DONGPENG HOLDINGS COMPANY LIMITED
東鵬控股股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3386)

PRELIMINARY ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2015 amounted to approximately RMB4,111.1 million, representing an increase of 5.6% from approximately RMB3,893.1 million recorded in 2014.
- Gross profit for the year ended 31 December 2015 amounted to approximately RMB1,606.5 million, representing an increase of 7.3% from approximately RMB1,497.8 million recorded in 2014.
- Profit attributable to owners of the Company for the year ended 31 December 2015 amounted to approximately RMB626.3 million, representing an increase of 11.1% from approximately RMB563.7 million in 2014.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	NOTES	**2015**	2014
		RMB'000	RMB'000
Revenue	4	**4,111,088**	3,893,101
Cost of sales		**(2,504,539)**	(2,395,301)
Gross profit		**1,606,549**	1,497,800
Other income	5	**230,970**	195,015
Other gains and losses	6	**2,249**	(24,718)
Distribution and selling expenses		**(620,173)**	(505,723)
Administrative expenses		**(279,958)**	(281,224)
Share-based payment expenses		**(5,017)**	(40,323)
Other expenses		**(76,484)**	(82,344)
Share of loss of associates		**(3,846)**	—
Finance costs	7	**(22,341)**	(35,924)
Profit before tax		**831,949**	722,559
Income tax expense	8	**(213,503)**	(158,072)
Profit and total comprehensive income for the year	9	**618,446**	564,487
Attributable to:			
Owners of the Company		**626,268**	563,711
Non-controlling interests		**(7,822)**	776
		618,446	564,487
Earnings per share (RMB)			
– Basic	11	**0.50**	0.45
– Diluted	11	**0.49**	0.44

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	NOTES	**2015** RMB'000	2014 RMB'000
Non-current Assets			
Property, plant and equipment		**1,475,684**	1,345,124
Prepaid lease payments		**416,197**	374,310
Interests in associates		**16,154**	—
Deferred tax assets		**39,009**	56,731
Deposits for leasehold land		**—**	10,290
Deposits for acquisition of property, plant and equipment		**25,468**	3,783
Goodwill		**3,850**	3,850
Other intangible assets		**603**	670
		1,976,965	1,794,758
Current Assets			
Inventories	12	**1,019,084**	983,971
Trade and other receivables	13	**791,634**	648,078
Tax recoverable		**2,207**	9,748
Amounts due from related parties		**45,623**	78
Amounts due from shareholders		**—**	11
Prepaid lease payments		**10,757**	8,708
Short-term investment		**304,930**	125,993
Pledged bank deposits		**307,136**	37,085
Restricted Bank Deposits		**—**	205,720
Bank balances and cash		**649,630**	387,676
		3,131,001	2,407,068
Current Liabilities			
Trade and other payables	14	**1,657,384**	1,356,508
Amounts due to related parties		**26,907**	12,122
Amounts due to non-controlling shareholders of a subsidiary		**1,650**	1,650
Obligation under a finance lease		**5,561**	4,896
Bank borrowings		**309,020**	157,588
Tax liabilities		**43,324**	48,459
		2,043,846	1,581,223
Net Current Assets		**1,087,155**	825,845
Total Assets Less Current Liabilities		**3,064,120**	2,620,603

	NOTES	2015	2014
		RMB'000	RMB'000
Non-current Liabilities			
Obligation under a finance lease		**19,709**	25,270
Bank borrowings		**—**	50,000
Deferred taxation liabilities		**101,167**	56,738
		120,876	132,008
Net Assets		**2,943,244**	2,488,595
Capital and Reserves			
Share capital		**15**	15
Reserves		**2,836,079**	2,380,639
Equity attributable to owners of the Company		**2,836,094**	2,380,654
Non-controlling interests		**107,150**	107,941
Total Equity		**2,943,244**	2,488,595

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	2015	2014
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Profit before tax	**831,949**	722,559
Adjustments for:		
Interest income	**(34,197)**	(38,168)
Finance costs	**22,341**	35,924
Share of loss of an associate	**3,846**	—
Depreciation of property, plant and equipment	**163,493**	145,161
Allowance for doubtful receivables	**5,461**	17,720
Allowance for obsolete inventories	**(12,511)**	4,027
Share-based payment expenses	**5,017**	40,323
Amortisation of prepaid lease payments	**9,119**	8,481
Amortisation of other intangible assets	**67**	—
Net loss on disposal of property, plant and equipment	**558**	714
Effect of foreign exchange rate changes	**(232)**	(799)
Operating cash flows before movements in working capital	**994,911**	935,942
Increase in inventories	**(22,602)**	(114,318)
Increase in trade and other receivables	**(199,567)**	(176,658)
(Increase) decrease in amounts due from related parties	**(5,378)**	8
Increase in trade and other payables	**270,253**	7,247
Increase (decrease) in amounts due to related parties	**7,028**	(16,466)
Net cash generated from operations	**1,044,645**	635,755
Income tax paid	**(148,946)**	(172,475)
Interest paid	**(18,107)**	(35,924)
NET CASH FROM OPERATING ACTIVITIES	**877,592**	427,356

	2015	2014
	RMB'000	RMB'000
INVESTING ACTIVITIES		
Interest received	**29,434**	38,168
Proceeds from disposal of property, plant and equipment	**5,806**	5,218
Payments for property, plant and equipment	**(295,713)**	(294,903)
Payments for prepaid lease payments	**(42,765)**	(8,590)
Purchase of short-term investments	**(12,887,012)**	(13,477,722)
Advances to related parties	**(40,000)**	—
Advances to shareholder of asscoiates	**(40,000)**	—
Disposal of short term investment	**12,708,075**	13,364,729
Repayments from related parties	**—**	(242)
Acquisition of investment in associates	**(20,000)**	—
Withdrawal of pledged bank deposits	**96,998**	436,024
Withdrawal of Restricted bank deposits	**619,050**	1,180,890
Placement of pledged bank deposits	**(367,049)**	(460,781)
Placement of Restricted bank deposits	**(413,330)**	(1,386,610)
Net cash inflow on acquisition of subsidiaries	**—**	643
NET CASH USED IN INVESTING ACTIVITIES	**646,506**	(603,176)

