOWLEDGEMENT

Here, on behalf of the Board of the Company, I hereby wish to extend my gratitude for the hard work contributed by all staff and the Directors, as well as the support to the Company from all the Shareholders. We will adhere to advanced development concept, follow development trend, grasp market opportunities, and make continuous efforts to create greater value for our Shareholders and make new contribution to the community.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In 2015, the PRC's gross domestic product (GDP) increased by 6.9% as compared to 2014. It is the slowest growth in the past 25 years and reflects that China's economy is slowing down and is undergoing structural adjustment. 2015 is a relatively difficult year for the development of the PRC's economy, but it is also a critical year to be "out of plights". The PRC's economy is "approaching the worst and closing to the bright". Facing the complicated international situation and the heavy task of domestic reform and development, China's economy is moving on with shifting pace of economic growth. In this new normal economic status, the economic development is transferring from high-speed to medium-high economic growth; the economic structure is being optimized and upgraded; and the economic development mode is changing from key-factor driven and investment driven to innovation-driven.

Affected by the macro-economy and industry, currently, the development of the pulp and papermaking industry in China is in the low point, and production of certain products has negative growth. Facing the difficult situation, the enterprises in the pulp and papermaking industry, especially those leading enterprises, endeavor to adjust the structure, pursuit changes and progress, and look for the right direction leading to a sustainable and healthy development of the pulp and papermaking industry. With the elimination of outdated products and the slowdown of development in new production capacity, the concentration of the papermaking industry is expected to be further improved, which is beneficial for the leading enterprises to grasp greater market share. On the other hand, the overall slowdown or the shrink of papermaking capacity will improve the imbalance between supply and demand, which will help the industry rebound, and in turn the improvement in the overall performance of the papermaking industry is expected.

Under the current economic situation, the way out for the development of the bentonite industry lies in emphasizing on scientific research and development, increase of added value of bentonite and broadened applications. Specifically, the rational exploration and utilization should be the key point, and the ultimate goal is to broaden the applications of bentonite by improving its refining level. When new applications of bentonite are explored, its market price will be many times higher than that of traditional products. On one hand, the development of some emerging industries and new products promotes the application of new uses of bentonite, such as in the storage of highly radioactive wastes, environmental protection, desert reclamation and water proofing of underground construction. On the other hand, high value-added products, such as nanometer materials, pillared clay, organic gel, phase change materials and fine chemical products, have been developed through refinement and modification technologies, which have reached a new level driven by scientific-technical progress and the improvement of progressing technologies. Therefore, in the future, the development of bentonite will focus on comprehensive utilization of mineral resources, mineral purification and deepen processing technology, so as to intensify research effort of development and application in new fields of bentonite application.

BUSINESS REVIEW

During the Year Under Review, the Group continued its market expansion, focused on the market development direction of major clients and successfully achieved business cooperation with large foreign papermaking enterprises.

The Group paid much attention to the injection on R&D of new products. In 2015, the R&D expenditure of the Group amounted to approximately RMB4,860,000. The Group built an academician workstation with Mr. Zhang Quanxing, an academician of Chinese Academy of Engineering from Nanjing University, to conduct cooperative development of the application of bentonite in environmental protection.

During the Year Under Review, the Group planned to construct a water disposal project with annual output capacity of 10,000 tons in Changxing of Zhejiang Province, the head quarter of the Group, to enlarge our market share in environmental protection field. The Group has engaged Jilin Design and Research Institute for Petrochemical Engineering (吉林石化設計院) to make plans and carry out designs for this project, the construction of which has been commenced.

The Group newly constructed an organic bentonite project with annual output capacity of 10,000 tons in Yangyuan of Hebei Province. The products from this project will be used in paint, coating, agricultural chemicals and oil fields, which will bring new market opportunities for the Group.

FINANCIAL REVIEW

1. Turnover

The following table sets out revenue by product categories and the corresponding percentage of total revenue for the Year Under Review:

	For the year ended 31 December			
	2015		2014	
Product	***RMB'000***	*%*	*RMB'000*	*%*
Sales of papermaking chemicals	**70,475**	**91.0**	77,043	83.7
Sales of bentonite for metallurgy pellet	**5,191**	**6.7**	5,815	6.3
Sales of quality calcium-bentonite	**311**	**0.4**	1,972	2.1
Others	**1,467**	**1.9**	7,199	7.9
Total	**77,444**	**100.0**	92,029	100.0

Revenue from sales of papermaking chemicals decreased by approximately RMB6,568,000 or 8.5% from approximately RMB77,043,000 for the year ended 31 December 2014 to approximately RMB70,475,000 for the year ended 31 December 2015. As the average unit selling price remained stable for the comparative periods, the decrease in revenue was mainly due to the decrease in sales volume, which decreased by approximately 8.1% from approximately 16,181 tonnes for the year ended 31 December 2014 to approximately 14,871 tonnes for the year ended 31 December 2015.

Revenue of bentonite for metallurgy pellet for the year ended 31 December 2015 decreased by approximately RMB624,000 or 10.7% as compared to the year ended 31 December 2014.

Revenue of quality calcium-bentonite for the year ended 31 December 2015 decreased by approximately RMB1,661,000 or 84.2% as compared to the year ended 31 December 2014. While the average unit selling price remained steady for these two periods, the decrease in revenue was mainly due to the decrease in sales volume.

Revenue of others for the year ended 31 December 2015 decreased by approximately RMB5,732,000 or 79.6% as compared to the year ended 31 December 2014. Others mainly comprise organic bentonite and inorganic gel.

2. Cost of sales

The cost of sales mainly comprised cost of raw materials, direct labour costs and manufacturing overhead costs such as depreciation and utility charges. The following table sets out the breakdown of the cost of sales of the Group for the Year Under Review:

	For the year ended 31 December			
	2015		2014	
	RMB'000	***%***	*RMB'000*	*%*
Cost of raw materials	**29,432**	**75.9**	40,894	83.8
Direct labour costs	**2,444**	**6.3**	2,103	4.3
Manufacturing overhead cost	**6,027**	**15.5**	5,055	10.4
Others	**882**	**2.3**	774	1.5
Total	**38,785**	**100.0**	48,826	100.0

The cost of sales decreased approximately RMB10,041,000 or 20.6% from approximately RMB48,826,000 for the year ended 31 December 2014 to approximately RMB38,785,000 for the year ended 31 December 2015.

Cost of raw materials accounted for approximately 83.8% and 75.9% of cost of sales for the year ended 31 December 2014 and 2015 respectively. The cost of raw materials decreased by approximately RMB11,462,000 or 28.0% from approximately RMB40,894,000 for the year ended 31 December 2014 to approximately RMB29,432,000 for the year ended 31 December 2015 was mainly due to the decrease of quantity consumed of CPAM. CPAM was the major raw material for a kind of product in papermaking chemicals with a relatively high unit price. As sales volume of this kind of product decreased significantly for the year ended 31 December 2015, the cost of sales for CPAM decreased accordingly.

Direct labour costs accounted for approximately 4.3% and 6.3% of cost of sales for the year ended 31 December 2014 and 2015 respectively. Direct labour costs remained stable during the comparative years.

Manufacturing overhead costs accounted for approximately 10.4% and 15.5% of cost of sales for the year ended 31 December 2014 and 2015 respectively. Manufacturing overhead costs increased by approximately RMB972,000 or 19.2% from approximately RMB5,055,000 for the year ended 31 December 2014 to approximately RMB6,027,000 for the year ended 31 December 2015.

3. Gross profit margin

Gross profit margin increased from 46.9% in 2014 to 49.9% in 2015. The increase in gross profit margin was mainly attributable to the improvement of gross profit margin of papermaking chemicals by selling more products with higher profit margin to the customers.

The table below sets out the Group's gross profit and gross profit margin by product for the Year Under Review:

	For the year ended 31 December			
	2015		2014	
Product	***RMB'000***	*%*	*RMB'000*	*%*
Papermaking chemicals	**36,375**	**51.6**	36,853	47.8
Bentonite for metallurgy pellet	**1,701**	**32.8**	1,895	32.6
Quality calcium-bentonite	**253**	**81.4**	1,513	76.7
Others	**330**	**22.5**	2,942	40.9
Total	**38,659**	**49.9**	43,203	46.9

The gross profit margin of papermaking chemicals increased from 47.8% for the year ended 31 December 2014 to 51.6% for the year ended 31 December 2015. The improvement of gross profit margin was mainly due to the change of product mix in response to the market demand. The Company sold more products with higher gross profit margin for the year ended 31 December 2015.

The gross profit margin of bentonite for metallurgy pellet was 32.6% and 32.8% for the year ended 31 December 2014 and 2015 respectively. The gross profit margin remained stable during the comparative years.