	2015	2014
	RMB'000	RMB'000
FINANCING ACTIVITIES		
New bank borrowings raised	**678,578**	737,027
Repayments of bank borrowings	**(482,000)**	(895,501)
Repayments of obligations under a finance lease	**(4,896)**	(4,595)
Capital injection from non-controlling shareholders	**589**	—
Proceeds from shareholders	**11**	—
Advances from related parties	**7,757**	9,910
Dividend paid	**(169,428)**	(87,633)
Proceeds from issuance of shares under share option scheme	**37**	95
NET CASH FROM (USED) FINANCING ACTIVITIES	**30,648**	(240,697)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**261,734**	(416,517)
Effect of foreign exchange rate changes	**220**	799
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**387,676**	803,394
CASH AND CASH EQUIVALENTS AT END OF THE YEAR,		
represented by bank balances and cash	**649,630**	387,676

NOTES TO FINANCIAL INFORMATION

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 12 March 2012 under the Companies Law, CAP 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 9 December 2013. Its parent and ultimate holding company is Profit Strong Investments Limited, a company incorporated in the British Virgin Islands ("**BVI**"). The addresses of the registered office of the Company is Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands, the principal place of business of the Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, and the principal place of business and head office is located in No. 8 Jiangwan Third Road, Chancheng district, Foshan, Guangdong, the People's Republic of China ("**China**" or "**PRC**").

The principal activity of the Company is investment holding company.

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

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

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 - 2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 - 2013 cycle

In the opinion of the Company's directors, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

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

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

1 Effective for annual periods beginning on or after 1 January 2018.

2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

3 Effective for annual periods beginning on or after 1 January 2016.

4 Effective for annual periods beginning on or after a date to be determined.

HKFRS 9 Financial Instruments

HKFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in October 2010 to include 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 HKFRS 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.

Key requirements of HKFRS 9:

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

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

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

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

Except for the potential early recognition of credit losses based on the expected loss model in relation to the Group's financial assets measured at amortised costs, the directors of the Company anticipate that the application of HKFRS 9 in the future may not have other material impact on amounts reported in respect of the Group's financial assets and finance liabilities based on an analysis of the Group's finance instruments at 31 December 2015.

HKFRS 15 Revenue from Contracts with Customers

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

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

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

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15. The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

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

Except as described above, the directors of the Company consider that the application of the other new HKFRSs and amendments is unlikely to have a material impact on the Group's financial position and performance as well as disclosure.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited Listing Rules and by the Hong Kong Companies Ordinance ("CO").

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

4. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in manufacturing and sales of ceramics tile and bathroom products.

The Group determines its operating segments based on internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e. the chief executive) in order to allocate resources to the segment and to assess its performance.

The Group is organised into business units based on their products, based on which information is prepared and reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of performance. The Group's operating and reportable segments under HKFRS 8 are identified as two main operations:

- Ceramic tile products: this segment produces and sells ceramic tile and related products.

- Bathroom products: this segment produces and sells bathroom and related products.

(a) Segment results

The following is an analysis of the Group's revenue and results by operating and reportable segments.

For the year ended 31 December 2015

	Ceramic tile products RMB'000	**Bathroom products** RMB'000	**Total** RMB'000
SEGMENT REVENUE			
External sales	3,506,509	604,579	4,111,088
Inter-segment sales	3,004	50,011	53,015
Segment revenue	3,509,513	654,590	4,164,103
Eliminations			(53,015)
Group revenue			4,111,088
SEGMENT RESULT	1,467,757	138,792	1,606,549
Eliminations			—
			1,606,549
Unallocated income			230,970
Unallocated expenses			
Other gains and losses			2,249
Distribution and selling expenses			(620,173)
Administrative expenses			(279,958)
Share-based payment expenses			(5,017)
Other expenses			(76,484)
Finance costs			(22,341)
Share of loss of associates			(3,846)
Profit before tax			831,949

Other segment information included in the measurement of segment results:

	Ceramic tile products RMB'000	**Bathroom products** RMB'000	**Total** RMB'000
Depreciation	102,900	12,572	115,472
Allowance for obsolete inventories	(14,816)	2,305	(12,511)

For the year ended 31 December 2014

	Ceramic tile products RMB'000	**Bathroom products** RMB'000	**Total** RMB'000
SEGMENT REVENUE			
External sales	3,347,282	545,819	3,893,101
Inter-segment sales	—	36,431	36,431
Segment revenue	3,347,282	582,250	3,929,532
Eliminations			(36,431)
Group revenue			3,893,101
SEGMENT RESULT	1,352,799	145,001	1,497,800
Eliminations			—
			1,497,800
Unallocated income			195,015
Unallocated expenses			
Other gains and losses			(24,718)
Distribution and selling expenses			(505,723)
Administrative expenses			(281,224)
Share-based payment expenses			(40,323)
Other expenses			(82,344)
Finance costs			(35,924)
Profit before tax			722,559

Other segment information included in the measurement of segment results:

	Ceramic tile products RMB'000	Bathroom products RMB'000	Total RMB'000
Depreciation	89,945	12,534	102,479
Allowance for obsolete inventories	4,752	(725)	4,027

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment result represents the gross profit earned by each reportable segment. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

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

	2015 **RMB'000**	2014 RMB'000
Unglazed tiles	**1,439,078**	1,518,532
Glazed tiles	**2,067,431**	1,828,750
Bathroom products	**604,579**	545,819
	4,111,088	3,893,101

(b) Geographic information

The Group's operations and non-current assets are all derived and located in the PRC.

	2015 **RMB'000**	2014 RMB'000
Revenue from external customers based on the location of customers:	**1,439,078**	1,518,532
PRC	**3,865,874**	3,603,868
The United States of America	**119,633**	126,973
Mexico	**41,796**	33,944
Other countries	**83,785**	128,316
	4,111,088	3,893,101

(c) Information about major customers

No major customer contributed over 10% of the total revenue of the Group for the year ended 31 December 2014 and 2015.

(d) Segment assets and liabilities

Information of the operating and reportable segments of the Group reported to the chief operating decision maker for the purposes of resource allocation and performance assessment does not include any assets and liabilities. Accordingly, no segment assets and liabilities are presented.

5. OTHER INCOME

	2015	2014
	RMB'000	RMB'000
Bank interest income	**29,684**	30,476
Interest income on credit sales (note i)	**4,513**	7,692
Processing income	**13,187**	15,019
Sales of advertising brochures	**4,882**	6,838
Conference charge	**3,412**	3,225
Government grants (note ii)	**162,680**	112,802
Sales of scrap materials	**5,469**	136
Penalty income from distributors	**2,882**	13,390
Sundry income	**4,261**	5,437
Total	**230,970**	195,015

Notes:

(i) The Group normally requires advance or immediate payment when goods are delivered. Credit sales were granted to distributors on request basis and interests at 10% (2014: from 8% to 10%) per annum were charged in both years.

(ii) The government grants mainly represent incentive subsidies received from PRC government for business development. There are no specific conditions attached to the grants.

6. OTHER GAINS AND LOSSES

	2015	2014
	RMB'000	RMB'000
Net loss on disposal of property, plant and equipment	**558**	714
Allowance for doubtful receivables	**5,461**	17,720
Net foreign exchange (gain)losses	**(8,268)**	6,284
Total	**(2,249)**	24,718

7. FINANCE COSTS

	2015	2014
	RMB'000	RMB'000
Interest on:		
Bank borrowings wholly repayable within five years	**20,366**	33,647
Finance lease	**1,975**	2,277
	22,341	35,924

8. INCOME TAX EXPENSE

	2015	2014
	RMB'000	RMB'000
Current tax		
PRC Enterprise Income Tax ("EIT")	**147,967**	132,856
Under (over) provision in respect of prior years	**3,385**	(515)
	151,352	132,341
Deferred tax	**62,151**	25,731
	213,503	158,072

The PRC EIT is calculated at the applicable rates in accordance with the relevant laws and regulations in the PRC.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

In accordance with PRC tax (Guoshuihan [2008] 112) effective from 1 January 2008, PRC withholding income tax rate of 10% is applicable to dividends to "non-resident" investors who do not have an establishment or place of business in the PRC.

Seven subsidiaries of the Group, Linzhi Yuhe Commerce and Trading Co., Ltd. ("Linzhi Yuhe"), Duilong Green Home Technology Co., Ltd. ("Deqing Green Home"), Duilong Deqing Heying Commerce and Trading Co., Ltd. ("Deqing Heying"), Duilong Deqing Yuwei Commerce and Trading Co., Ltd. ("Deqing Yuwei"), Foshan Dongpeng Sanitary Ware Co., Ltd. ("Dongpeng Sanitary Ware"), Lixian Xinpeng Ceramics Co., Ltd. ("Lixian Xinpeng") and Fengcheng Dongpeng Ceramics Co., Ltd. ("Fengcheng Dongpeng") enjoyed preferential enterprise income tax rates which are lower than the standard tax rate as approved by the relevant tax authorities in the PRC as set out below.

Pursuant to Zang Zheng Fa No. 51 (2014) Notice in relation to Taxation Policies in support of enterprises located in Tibet (《西藏自治區企业所得税政策实施方法》) promulgated by the People's Government of Tibet autonomous region, Linzhi Yuhe, Deqing Heying, Deqing Yuwei and Duilong Lvjia, which are registered and located in Tibet, can enjoy a preferential enterprise income tax rate of 9% from 2015 to 2017.

Dongpeng Sanitary Ware was accredited as a "High and New Technology Enterprise" by relevant authorities in 2012 for a term of three years, and was registered with the local tax authority to be eligible to the reduced 15% preferential enterprise income tax rate from 2012 to 2014. Dongpeng Sanitary Ware intends to become a list of high-tech enterprises through the review in 2015.

Fengcheng Dongpeng was accredited as a "High and New Technology Enterprise" by relevant authorities in 2014 for a term of three years, and was registered with the local tax authority to be eligible to the reduced 15% preferential enterprise income tax rate from 2013 to 2015.

Lixian Xinpeng was accredited as a "High and New Technology Enterprise" by relevant authorities in 2014 for a term of three years, and was registered with the local tax authority to be eligible to the reduced 15% preferential enterprise income tax rate from 2013 to 2015.

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

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

	2015	2014
	RMB'000	RMB'000
Profit before tax	**831,949**	722,559
Tax at the applicable income tax rate of 25%	**207,987**	180,640
Effect of preferential tax rates granted to certain subsidiaries	**(56,229)**	(57,259)
Tax effect of expenses not deductible for tax purpose (Note 1)	**188**	10,916
Under (over) provision in respect of prior years	**3,385**	(515)
Tax effect of tax losses not recognised	**16,062**	9,956
Tax effect of deductible temporary differences not recognised	**5,132**	1,258
Deferred withholding tax on undistributed profits of PRC subsidiaries	**44,624**	20,737
Utilisation of deductible temporary differences previously not recognised	**(6,381)**	(851)
Tax effect of income tax credit granted to subsidiaries for research and development costs	**(1,265)**	(6,810)
Income tax expense for the year	**213,503**	158,072

Note:

1. The tax effect of expenses not deductible for the year is mainly attributable to the non-deductible staff welfare expenses, share-base payment expenses and non-deductible cost of damaged products.