The gross profit margin of quality calcium – bentonite was 76.7% and 81.4% for the year ended 31 December 2014 and 2015 respectively. The gross profit margin increased by 4.7% during the comparative years.

The gross profit margin of other products was 40.9% and 22.5% for the year ended 31 December 2014 and 2015 respectively. The gross profit margin decreased by 18.4% during the comparative years.

4. Distribution costs

The distribution costs for the year ended 31 December 2014 and 2015 amounted to approximately RMB11,083,000 and RMB11,942,000 respectively. The distribution costs increased by approximately RMB859,000 mainly because of the increase in transportation expenses from approximately RMB8,421,000 for the year ended 31 December 2014 to approximately RMB9,748,000 for the year ended 31 December 2015.

5. Administrative expenses

The administrative expenses increased by approximately 50.8% from approximately RMB10,542,000 for the year ended 31 December 2014 to approximately RMB15,898,000 for the year ended 31 December 2015. The increase was mainly due to the impairment loss of long outstanding trade receivables of approximately RMB3,051,000; and the related professional fees for continuing listing compliance.

6. Research and development expenses

The research and development expenses increased by approximately RMB1,099,000 or 29.2% from approximately RMB3,761,000 for the year ended 31 December 2014 to approximately RMB4,860,000 for the year ended 31 December 2015 due to a start of few research and development projects.

7. Other gains – net

Other gains for the year ended 31 December 2014 and 2015 amounted to approximately RMB3,403,000 and RMB1,818,000 respectively. The decrease in other gains mainly due to the decrease in government grants from approximately RMB3,615,000 for the year ended 31 December 2014 to approximately RMB2,767,000 for the year ended 31 December 2015.

8. Finance income and expenses

The net finance expenses decreased by approximately RMB2,672,000 or 39.5% from approximately RMB6,765,000 for the year ended 31 December 2014 to approximately RMB4,093,000 for the year ended 31 December 2015, which was mainly due to the decrease of interest expenses on borrowings as a result of the drop in bank borrowings. The borrowings were financed for working capital and capital investments in the production facilities.

9. Income tax expense

The effective tax rates were 16.0% and 22.7% for the years ended 31 December 2014 and 2015, respectively.

10. Net profit

The net profit decreased by approximately RMB10,180,000 or 83.8% from approximately RMB12,143,000 for the year ended 31 December 2014 to approximately RMB1,963,000 for the year ended 31 December 2015. The net profit margin for the Group decreased from approximately 13.2% for the year ended 31 December 2014 to approximately 2.5% for the year ended 31 December 2015. The decrease in net profit margin of the Group was mainly due to the decrease in gross profit, the increase in administrative expenses and the one-off listing expenses incurred during the Year Under Review.

ANALYSIS OF MAJOR BALANCE SHEET ITEMS

1. Inventories

The inventories comprise raw materials, finished goods and low-value consumables. The following table sets out the inventories as at balance sheet dates indicated:

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Raw materials	**16,393**	13,063
Finished goods	**5,139**	4,122
Low-value consumables	**213**	194
Total	**21,745**	17,379

Raw materials mainly comprised bentonite and CPAM. Finished goods are bentonite fine chemicals mainly applied in the papermaking industries. The Group customizes the formulas for bentonite fine chemicals based on customers' requirements and makes enhancement in response to customers' production conditions.

Provision for impairment of inventories

The Group has established policies to evaluate the amount of provision required for impairment of inventories. The Group inspects and reviews the aging and conditions of inventories on a regular basis. If the Group considers that the inventories have become obsolete or damaged, provision for impairment of inventories will be provided against these inventories to reflect the net realisable value of these inventories.

The Directors considered that there was no indication that the inventories were impaired because the average gross profit margin of the products was approximately 45-50% during the Year Under Review and the finished goods manufactured can be stored for several years.

Inventory turnover

The following table sets out the average inventory turnover days for the year indicated:

	Year ended 31 December	
	2015	2014
Average inventory turnover days *(note)*	**184**	118

Note:

Average inventory turnover days are equal to the average inventory divided by cost of sales and multiplied by 365 days. Average inventory equals inventory at the beginning of the financial year plus inventory at the end of the financial year and divided by 2.