9. PROFIT FOR THE YEAR

	2015	2014
	RMB'000	RMB'000
Profit for the year has been arrived at after charging:		
Depreciation for property, plant and equipment	**163,493**	145,161
Amortisation for prepaid lease payments	**9,119**	8,481
Auditors' remuneration	**2,507**	2,507
Research and development costs (included in other expenses)	**51,993**	53,446
Cost of inventories recognised as expenses	**2,504,539**	2,395,301
Allowance for obsolete inventories		
(included in cost of inventories)	**(12,511)**	4,027
Staff costs:		
Directors' remuneration	**5,535**	15,015
Employees' salaries	**516,471**	461,772
Employees' welfare benefits	**28,830**	28,265
Share-based payments to employees	**2,386**	28,172
Employees' retirement benefit schemes contributions	**41,506**	30,857
	594,728	564,081
Operating lease payments in respect of		
– land and buildings	**71,443**	66,385
– plant and machinery	**14,940**	21,998

10. DIVIDENDS

	2015	2014
	RMB'000	RMB'000
Dividend recognised as distributions during the year		
2014 final, paid-HK$0.17 per share	**169,428**	—
2013 final, paid-HK$0.07 per share	**—**	69,979
	169,428	69,979

No dividends were declared or proposed in respect of the year ended of 31 December 2015.

11. EARNINGS PER SHARE

	2015	2014
	RMB'000	RMB'000
Profit for the year attributable to owners of the Company	**626,268**	563,711
Earnings for the purpose of basic earnings per share and diluted earnings per share	**626,268**	563,711
Number of shares:	**'000**	**'000**
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,261,172**	1,253,102
Dilutive potential ordinary shares relating to share options	**14,272**	19,676
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,275,444**	1,272,778

12. INVENTORIES

	2015	2014
	RMB'000	RMB'000
Raw materials	203,604	219,887
Work in progress	74,290	56,837
Finished goods	741,190	707,247
	1,019,084	983,971

As at 31 December 2015, the allowance for obsolete inventories is RMB84,673,000 (2014: RMB97,409,000).

13. TRADE AND OTHER RECEIVABLES

	2015	2014
	RMB'000	RMB'000
Trade receivables	434,418	332,438
Less: allowance for doubtful debts	(42,483)	(39,875)
	391,935	292,563
Advances to suppliers	37,189	28,498
Deposits to suppliers	16,870	16,285
Bills receivables	160,488	206,150
Other receivables (note 1)	60,797	18,188
Less: allowance for doubtful debts	(4,301)	(8,057)
Other tax recoverable	6,770	6,737
Prepaid rentals	3,878	9,300
Other receivables from property developers	5,285	6,878
Value-added tax recoverable	112,723	71,536
Total trade and other receivables	791,634	648,078

Note 1:

Included in other receivables is an amount of RMB40,000,000 due from Mr. Fang, the shareholder of Aifengcao, bear interest at 5% per annum and is repayable on 28 March 2016. This amount is secured by 20% equity interest held by Mr. Fang in Aifengcao to the Group. On 17 March 2016, Mr. Fang and the Group entered into a supplementary agreement which agreed to repaid this outstanding amount into the following installments with an interest rate 12% per annum starting from 28 March 2016:

Repayment on or before	**RMB'000**
31 March 2016	10,000
30 April 2016	20,000
31 May 2016	10,000
	40,000

The Group normally requires advance or immediate payment when goods are delivered except for (i) sales to certain property developers which are allowed a credit period of 90 days to 180 days or some may be allowed to repay in full upon completion of construction projects or some may have 5% to 10% retention money due at the end of warranty period of one to two years and (ii) sale to certain distributors with a maximum credit period of 90 days and interest bearing. As at 31 December 2015, the retention money held by the property developers amounted to RMB17,750,000 (2014: RMB19,816,000). The following is an aged analysis of trade receivables presented based on the invoice date, which approximated the respective revenue recognition date:

	2015	2014
	RMB'000	RMB'000
0 - 30 days	**141,037**	124,380
31 - 90 days	**128,266**	75,197
91 - 180 days	**52,512**	37,610
181 - 365 days	**37,372**	23,261
Over 1 year	**32,748**	32,115
	391,935	292,563

The bills receivables are aged within 180 days and have not yet matured at the year end of December 2015 and 2014 respectively.

14. TRADE AND OTHER PAYABLES

	2015	2014
	RMB'000	RMB'000
Trade payables	**740,648**	644,404
Bills payable	**124,660**	16,980
Other payables	**48,347**	37,052
Other tax payables	**76,177**	61,389
Payroll and welfare payables	**66,232**	56,763
Advances from distributors	**142,877**	119,476
Deposits from distributors	**97,526**	85,814
Deferred income	**37,273**	30,039
Payables for acquisition for property, plant and equipment	**225,310**	198,921
Accrued expenses	**98,334**	105,670
	1,657,384	1,356,508

The following is an aging analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2015	2014
	RMB'000	RMB'000
0 - 30 days	**342,735**	377,742
31 - 90 days	**289,493**	216,216
91 - 180 days	**83,366**	41,890
181 - 365 days	**14,534**	1,857
Over 1 year	**10,520**	6,699
	740,648	644,404

The normal credit period on purchases of materials is 90 days to 180 days. The Group has financial risk management policies in place to monitor the settlement of payables.

Bills payable at 31 December 2015 and 2014 were aged within 180 days.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2015, China's economic growth continues to slow down from previous years. According to the National Bureau of Statistics of China, China's gross domestic product reached RMB67.7 trillion in 2015, representing a growth rate of 6.9% from 2014. While policy makers are able to claim that official GDP growth is still in line with the growth target, monthly indicators – especially in the industrial and investment sector – are disappointed. Industrial production growth has slowed to 6.1%, and fixed asset investment growth has slowed tremendously from previous year.

Besides the continued slow down in China's economic growth, in 2015 China also captured global investors' attention due to extreme volatility in the equity market and a sudden shift in foreign exchange policy. The A-share market experienced a massive boom followed by a significant sell-off. Since end of 2014, the Shanghai Composite Index more than doubled in six months, then gave back most of those gains over the summer despite heavy interventions by the Chinese authorities. Uncertainties kept rising with the sudden depreciation of the RMB in early August 2015. A 3% weakening versus the US dollar in just three days prompted large capital outflows and intervention by the central bank to anchor market expectations. While the direct impact on economic growth from the equity market move and the sudden move of RMB should be limited, the resulting uncertainties and "confidence shock" have likely been weighing on activity growth in recent months.

Since second half of 2014 Chinese government lifted most of its restrictive policies on the real estate market. As a result, the real estate market began its revery from the sharp decline, noticeably in the second half of 2015. According to the National Bureau of Statistics of China, the gross floor area (GFA) of commodity houses sold in 2015 increased 6.5% from previous year. However there was stark contrast in the growth and contraction of real estate market in different regions of China. The annual GFA of commodity houses sold in south and central China increased 21% and 12%, respectively, from a year ago, however the GFA of commodity houses sold actually declined 25% and 4% in northeast and northwest of China, respectively. On the other hand, the growth rate of investment in the real estate development, according to the National Bureau of Statistics of China, dropped to approximately 1.0% in 2015 from approximately 10.5% in 2014. The country's unsold housing inventory hit a historical high of 719 million square meters.

The activities in home decoration and improvement industry usually have several months to over a year's time lag after property purchases. As such, the home decoration and improvement industry continued to operate under a challenging market environment for most of 2015. While mid-to-small sized ceramic tile manufacturers and low-end industry players found themselves in on very difficult situation in recent years, industry leaders such our Group weathered the industry downturn better comparably. With increasing disposable income, the Chinese consumers are upgrading their purchases towards branded and high quality goods. Companies such as ours with superior brand names will continue to gain market share on the back of consumers trading up.

BUSINESS REVIEW

Given the difficulties faced by the real estate market and the intense competition within China's home improvement industry, the Group managed to achive decelerated growth during the year of 2015. The Group's revenue, profit before tax and profit attributable to owners of the Company in 2015 were RMB4,111.1 million, RMB831.9 million and RMB626.3 million, representing an increase of 5.6%, 15.1% and 11.1% over 2014, respectively. Further, the gross profit of the Group in 2015 was recorded at RMB1,606.5 million, representing an increase of 7.3% over 2014, and the overall gross margin increased by 0.6 percentage point to 39.1% for 2015 (2014: 38.5%). This increase in gross margin was primarily attributable to the product mix optimization and production efficiency improvement.

Effective Marketing and Sales Strategies

The Group continued to achieve growth in its sales in 2015, a result of implementing its sales and marketing strategies including improvement in store-level productivity, expansion in sales network coverage and penetration into third and fourth tier cities. As of 31 December 2015, the Group had 3,271 retail outlets selling the Dongpeng brand ceramic tiles (mostly owned by third-party), covering over 600 cities across China. This represents an increase of 1,291 retail outlets from the end of 2014. Among the new retail outlets, 2,135 are "Exclusive Stores" located in major home decoration markets, 319 "Community Stores" with smaller scale located in newly launched apartment buildings, and 817 "Satellite Stores" located in small towns. The group has also signed an endorsement contract with Tao LIU, a famous artist in mainland China, to create a stronger affinity between the Dongpeng brand and end users. With the comprehensive channel coverage and effective marketing campaigns, the Group was able to improve its brand awareness, widen its customer base, and provide tailored customer services.

As of 31 December 2015, the total revenue from corporate sales of the Group has reached approximately RMB559.95 million, a substantial increase of 21.5% on a year-on-year basis, due to establishment of the strategic partnership with Suzhou Gold Mantis, CR Home, and etc.

Development of E-commerce Business

In order to capitalize the opportunities of the rapid development of internet and the growing sophistication of online selling platforms, the Group has allocated more resources into the development of on-line sales channel. In 2015, the Group ranked number one on T-mall in terms of ceramic tile sales for ten months after the establishment of the e-commerce business unit, and became the only strategic partner with T-mall Home from the ceramic tile industry.

As of 31 December 2015, 712 of our distributors have entered into an offline service agreement with us to deliver standardized customer services in their corresponding regions, including sales consultation, product delivery and after-sales services. Besides, the Group has established an O2O experience showroom "Togetu" in its Foshan headquarter and developed online exclusive product lines to prevent potential conflict between our online and offline retailers.

Research and Development

The Group continues to devote significant resources in its technological innovation and, new product design and development. As of 31 December 2015, the Group's research and development team consisted of 388 professional staff.

With the collaboration of international product designers and advanced chemical suppliers, the Group has continuously developed and brought to market popular new products, which continuously influence industry trends in China. Meanwhile, the Group's research and development team maintains close contact with our consumers and the marketing team to respond quickly to changes in consumer demand and product trends. In 2015, we have introduced 42 new product series and obtained 101 patents; including the "Beauty of The World" series ("世界之美"), the "Marble" series ("原石") and the "Europe Impression" Series ("歐洲印象").