The average inventory turnover days increased from 118 days for the year ended 31 December 2014 to 184 days for the year ended 31 December 2015. The increase in average inventory turnover days in 2015 was primarily because the slow down in sales.

2. Trade and other receivables

The following table sets out an analysis of the trade and other receivables as at the balance sheet dates indicated:

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Trade receivables	**48,383**	52,008
Less: provision for impairment	**(4,028)**	(1,670)
Trade receivables – net	**44,355**	50,338
Other receivables	**12,360**	11,965
Less: provision for impairment	**(397)**	(201)
Other receivables – net	**11,963**	11,764
Interest receivables on time deposits	**13**	56
Bills receivable	**14,021**	13,563
Prepayments	**1,894**	15,307
Trade and other receivables – net	**72,246**	91,028

Trade receivables

Trade receivables as at 31 December 2014 and 2015 mainly represented the outstanding amounts of receivable from customers less any provision for impairment of trade receivables. The following table sets out an analysis of the trade receivables as at the balance sheet dates indicated:

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Trade receivables	**48,383**	52,008
Less: provision for impairment	**(4,028)**	(1,670)
Trade receivables – net	**44,355**	50,338

The customers are normally required to make payment pursuant to the credit terms which is determined by the length of the customers' relationship with the Group and the contract value. The Group generally provides a credit term up to 180 days to its customers.

The table below sets out the aging breakdown of trade receivables as at the balance sheet dates indicated:

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Within 180 days	**32,142**	42,221
Over 180 days and within 1 year	**6,504**	8,617
Over 1 year and within 2 years	**9,368**	976
Over 2 years and within 3 years	**241**	148
Over 3 years	**128**	46
Total	**48,383**	52,008

The Group's trade receivables decreased by approximately RMB3,625,000 or 7.0% from approximately RMB52,008,000 as at 31 December 2014 to approximately RMB48,383,000 as at 31 December 2015. The trade receivables due over 180 days increased by approximately RMB6,454,000 or 65.9% from approximately RMB9,787,000 as at 31 December 2014 to approximately RMB16,241,000 as at 31 December 2015. The significant increase was mainly due to the fact that more customers delayed their settlements during the Year Under Review.

Trade receivable turnover days

The following table sets out the Group's trade receivables turnover days for the year indicated:

	Year ended 31 December	
	2015	2014
Trade receivable turnover days *(note)*	**237**	199

Note:

The number of trade receivables turnover days is calculated as average trade receivables (trade receivables at the beginning of the year plus trade receivables at the end of the year then divided by 2) divided by total revenue for the year multiplied by 365.

The Group's trade receivables turnover days for the years ended 31 December 2014 and 2015 were approximately 199 days and 237 days respectively. The increase of turnover days was due to two reasons: (1) late payments by customers; and (2) providing favorable payment arrangement to new customers and existing customers with a view to solicit new business development since 2012.

Provision for impairment of trade receivables

The Group determines the provision for impairment of trade receivables based on credit history of the customers and the current market condition. The Group reassesses the provision at each balance sheet date.

Thus, significant judgment is exercised in assessing the collectability of trade receivables from each customer. In making the judgment, the Group takes into consideration the following factors when assessing the recoverability of the trade receivables from individual customer: (i) indications that the debtor is experiencing significant financial difficulty; (ii) history or indication of default in payment; and (iii) relationship with the debtor and subsequent settlement of receivables. If the financial conditions of the customers of the Group were to deteriorate, which resulted in an impairment of their ability to make payments, additional provision of impairment may be required.

3. Trade and other payables

The following table sets out an analysis of the trade and other payables as at the balance sheet dates indicated:

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Trade payables	**12,671**	13,585
Other payables	**6,443**	4,476
Staff salaries and welfare payables	**2,695**	2,940
Advances from customers	**177**	52
Accrued taxes other than income tax	**1,653**	1,648
Total	**23,639**	22,701

As at 31 December 2014 and 2015, all trade and other payables of the Group were non-interest bearing, and their fair values, except for the advances from customers, staff salaries and welfare payables and accrued taxes other than income tax which are not financial liabilities, approximate their carrying amounts due to their short maturities.

The trade payables decreased by approximately RMB914,000 or 6.7% from approximately RMB13,585,000 as at 31 December 2014 to approximately RMB12,671,000 as at 31 December 2015.

In order to meet the production needs, the Group purchased more CPAM especially from the major overseas supplier for the year ended 31 December 2015. As the purchase of raw materials decreased during the Year Under Review, the balance of trade payables as at 31 December 2015 decreased accordingly.