Operational Excellence

Enhanced operational efficiency and effective cost control continued to be the major drivers for our increased profitability. Firstly, the Group continued to excel in maintaining strategic relationships with high quality suppliers while obtaining competitive pricing though economy of scale. In addition, we have completed the construction of five new production lines of ceramic tile and one new production line of bathroom product in 2014. In 2015, these new production lines were fully utilized, bringing down the unit costs due to the improved economy of scale. As of 31 December 2015, the total production capacity in ceramic tile reached 60.68 million sqm^2, representing an increase of 15% on a year-on year basis while the utilization rate reached 93.8%. With the continuing production upgrade and optimizing raw material process, the Group managed to maintain effective cost control.

FINANCIAL REVIEW

The key financial indicators of the group are as follows:

	31 December 2015	31 December 2014	Year-on-year change (%)
Income statement items			
(Expressed in RMB'000 unless otherwise stated)			
Sales	**4,111,088**	3,893,101	5.6
Gross profit	**1,606,549**	1,497,800	7.0
Profit attributable to owners of the Company	**626,268**	563,711	11.1
Profit attributable to non-controlling interests	**(7,822)**	776	N/A
EBITDA	**1,026,902**	912,125	12.6
Earnings per share (RMB) (Note 1)			
Basic	**0.50**	0.45	8.9
Diluted	**0.49**	0.44	11.4

			Year-on-year change (pts)
Selected financial ratios			
Gross profit margin (%)	**39.1**	38.5	0.6
Margin of profit attributable to owners of the Company (%)	**15.2**	14.5	0.7
EBITDA margin (%)	**25.0**	23.4	1.6
Return on average equity attributable to owners of the Company (%) (Note 2)	**24.0**	26.7	(2.7)
Gearing ratio (net debt tototal equity) (Note 3) (%)	**net cash**	net cash	N/A

Notes:

(1) Please refer to Note 11 of the financial information for the calculation of earnings per share.

(2) The return on equity attributable to owners of the Company is based on profit attributable to owners of the Company divided by average equity attributable to owners of the Company (computed as the sum of the equity attributable to owners of the Company at the beginning and end of the year, divided by two).

(3) The gearing ratio is based on net debt (aggregate of current and non-current borrowings and current and non-current obligation under a finance lease less cash and cash equivalents) divided by total equity attributable to owners of the Company.

Revenue

The revenue of the Group increased by 5.6% from RMB3,893.1 million in 2014 to RMB4,111.1 million in 2015, primarily reflecting an increase in the sales of our glazed tile products and bathroom products

Revenue by Product Category

Revenue from glazed tile products increased by 13.0% from RMB1,828.8 million for the year of 2014 to RMB2,067.4 million for the year of 2015. The increase is primarily reflected by (i) an increase of the Group's new product series in the glazed tile category, such as Beauty of the World series (世界之美系列), Europe Impression series (歐洲印象系列) and Balsa Wood series (雅木系列); and (ii) glossy glazed tiles became more popular on the retail market.

Revenue from unglazed tile products decreased by 5.2% from RMB1,518.5 million for the year of 2014 to RMB1,439.1 million for the year of 2015. The decrease is mainly attributable to the decrease in average selling price to corporate customers.

After the Group acquired the bathroom business in May 2013, bathroom product sales keep rising. Revenue from the bathroom product increased by 10.8% from RMB545.8 million for the year of 2014 to RMB604.6 million for the year of 2015.

Revenue by Sales Channels

The Group's ceramic tile revenue from self-owned retail outlets and corporate customers increased by 30.4% and 28.8% from RMB198.0 million and RMB460.9 million for the year of 2014 to RMB258.1 million and RMB593.9 million for the year of 2015, respectively, because of the development of on-line sale channels and continued implementation of sale strategies to gain more corporate customers.

Revenue from distributor channel declined 3.2% mainly due to lower average selling price to distributors to encourage more aggressive promotion at the end market.

Cost of Sales

The Group's cost of sales increased by 2.2% from RMB2,395.3 million for the year of 2014 to RMB2,504.5 million for the year of 2015. The increase primarily reflected an increased sales volume of ceramic tile and bathroom products.

Gross Profit and Gross Margin

As a result of the foregoing, the Group's gross profit increased by 7.3% from RMB1,497.8 million for the year of 2014 to RMB1,606.5 million for the year of 2015. The gross margin increased by 0.6 percentage points from 38.5% for the year of 2014 to 39.1% for the year of 2015. The increase in gross margin was primarily attributable to the product mix optimization and production efficiency improvement.

Gross margin improvement was also a result of lower raw material cost and lower fuel cost.

Other Income

Other income increased by 18.4% from RMB195.0 million for the year of 2014 to RMB231.0 million for the year of 2015. The increase was primarily due to an increase in government grants of RMB50.0 million.

Distribution and Selling Expenses

Distribution and selling expenses primarily consist of transportation expenses, advertising expenses, marketing expenses, travelling expenses, and salaries and wages for our sales employees.

The Group's selling and distribution expenses increased by 22.6% from RMB505.7 million for the year of 2014 to RMB620.2 million for the year of 2015. This increase was mainly due to the increase of staff, transportation and advertisement costs.

Administrative Expenses

The administrative expenses decreased by 0.5% from RMB281.2 million for the year of 2014 to RMB280.0 million for the year of 2015. This decrease was mainly due to the decrease in the third parties' service fee expenses and administrative expenses as a percentage of Group's revenue decrease from 7.2% during the year of 2014 to 6.8% in the year of 2015.

Other Expenses

Other expenses decreased by 7.1% from RMB82.3 million for the year of 2014 to RMB76.5 million for the year of 2015. The decrease is primarily due to a one-time donation of RMB10 million in 2014.

Research and Development Expenses

Research and development expenses amounted to RMB52.0 million for the year of 2015, remained similar to the year of 2014 (RMB53.4 million).

Finance Cost

Finance cost decreased by 37.8% from RMB35.9 million for the year of 2014 to RMB22.3 million for the year of 2015. This decrease was mainly due to the decrease of the interest bearing bank borrowings as at 31 December 2015 compared with the balance as at 31 December 2014.

Income Tax Expense

Income tax expenses increased by 35.1% from RMB158.1 million for the year of 2014 to RMB213.5 million for the year of 2015. Our effective tax rate increased from 21.9% for the year of 2014 to 25.7% for the year of 2015 mainly because of the increase in accrual of withholding tax for the dividend to "non-resident" investors in accordance with PRC tax law (Guoshuihan [2008] 112).

Profit for the Year

As a result of the foregoing factors, profit for the period increased by 9.6% from RMB564.5 million for the year of 2014 to RMB618.4 million for the year of 2015. The Group's net profit margin was 14.5% and 15.0% for 2014 and 2015, respectively. The increase in the Group's net profit margin was primarily due to the increase of its gross margin and the decrease of share-based payment expenses and finance expenses.

Profit before Taxation

The profit before tax increased by 15.1% for the year of 2014 from RMB722.6 million to RMB831.9 million for the year of 2015, mainly due to increase in gross profit.

Profit for The Year Attributable to Owners of The Company

Due to the foregoing reasons, profit attributable to owners of the Company increased from RMB563.7 million for the year of 2014 to RMB626.3 million for the year of 2015.

Net Profit Margin

Net profit margin increased by 0.5 percentage point from 14.5% for the year of 2014 to 15.0% for the year of 2015. The increase in net profit margin was mainly attributable to an increase in net profits, an increase in gross profit and a lower finance expense as a percentage of the revenue.

FINANCIAL AND LIQUIDITY POSITION

Trade and Other Receivables

Trade receivables increased from RMB332.4 million as of 31 December 2014 to RMB434.4 million as of 31 December 2015 primarily due to increase in corporate sales. More details about trade and other receivable and the ageing analysis of trade receivable are set out in note 13 of the financial statements.

Inventories

Inventories increased by 3.6% from RMB984.0 million as of 31 December 2014 to RMB1,019.1 million as of 31 December 2015, primarily due to the increase of the bathroom products capacity.

Borrowings

As of 31 December 2015, our Group's total bank borrowings were RMB309.0 million.

The Group's average cost of bank borrowings (calculated by dividing total interest expenses by average bank borrowings during the relevant year) was 4.3% for the year of 2015, versus 6.3% for the year of 2014. All of the bank borrowings are in RMB currency.

Our Group's principal sources for liquidity have been cash generated from operations, bank borrowings and the net proceeds from the IPO. The Company generally used cash from such sources for working capital and capital expenditures.

Gearing Ratio

The gearing ratio is measured by net debt (aggregate of current and non-current borrowings and, current and non-current obligations under a finance lease less cash and cash equivalents) divided by total equity attributable to owners of the Company. For the year of 2015, the Group was at net-cash position, hence the gearing ration is not applicable. For the year of 2014, the Group was at net-cash position, too.

CAPITAL AND CAPITAL COMMITMENT

Capital commitment as at 31 December 2015 amounted to approximately RMB176.3 million (2014: RMB192.4 million), which were mainly related to acquisition of property, plant and equipment.

SIGNIFICANT INVESTMENTS

In 2015, the Group's short-term investment of RMB304.9 million represented a financial product issued by the bank in the PRC, with an expected but not guaranteed return of from 2.3% to 3.1% per annum, subject to the market price of its underlying financial instruments, mainly comprising of bonds debentures. The short-term investment was redeemed in January 2016 at the principal amount together with approximately the expected return. Except as disclosed in this announcement, the Group does not held any other significant investment.

CONTIGENT LIABILITIES

As of 31 December 2015, the Group did not have any material contingent liability.

PLEDGE OF ASSETS/OFF BALANCE SHEET TRANSACTIONS

The following assets were pledged to secure bank borrowings and banking facilities granted to the Group and related parties at the end of the reporting period:

	2015	2014
	RMB'000	RMB'000
Buildings	**70,252**	119,521
Prepaid lease payments	**141,172**	143,182
Notes receivables	**—**	14,920
Pledged bank deposits	**307,136**	37,085
	518,560	314,708

Except as disclosed in this announcement, the Group has not entered into any off-balance sheet guarantees or other commitments to guarantee the payment obligations of any third parties. It does not have any interest in any unconsolidated entities that provides financing, liquidity, market risk or credit support to it or engages in leasing or hedging or research and development or other services with it.

FUTURE PROSPECTS

Looking ahead, notwithstanding a fairly challenging year in 2016 for the home decoration market, the Group will continue to implement proven sales strategy, strengthen its brand recognition and solidify its leading market position in the PRC ceramic tile market.

In addition, the Group will explore more online sales opportunities on more sophisticated online sales platforms, such as VIP Shop, Wechat Mall, and JD.com. Meanwhile, the Group will seek to cooperate with more offline service providers to improve the Group's logistic and after-sale services.

On 29 July 2015, the Company announced its "PRC Building Ceramics Industry 2025" strategy. The Group will upgrade the existing Qingyuan production base, in order to establish a platform to facilitate interconnectedness between equipment within a factory and in the process, realizing the creation of a "smart" factory within PRC. Meanwhile, the Group plans to construct a central database from the whole operational process from production to sales, with the aim of improving the factories' production efficiency, accelerating the Group's market response and enhancing the Group's operational efficiency. With the Completion of the "smart" factory, it is expected that the aggregate energy consumption of the Group's production bases will decrease.