Trade payables turnover days

The following table sets out the Group's trade payables turnover days for the year indicated:

	Year ended 31 December	
	2015	2014
Trade payable turnover days *(note)*	**124**	84

Note:

The number of trade payables turnover days is calculated as average trade payables (trade payables at the beginning of the year plus trade payables at the end of the year then divided by 2) divided by cost of sales for the year multiplied by 365. The trade payables turnover days increased to 124 days for the year ended 31 December 2015, which was due to the decrease in purchase of raw materials during the Year Under Review.

CASH FLOW

The Group's cash is primarily used to meet the demand of financing its working capital requirement, repaying interest and principal due on its indebtedness and providing funds for capital expenditures and growth of the Group's operations.

1. Cash flows from operating activities

The net cash inflow from operating activities for the year ended 31 December 2014 amounted to approximately RMB24,750,000, which was mainly attributable to the cash generated from operating activities amounted to approximately RMB26,962,000, as adjusted by the payment of income tax of approximately RMB2,212,000.

The cash generated from operating activities of approximately RMB26,962,000 was primarily attributable to the operating cash before changes in working capital of approximately RMB26,638,000, as adjusted by (i) a decrease in trade and other receivables of approximately RMB4,923,000 due to the collection of overdue trade receivables, (ii) an increase in inventories of approximately RMB3,172,000, and (iii) a decrease in trade and other payables of approximately RMB1,427,000.

The net cash inflow from operating activities for the year ended 31 December 2015 amounted to approximately RMB9,566,000 which was mainly attributable to the cash generated from operating activities amounting to approximately RMB11,515,000, as adjusted by the payment of income tax of approximately RMB1,949,000.

The cash generated from operating activities of approximately RMB11,515,000 was primarily attributable to the operating cash before changes in working capital of approximately RMB15,850,000 as adjusted by (i) an decrease in trade and other receivables of approximately RMB1,483,000, (ii) an increase in inventories of approximately RMB4,366,000, and (iii) a decrease in trade and other payables of approximately RMB1,452,000.

2. Cash flows from investing activities

For the year ended 31 December 2014, the Group had net cash outflow from investing activities of approximately RMB13,055,000, which was primarily attributable to (i) increase in guaranteed deposits and time deposits of approximately RMB11,175,000, (ii) purchase of property, plant and equipment of approximately RMB9,721,000, and (iii) increase in prepaid leasing expenses and leasehold improvements of approximately RMB2,688,000; partially offset by (i) decrease in interest income received from time deposits of approximately RMB154,000, (ii) proceeds from disposal of property, plant and equipment of approximately RMB1,450,000, and (iii) decrease in guaranteed deposits and time deposits of approximately RMB8,925,000.

For the year ended 31 December 2015, the Group had net cash outflow from investing activities of approximately RMB16,113,000, which was primarily attributable to (i) payment of prepaid leasing expenses and leasehold improvements of approximately RMB1,825,000, (ii) purchase of property, plant and equipment of approximately RMB21,176,000 and (iii) deposit of guaranteed deposits and time deposits of approximately RMB6,000,000, partially offset by (i) withdraw of guaranteed deposits and time deposits of approximately RMB12,775,000 and (ii) interest income received from time deposits of approximately RMB113,000.

3. Cash flows from financing activities

For the year ended 31 December 2014, the Group had net cash outflow from financing activities of approximately RMB8,816,000, which was primarily attributable to (i) repayment of borrowings of approximately RMB111,181,000, (ii) payment of interest expenses of approximately RMB7,308,000, and (iii) prepayment of expenses relating to placing of H shares of approximately RMB6,866,000, partially offset by proceed from borrowings of approximately RMB116,539,000.

For the year ended 31 December 2015, the Group had net cash inflow from financing activities of approximately RMB15,561,000, which was primarily attributable to (i) proceed from borrowings of approximately RMB67,362,000, and (ii) proceed from issuance of ordinary share of approximately RMB50,172,000; partially offset by (i) repayment of borrowings of approximately RMB89,488,000, (ii) payment of interest expenses of approximately RMB5,197,000, (iii) dividends to Company's Shareholders of approximately RMB7,286,000.

CAPITAL STRUCTURE

1. Indebtedness

The total indebtedness of the Group as at 31 December 2015 was approximately RMB68,422,000 (31 December 2014: approximately RMB90,549,000). During the Year Under Review, the Group did not experience any difficulties in renewing its banking facilities with its lenders.