Overall, the home improvement and decoration industry is facing many uncertainties such as intense competition, excess capacity, slowdown of real estate market growth, and tightening government policy over environment protection, etc. The Group believes that as the market leader in the industry is poised to tackle those challenges in the coming years, and continue to solidify its leading position in home improvement and decoration market.

EVENTS AFTER THE REPORTING PERIOD

On 30 January 2016, Profit Strong Investments Limited and Max Glory Ltd. (the "Joint Offerors") requested the Board to put forward a proposal to the Shareholders other than the Joint Offerors and certain concert parties of them (the "Scheme Shareholders") for the privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Law of the Cayman Islands involving the cancellation of the shares held by the Scheme Shareholders (the "Scheme Shares") and, in consideration thereof, the payment to the Scheme Shareholders of a cancellation price of HK$4.48 in cash for each Scheme Share, and the withdrawal of the listing of the shares of the Company on the Stock Exchange, subject to satisfaction of certain pre-condition and conditions. For further details and progress of the privatisation of the Company, please refer to the joint announcement made by the Joint Offerors and the Company dated 18 February 2016 and subsequent announcements and circulars published or to be published by the Company and/or the Joint Offerors in due course.

EMPLOYEES

As at 31 December 2015, the Group had a total of approximately 9,160 employees (31 December 2014: 9,043 employees). The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits, and liabilities for breaches and grounds for termination. Remuneration of the Group's employees includes basic salaries, allowances, bonus and other employee benefits, that are determined with reference to their experience, qualifications and general market conditions.

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

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

FINAL DIVIDEND

The Directors have resolved not to recommend the payment of any final dividend for the year ended 31 December 2015 (2014: HK$0.17 per ordinary share).

CLOSURE OF REGISTER OF MEMBERS FOR 2016 AGM

The 2016 annual general meeting ("2016 AGM") of the Company is scheduled on 30 June 2016. Notice of the 2016 AGM will be dispatched to the Shareholders in due course.

For determining the entitlement to attend and vote at the 2016 AGM

The register of members of the Company will be closed from 28 June 2016 to 30 June 2016, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2016 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 27 June 2016.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date hereof, the Company has maintained the public float as required by the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since the listing of the Company on the main board of the Stock Exchange on 9 December 2013 (the "**Listing Date**").

USE OF NET PROCEEDS FROM IPO

The net proceeds from the Company's IPO amounted to HK$659.9 million (equivalent to approximately RMB520.3 million). Such net proceeds are intended to be applied in accordance with the proposed applications as set out in the section headed "Amendments to the Prospectus – Offering Statistics" in the supplemental prospectus issued by the Company on 28 November 2013.

	Net Proceeds from the Company's IPO			
Purpose	**Percentage to total amount**	**Net Proceeds**	**Utilised amount (as at 31 December 2015)**	**Unutilised amount (as at 31 December 2015)**
		RMB'000	RMB'000	RMB'000
For the expansion and upgrade of production facilities	40.0%	208,120.0	208,120.0	—
For the distribution network (including opening of additional self-owned retail outlets and product showrooms), the setting up of additional local sales management offices, and the hiring of additional sales and marketing personnel	10.0%	52,030.0	26,250.0	25,780.0

Purpose	Percentage to total amount	Net Proceeds	Utilised amount (as at 31 December 2015)	Unutilised amount (as at 31 December 2015)
	Net Proceeds from the Company's IPO			
		RMB'000	RMB'000	RMB'000
For research and development, including the opening of a new research and development center (primarily consisting of proceeds used for the construction of the center and the purchase of production and testing equipment for prototypes)	10.0%	52,030.0	52,030.0	—
For the repayment of loans	10.0%	52,030.0	52,030.0	—
For mergers and acquisitions to complement our existing product lines and sales channels	25.0%	130,075.0	75,000.0	55,075.0
Additional working capital and other general corporate purposes	5.0%	26,015.0	26,015.0	—
Total	100.0%	520,300.0	439,445.0	80,855.0

CORPORATE GOVERNANCE PRACTICES

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Company has adopted the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "Code") as contained in Appendix 14 of the Listing Rules as its own code to govern its corporate governance practices.

In the opinion of the Directors, the Company has complied with the relevant code provisions contained in the Code throughout the year ended 31 December 2015.

The Board will continue to review and monitor the practices of the Company with an aim to maintaining and implementing a high standard of corporate governance practices.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuer (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding dealings in the securities of the Company by the Directors and the Group's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company's securities.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code throughout the year ended 31 December 2015. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the year.

REVIEW OF FINANCIAL INFORMATION

Audit Committee

The audit committee of the Company (the "Audit Committee") (being Mr. Wu Haibing, Ms. Hsieh H., Lily, and Mr. Su Sen) has reviewed with management the consolidated financial information for the year ended 31 December 2015, including accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters.

The Audit Committee has reviewed the remuneration and independence of the auditors of the Company, Deloitte Touche Tohmatsu, and recommended the Board to re-appoint Deloitte Touche Tohmatsu as the Company's auditors for 2016, which is subject to the approval of the Shareholders of the Company at the 2016 AGM.

External Auditor

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2015 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.dongpeng.net. The annual report of the Company for the year ended 31 December 2015 containing all the information required by the Listing Rules will be dispatched to Shareholders and published on the above websites in due course.

APPRECIATION

On behalf of the Board, I would like to thank all our colleagues for their diligence, dedication, loyalty and integrity. I would also like to thank all our Shareholders, customers, bankers and other business associates for their trust and support.

By Order of the Board
Dongpeng Holdings Company Limited
He Xinming
Chairman

31 March 2016

As at the date of this announcement, the executive Directors are He Xinming, Chen Kunlie and Bao Jianyong; and the non-executive Directors are Su Sen, Sun Qian and Sun Limei; and the independent non-executive Directors are Yin Hong, Hsieh H., Lily and Wu Haibing.