2. Gearing ratio

As at 31 December 2015, the Group's gearing ratio was approximately 36.6% (31 December 2014: 51.3%), calculated as the total borrowings divided by total assets multiplied by 100%. The decrease was mainly due to a decrease in bank borrowings.

3. Pledge of assets

As at 31 December 2015, the Group had pledged certain buildings, fixtures and facilities, land use right and time deposits with aggregate carrying amount of approximately RMB17,244,000 (31 December 2014: approximately RMB29,821,000).

4. Capital expenditures

The capital expenditures of the Group primarily included purchases of plant and equipment, construction in progress. The Group's capital expenditures amounted to approximately RMB24,722,000 and RMB8,665,000 for the year ended 31 December 2015 and 2014 respectively.

LIQUIDITY AND CAPITAL RESOURCES

The Group has met its working capital needs mainly through cash generated from operations and various long and short-term bank borrowings and other borrowings. Other borrowings were obtained from financial institutions by discounting bank acceptance notes. For the Year Under Review, the weight average effective annual interest rate of bank borrowings was 7.73% and the weight average effective annual interest rate of other borrowings was 5.33%. The currency of the borrowings is in Renminbi. Taking into account the cash flow generated from operations and the long and short-term bank borrowing facilities available to the Group, the Directors are of the view that the Group has sufficient working capital to meet its current liquidity demand and the liquidity demand within at least 12 months from the date of this announcement.

As at 31 December 2015, the Group had cash and cash equivalents of RMB17,024,000 which was mainly generated from operations of the Group.

CONTINGENT LIABILITIES, LEGAL AND POTENTIAL PROCEEDINGS

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

CAPITAL COMMITMENT

As at 31 December 2015, the Group had capital commitment of approximately RMB3,891,000 (31 December 2014: nil).

SEGMENT INFORMATION

The chief operating decision-maker of the Group assesses the performance and allocates the resources of the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the performance of production and sales of bentonite clay products. Therefore, management considers there is only one operating segment, under the requirements of Rule 18.41(6) of GEM Listing Rules. In this regard, no segment information is presented.

MATERIAL ACQUISITION AND DISPOSAL BY THE GROUP

For the year ended 31 December 2015, the Group had not made any material acquisition or disposal.

SIGNIFICANT INVESTMENTS

The Company had not held any significant investments during the year ended 31 December 2015.

FUTURE OUTLOOK

Looking into the coming year, we believe that the government will focus on structural adjustment and capacity optimization, and it will continue to support the industry of bentonite fine chemicals with high value-added. As a result, the Group will adjust our development strategies according to new situations and formulates and implements the following strategies:

1. The Group will further focus on developing major clients with good development prospects and phase out small clients with outdated capacity. As the government will conduct industrial integration and support large-scale enterprises with economies of scale, it will be beneficial for the Company to protect the safety of its funds by conforming to the trend.

2. The Group will pay attention to the promotion and application of new products. It is expected that the production line of organic bentonite will be put into operation in mid 2016. The Company plans to establish a sales division in Shanghai, mainly promoting organic bentonite products.

3. The Company will make use of the platform of academician workstation to develop the bentonite products applicable to environmental protection and to improve profit margins.

HUMAN RESOURCES AND TRAINING

For the year ended 31 December 2015, the Group had a total of 119 employees, of which 49 worked at the Group's headquarter in Changxing, and 70 stationed in Yangyuan and various regions with main responsibility of production, sales and marketing. Total staff cost for the Year under Review amounted to RMB10,348,000 (2014: RMB10,219,000). The Group releases an annual sales guideline at the beginning of each year, formulates the sales strategies and sets out the sales targets of different sales areas after discussing with sales representatives. At the end of each year, the Group makes performance appraisal for sales personnel based on the review results and the achievement of sales target.

During the Year Under Review, the Group adhered to the "human-oriented" management concept to have its staff closely involved in the development of the Group and provided them with skills training. The Group formulates workflow and service specifications for its employees, conducts periodic performance review on its employees, and revises their salaries and bonuses accordingly.

DIVIDENDS

Pursuant to a resolution passed by the Shareholders of the Company on 21 May 2015, the Company declared the audited distributable profits as at 31 December 2014 amounting to approximately RMB7,286,000 (equivalent to approximately HK$9,213,000) to the Shareholders of the Company. The dividend was fully paid on 23 June 2015 by the internal cash resources of the Company.

The Board did not recommend the payment of any final dividends for the year ended 31 December 2015.

CLOSURE OF THE REGISTER OF MEMBERS OF H SHARES

To be eligible to attend and vote in the forthcoming annual general meeting

The register of members of the Company will be closed from Thursday, 14 April 2016 to Saturday, 14 May 2016 (both days inclusive) during which period no transfer of shares will be registered. To be qualified for attending and voting at the forthcoming annual general meeting, all share transfer documents must be lodged with the Company's share registrar in Hong Kong, Union Registrars Limited, at A18/F, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, for registration at or before 4:30 p.m. on Wednesday, 13 April 2016.

OTHER CORPORATE INFORMATION

Directors' and supervisors' service contracts

Each of the Directors and supervisors has entered into a service agreement with the Company for a term of three years. No Director and supervisor has entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors', supervisors' and controlling shareholders' interests in contracts

None of the Directors, the supervisors, the controlling shareholders, nor their respective associates had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries was a party during the Year Under Review.

Directors', supervisors' and chief executive's interests in shares, debentures and underlying shares of the company or any associated corporation

As at 31 December 2015, the interests and short positions of the Directors, supervisors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in ordinary shares of the Company:

Name of Director	Nature of interest	Number of shares in the Company held	Approximate percentage of Issued Share Capital
Mr. Zhang Youlian	Beneficial owner	19,220,600 (Domestic Shares)	60.06%

Save as disclosed above, as at 31 December 2015, none of the Directors, supervisors and chief executive had registered an interest or short position in the shares, underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Directors' and supervisors' rights to acquire shares or debentures

During the Year Under Review, no rights to acquire benefits by means of the acquisition of shares in or debentures of the Company were granted to any directors or supervisors or their respective spouse or minor children, or were any such rights exercised by them; nor was the Company, or any of its subsidiaries a party to any arrangement which enabled the directors or supervisors of the Company to acquire such rights in any other body corporate.

Substantial shareholders' and other persons' interests in shares and underlying shares

As at 31 December 2015, so far as the Directors, having made all reasonable enquiries, are aware, that there were no interest of 5% or more of the issued share capital of the Company (other than the interests of the directors, supervisors and chief executive of the Company as disclosed above) were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

Corporate governance report

The Board strives to uphold the principles of corporate governance set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 15 to the GEM Listing Rules, and adopted various measures to enhance the internal control system, the Directors' continuous professional development and other areas of practice of the Company. While the Board strives to maintain a high level of corporate governance, it also works hard to create value and achieve maximum return for its Shareholders. The Board will continue to conduct review and improve the quality of corporate governance practices with reference to local and international standards.

During the Year Under Review, the Company has complied with the code provisions, other than code provisions A.2.1 and A.1.8 of the CG Code.

According to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, Mr. Zhang Youlian is the Chairman of the Board and the chief executive officer. The Board is in the opinion that having Mr. Zhang to carry out both roles can bring about strong and consistent leadership for the Group, and can be more effective in planning and implementing long-term business strategies. The Board also considers that since members of the Board include competent and independent non-executive Directors, this structure will not impair the balance of power and authority between the Board and its management in the business of the Group. The Board is in the opinion that the structure described above will be beneficial to the Company and its business.

In addition, according to the code provision A.1.8 of the CG Code, the Company should arrange appropriate insurance cover in respect of legal action against its directors and officers. As the Board needed time to consider quotes from different insurers, during the Year Under Reviw, the Company did not take out directors and officers liability insurance to cover liabilities arising from legal action against its directors.

Audit Committee

The Company established an Audit Committee (the "**Audit Committee**") on 26 March 2014 and has formulated its written terms of reference, which have from time to time been modified in accordance with the prevailing provisions of the CG Code. The Audit Committee has three members, namely Mr. Shao Chen, Mr. Huang Zemin, and Mr. Chau Kam Wing, Donald, who are Independent Non-executive Directors. Mr. Chau, who has appropriate professional qualifications and experience in accounting matters, has been appointed as the chairman of the Audit Committee.

The primary duties of the Audit Committee are (among other things) to provide an independent review and supervision of financial reporting, and examine the effectiveness of the internal controls of the Group and to ensure the external auditor is independent and the audit process is effective. The Audit Committee examines all matters relating to the accounting principles and policies adopted by the Group, auditing functions, internal controls, risk management and financial reporting. The Audit Committee also serves as a channel of communication between the Board and the external auditor. External auditor and the Directors are invited to attend the committee meetings as and when necessary.

During the Year Under Review, the Audit Committee had held four meetings and all the members attended the meetings. Pursuant to the meeting of the Audit Committee held in March 2016 attended by all the members of the Audit Committee, the Audit Committee has, together with the management of the Company and external independent auditor, reviewed the consolidated financial statements for the year ended 31 December 2015, this results announcement, the 2015 annual report and accounting principles and practices adopted for the Group for the Year Under Review, and agreed with the accounting treatments adopted by the Group.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Model Code**") as its own code governing securities transactions of the Directors. Specific enquiries have been made to all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings as set out in the Model Code during the Year Under Review.

Purchases, Sale or Redemption of the Company's Listed Securities

For the year ended 31 December 2015, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Events After the Reporting Period

Mr. Chen Weidong (陳衛東) has resigned as an executive Director in order to focus his effort in the sales and marketing of bentonite for metallurgy pellet of the Company. Ms. Zhang Jinqin (張金琴) has resigned as a non-executive Director in order to focus her attention in her other business engagement. Both resignations are with effect after the conclusion of the forthcoming annual general meeting. Mr. Wang Xiangyao (汪祥耀) will retire as an independent non-executive Director of the Company at the conclusion of the forthcoming annual general meeting of the Company (or any adjournment thereof) and will not offer himself for reelection, in order to devote more time in his teaching career. Upon his retirement, Mr. Wang will also cease to be the chairman of the remuneration committee and a member of the nomination committee of the Board. Immediately after Mr. Wang's retirement at the conclusion of the annual general meeting of the Company (or any adjournment thereof), Mr. Chau Kam Wing, Donald (周錦榮), an independent non-executive Director of the Company, will be appointed as the chairman of the remuneration committee and a member of the nomination committee of the Board.

Ms. Zhang Jinhua (張金花) will be appointed as a non-executive Director of the Company with effect from passing of the resolution approving the appointment thereof at the annual general meeting. She is the sister of Mr. Zhang Youlian, the executive Director and Chairman of the Company and a cousin of Mr. Zhang Donglian (張冬連), a supervisor of the Company.

The term of office of the staff representative supervisor, Mr. Liang Guoping (梁國平) ended on 31 January 2016 and Mr. Liang retired from office. A staff representative meeting was held by the staff of the Company on 30 January 2016. At the election at the staff representative meeting, Mr. Liang was re-elected as staff representative supervisor of the supervisory committee of the Company. The appointment of Mr. Liang as the staff representative supervisor was effective on 1 February 2016.

Use of Proceeds from Placing of H Shares

The H shares of the Company were listed on the GEM Board of The Hong Kong Stock Exchange on 16 January 2015. Net proceeds from the placing of H shares were approximately RMB37,395,000 (equivalent to approximately HK$46,744,000), after deduction of the underwriting commission and relevant expenses. As at 31 December 2015, the Group had used net proceeds of approximately 35,980,000.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company has reviewed the annual results for the year ended 31 December 2015 before the results were submitted to the Board for approval. The figure in respect of the preliminary announcement of the Group's results for the year ended 31 December 2015 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts of set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagement or Hong Kong Standards on Assurance Engagement issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

Publication of results

This announcement of results has been published on our website at www.renheng.com and the website of the Stock Exchange at www.hkexnews.hk. The annual report of our Company for the year ended 31 December 2015 containing all the information required by the GEM Listing Rules will be dispatched to the Shareholders of our Company and published on our website at www.renheng.com and the website of the Stock Exchange at www.hkexnews.hk in due course.

By order of the Board
Zhejiang Chang'an Renheng Technology Co., Ltd.*
Zhang Youlian
Chairman

Zhejiang, PRC, 19 March 2016

As at the date of this announcement, the executive Directors are Mr. Zhang Youlian, Mr. Sun Wensheng, Mr. Fan Fang and Mr. Chen Weidong; the non-executive Director is Ms. Zhang Jinqin and the independent non-executive Directors are Mr. Shao Chen, Dr. Wang Xiangyao, Dr. Huang Zemin and Mr. Chau Kam Wing, Donald.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this announcement misleading.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication.