

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

1. We were engaged to audit the accompanying financial statements of Changjiang Fertilizer Holdings Limited (the "Company") and its subsidiary corporations (the "Group") set out on pages 28 to 69, which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2015, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with Singapore Standards on Auditing. Because of the matters described in the Basis for Disclaimer of Opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion on the Financial Statements for the Financial Year Ended 31 December 2014

4. We issued a disclaimer of opinion dated 1 April 2015 on the consolidated financial statements of the Group for the previous financial year ended 31 December 2014 on the following matters:
 - (a) Appropriateness of going concern assumptions of the Group and the Company; and
 - (b) Realisation of the Group's total assets.

As disclosed in Note 26 to the financial statements, certain items in paragraph 4(a) have been resolved as discussed in Note 26.3. Items in paragraph 4(b) have not been resolved in the current financial year and are discussed in the paragraphs below.

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements (continued)

Basis for Disclaimer of Opinion

5. Going concern

- (i) As disclosed in Note 4 to the financial statements, the Group incurred total losses of RMB56,620,000 (2014: RMB220,887,000) and net cash outflows from its operating activities of RMB79,000 (2014: RMB16,582,000) for the financial year ended 31 December 2015. Furthermore, the Group's and the Company's current liabilities exceeded current assets by RMB54,980,000 and RMB13,997,000 (2014: RMB17,754,000 and RMB30,115,000) respectively. The Group and the Company were in net liabilities position of RMB54,980,000 and RMB13,997,000 (2014: in net assets position of RMB1,621,000 and in net liabilities position of RMB7,132,000) respectively as at 31 December 2015.
- (ii) The Group has ceased the production activities in all three production plants in PRC since the financial year ended 31 December 2013. No revenue has been generated since the financial year ended 31 December 2013. The Group has plans to dispose all its subsidiary corporations in the People's Republic of China ("PRC subsidiary corporations") through a public auction (see further in Note 28 to the financial statements).
- (iii) For the financial year ended 31 December 2015, the Group recorded current income tax liabilities of RMB34,890,000 (2014: RMB32,449,000) (see further in Note 8(b) to the financial statements). As at the date of this report, the Group has not made any payments to the local tax authorities since financial year 2010.

The conditions above indicate the existence of material uncertainties which may cast significant doubt on the Group's and the Company's ability to continue as going concerns. Nevertheless, these financial statements are prepared on the going concern basis as the Company had entered into various sale and purchase agreements with various third parties to acquire new businesses. As part of the conditions precedent of these sale and purchase agreements, the Company would have to dispose the PRC subsidiary corporations. Management is of the opinion that with the successful completion of the above-mentioned acquisitions and disposal, the Company will continue to operate on a going concern basis. Both the above-mentioned acquisitions and the disposal are still subject to shareholders and regulatory approvals (see further in Note 28 to the financial statements).

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements (continued)

Basis for Disclaimer of Opinion (continued)

5. Going concern (continued)

If the Group and the Company are unable to continue in their operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group and the Company may have to reclassify non-current assets as current assets respectively. The financial statements do not include any adjustment which may arise from these uncertainties.

The ability of the Group and the Company to continue their operations in the foreseeable future and to meet their financial obligations as and when they fall due depend on the favourable outcome of the measures undertaken as disclosed above. Therefore, we are not able to form an opinion as to whether the going concern basis of presentation of the accompanying financial statements of the Group is appropriate.

6. Limitation of scope

- (i) As disclosed in Note 9 to the financial statements, the Group's PRC subsidiary corporations have ceased production since 31 December 2013 and the Company announced its intention to dispose its PRC subsidiary corporations. As a result, the PRC subsidiary corporations do not have a full time finance team to prepare and maintain a complete and proper set of accounting records.

Due to the reasons above and the security concerns represented by the PRC subsidiary corporations' management, the Company's management and we are unable to visit and conduct our audit respectively at the premises of the PRC subsidiary corporations. Hence, based on the information and accounting records made available to us, we are unable to obtain sufficient and appropriate audit evidence to satisfy ourselves as to whether a complete set of accounting records are provided to us and to substantiate and to verify these amounts recorded.

- (ii) As at 31 December 2015, the liabilities directly associated with disposal group classified as held-for-sale amount to RMB69,452,000 (2014: RMB27,741,000) (see further in Note 9(I)) to the financial statements. The amount of RMB69,452,000 includes tax liabilities for the PRC subsidiary corporations of RMB34,890,000. Due to the reasons mentioned in paragraph 6(i), we were unable to carry out alternative procedures to enable us to conclude on the completeness of the liabilities of the PRC subsidiary corporations. We are also unable to ascertain if any adjustment and/or additional disclosure is required for liabilities, including tax liabilities and contingent liabilities for the financial year ended 31 December 2015.
- (iii) As at 31 December 2015, the cash and cash equivalents of approximately RMB5,000 is classified as assets of disposal group classified as held-for-sale (see further in Note 9(k)(iii)) to the financial statements. The PRC subsidiary corporations' management has obtained the bank confirmations directly from the PRC financial institutions respectively. However, due to the reasons mentioned in paragraph 6(i), we were unable to carry out audit procedures to enable us to conclude on the existence or completeness of cash and cash equivalents of the PRC subsidiary corporations. We are also unable to ascertain if any adjustment and/or additional disclosure is required for contingent liabilities, securities held by the respective financial institutions in PRC and/or guarantees provided by the financial institution to the PRC subsidiary corporations.

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements (continued)

Basis for Disclaimer of Opinion (continued)

6. Limitation of scope (continued)

- (iv) The consolidated financial statements of the Group for the financial year 31 December 2015 include the financial statements of the PRC subsidiary corporations. Due to the reasons mentioned in paragraph 6(i) to 6(iii), we are unable to assess the appropriateness of the carrying values of the assets and liabilities and the corresponding income and expenses of the PRC subsidiary corporations which have been included in the Group's consolidated financial statements. Hence, we are also unable to obtain sufficient and appropriate audit evidence to ascertain the appropriateness of disclosures relating to the PRC subsidiary corporations in the consolidated financial statements.

7. Assets of disposal group

As at 31 December 2015, the assets of disposal group classified as held-for-sale amounted to RMB28,469,000 (see further in Note 9) to the financial statements. The realisation and the actual amounts which may be recovered from these assets will depend on the outcome of the public auction as disclosed in Note 28 to the financial statements. Due to the reasons mentioned in paragraph 6(i) above and that the Company has not commenced the public auction, we are unable to satisfy ourselves as to the appropriateness of the carrying values of these assets.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

INDEPENDENT AUDITOR'S REPORT

Report on other Legal and Regulatory Requirements

In our opinion, except for the matters described in the Basis for Disclaimer of Opinion paragraphs, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

***Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants***

**Director-in-charge: Philip Tan Jing Choon
Appointed since financial year ended 31 December 2011**

Singapore

7 July 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
Continuing operations			
Sales	5	-	-
Cost of sales		-	-
Gross loss		-	-
Expenses			
- Selling and distribution		-	(183)
- Administrative		(4,051)	(84,029)
Loss before income tax		(4,051)	(84,212)
Income tax expense	8	-	-
Loss from continuing operations		(4,051)	(84,212)
Discontinued operations			
Loss from discontinued operations	9(m)	(52,569)	(136,675)
Total loss		(56,620)	(220,887)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation		19	1,119
Other comprehensive income, net of tax		19	1,119
Total comprehensive loss attributable to equity holders of the Company		(56,601)	(219,768)
Loss per share for loss from continuing and discontinued operations attributable to equity holders of the Company (RMB cents per share)			
- Basic and diluted loss per share			
From continuing operations		(1.13)	(23.40)
From discontinued operations		(14.61)	(37.97)
	10	(15.74)	(61.37)

The accompanying notes form an integral part of these financial statements.

BALANCE SHEETS*As at 31 December 2015*

	Note	Group		Company	
		2015	2014	2015	2014
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Current assets					
Cash and cash equivalents	11	1	85	1	73
Other receivables	12	-	187	-	43
		1	272	1	116
Assets of disposal group classified as held-for-sale	9(k)	28,469	39,364	-	-
		28,470	39,636	1	116
Non-current assets					
Investments in subsidiary corporations	13	-	-	-	22,983
Property, plant and equipment	14	-	5,255	-	-
Intangible assets	15	-	14,120	-	-
		-	19,375	-	22,983
Total assets		28,470	59,011	1	23,099
LIABILITIES					
Current liabilities					
Other payables	16	13,998	16,887	13,998	30,231
Current income tax liabilities	8(b)	-	12,762	-	-
		13,998	29,649	13,998	30,231
Liabilities directly associated with disposal group classified as held-for-sale	9(l)	69,452	27,741	-	-
Total liabilities		83,450	57,390	13,998	30,231
NET (LIABILITIES)/ASSETS		(54,980)	1,621	(13,997)	(7,132)
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	17	216,788	216,788	216,788	216,788
Treasury shares	17	(108)	(108)	(108)	(108)
Statutory reserves	18	71,998	71,998	-	-
Restructuring reserve	19	(102,828)	(102,828)	-	-
Currency translation reserve	20	399	380	664	645
Accumulated losses	21	(241,229)	(184,609)	(231,341)	(224,457)
TOTAL EQUITY		(54,980)	1,621	(13,997)	(7,132)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2015

	Share capital RMB'000	Treasury shares RMB'000	Statutory reserves RMB'000	Restructuring reserve RMB'000	Currency translation reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Total equity RMB'000
2015							
Beginning of financial year	216,788	(108)	71,998	(102,828)	380	(184,609)	1,621
Loss for the financial year	-	-	-	-	-	(56,620)	(56,620)
Other comprehensive income for the financial year	-	-	-	-	19	-	19
Total comprehensive loss for the financial year	-	-	-	-	19	(56,620)	(56,601)
End of financial year	<u>216,788</u>	<u>(108)</u>	<u>71,998</u>	<u>(102,828)</u>	<u>399</u>	<u>(241,229)</u>	<u>(54,980)</u>
2014							
Beginning of financial year	216,788	(108)	71,998	(102,828)	(739)	36,278	221,389
Loss for the financial year	-	-	-	-	-	(220,887)	(220,887)
Other comprehensive income for the financial year	-	-	-	-	1,119	-	1,119
Total comprehensive loss for the financial year	-	-	-	-	1,119	(220,887)	(219,768)
End of financial year	<u>216,788</u>	<u>(108)</u>	<u>71,998</u>	<u>(102,828)</u>	<u>380</u>	<u>(184,609)</u>	<u>1,621</u>

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS*For the financial year ended 31 December 2015*

	Note	2015 RMB'000	2014 RMB'000
Cash flows from operating activities			
Total loss		(56,620)	(220,887)
Adjustments for:			
- Amortisation and depreciation		-	3,480
- Allowance for impairment of property, plant and equipment	6	5,255	116,971
- Allowance for impairment of trade receivables	6	-	13,377
- Allowance for impairment of advances to suppliers	6	-	22,086
- Allowance for impairment of intangible assets	6	14,120	6,042
- Allowance for impairment of deposit paid for property, plant and equipment	6	-	22,396
- Loss on the remeasurement of assets classified as held-for-sale to fair value less cost to sell	6	10,900	-
- Inventories written down	6	-	4,256
- Interest income from bank deposits		-	(44)
- Unrealised currency translation losses		19	1,122
		(26,326)	(31,201)
Change in working capital			
- Trade and other receivables		187	4,448
- Inventories		-	187
- Other payables		26,060	9,940
Cash used in operations		(79)	(16,626)
Interest received		-	44
Net cash used in operating activities		(79)	(16,582)
Net decrease in cash and cash equivalents		(79)	(16,582)
Cash and cash equivalents			
Beginning of financial year		85	16,670
Effects of currency translation on cash and cash equivalents		-	(3)
End of financial year	Note A	6	85
Note A			
Cash at bank and on hand (Note 11)		1	85
Cash at bank reclassified to Disposal Group (Note 9(k)(iii))		5	-
Cash and cash equivalents		6	85

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Changjiang Fertilizer Holdings Limited on 7 July 2016.

1 General information

Changjiang Fertilizer Holdings Limited (the “Company”) is listed on the Singapore Exchange and incorporated and domiciled in Singapore. The registered office is at 10 Collyer Quay, #27-00 Ocean Financial Centre, Singapore 049315. The principal place of business is at 273 Thomson Road, #04-03 Novena Gardens, Singapore 307644.

The principal activity of the Company is that of investment holding. The principal activities of its subsidiary corporations are disclosed in Note 13.

2 Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”) under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements are presented in Chinese Renminbi (“RMB”) and have been rounded to the nearest thousand, unless otherwise stated.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group’s accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 and Note 4.

Interpretations and amendments to published standards effective in 2015

On 1 January 2015, the Group adopted the new or amended FRS and Interpretations of FRS (“INT FRS”) that are mandatory for application for the financial year. Changes to the Group’s accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years except for the following:

The Group has adopted the above amendment to FRS 108 on 1 January 2015. The amendment is applicable for annual periods beginning on or after 1 July 2014. It sets out the required disclosures on the judgements made by management in aggregating operating segments. This includes description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. The standard is further amended to require a reconciliation of segment assets to entity’s assets when segment assets are reported.

The Group has included the additional required disclosures in Note 25 of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2 Significant accounting policies (continued)

2.2 Group accounting

(a) Subsidiary corporations

(i) Consolidation

Subsidiary corporations are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary corporations are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiary corporations have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group, except for business combination under common control.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary corporations measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (i) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (ii) fair value of the identifiable net assets acquired is recorded as goodwill.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2 Significant accounting policies (continued)

2.2 Group accounting (continued)

(a) Subsidiary corporations (continued)

(ii) Acquisitions (continued)

Acquisition of entities under common control have been accounted for using the pooling-of-interest method. Under this method:

- The financial statements of the Group have been prepared as if the Group structure, immediately after the transaction, has been in existence since the earliest date the entities are under common control;
- The assets and liabilities are brought into the financial statements at their existing carrying amounts from the perspective of the controlling party;
- The income statement includes the results of the acquired entities since the earliest date the entities are under common control;
- The comparative figures of the Group represent the statement of comprehensive income, statement of cash flows and statement of changes in equity have been prepared as if the combination had occurred from the date when the combining entities or businesses first came under common control;
- The cost of investment is recorded at the aggregate of the nominal value of the equity shares issued, cash and cash equivalents and fair values of other consideration; and
- On consolidation, the difference between the cost of investment and the nominal value of the share capital of the merged subsidiary corporations are taken to restructuring reserve. Cash paid/payable arising from the acquisition under common control is also taken to the restructuring reserve.

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiary corporations" for the accounting policy on investments in subsidiary corporations in the separate financial statements of the Company.

2.3 Investments in subsidiary corporations

Investments in subsidiary corporations are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2 Significant accounting policies (continued)

2.4 Property, plant and equipment

(a) Measurement

(i) Property, plant and equipment

Property, plant and equipment including buildings and workshops are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

(b) Depreciation

Construction-in-progress are not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	<u>Useful lives</u>
Machinery and equipment	5 to 15 years
Buildings and workshops	20 to 40 years
Office equipment	5 to 12 years
Motor vehicles	8 to 15 years
Catalyst	3 to 5 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

(c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2 Significant accounting policies (continued)

2.5 Intangible assets

Land use rights

Land use rights are initially recognised at cost and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 32.5 to 50 years, which is the shorter of their estimated useful lives and periods of contractual rights.

2.6 Impairment of non-financial assets

Property, plant and equipment

Intangible assets

Investments in subsidiary corporations

Property, plant and equipment, intangible assets and investments in subsidiary corporations are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating-unit ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss.

2.7 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity and available for sale. The classification depends on the nature of the assets and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

At the end of the financial year, the Company does not hold any of the financial assets except for loans and receivables.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2 Significant accounting policies (continued)

2.7 Financial assets (continued)

(a) Classification (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "Other receivables" (Note 12) and "Cash and cash equivalents" (Note 11) on the balance sheet.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

(c) Measurement

Loans and receivables are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method.

(d) Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2 Significant accounting policies (continued)

2.8 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using weighted average method. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

2.9 Leases

When the Group is the lessee:

The Group leases offices under operating leases from non-related parties.

Lessee – Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

2.10 Other payables

Other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.11 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the construction or development of properties and assets under construction. This includes those costs on borrowings acquired specifically for the construction or development of properties and assets under construction, as well as those in relation to general borrowings used to finance the construction or development of properties and assets under construction.

Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2 Significant accounting policies (continued)

2.12 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

2.13 Provisions

Provisions for restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Other provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in the statement of comprehensive income as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

2.14 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

Where the grant receivable relates to an asset, the fair value of the grant is recognised as deferred capital grant on the balance sheet. The deferred capital grant is amortised to profit or loss on the straight-line basis over the estimated useful lives of relevant assets.

2.15 Revenue recognition

Sales comprise the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Sales are presented, net of value-added tax, rebates and discounts, and after eliminating sales within the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2 Significant accounting policies (continued)

2.15 Revenue recognition (continued)

The Group assesses its role as an agent or principal for each transaction and in an agency arrangement the amounts collected on behalf of the principal are excluded from revenue. The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(a) Sale of goods

Revenue from these sales is recognised when the Group has delivered the products to locations specified by its customers; the customers have accepted the products and the collectability of the related receivables is reasonably assured.

(b) Interest income

Interest income is recognised using the effective interest method.

2.16 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(b) Pension benefits

The Group is required to provide certain staff pension benefits to its' employees under existing PRC regulations. Pension contributions are provided at rates stipulated by PRC regulations and are contributed to a pension fund managed by government agencies, which are responsible for administering these amounts for the subsidiary corporations' employees. The Group has no further payment obligations once the contributions have been paid. Pension contributions are recognised as an expense in the period in which the related services are performed.

2.17 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of an asset or liability that affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiary corporations except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2 Significant accounting policies (continued)

2.17 Income taxes (continued)

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity.

2.18 Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the carrying amount which includes the consideration paid and any directly attributable transaction cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained profits of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve.

2.19 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The Company's functional currency is Singapore Dollars. The financial statements are presented in Chinese Renminbi as the functional currency of the Group's operating subsidiary corporations is Chinese Renminbi.

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2 Significant accounting policies (continued)

2.19 Currency translation (continued)

(b) Transactions and balances (continued)

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(c) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities are translated at the closing exchange rates at the reporting date;
- (ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

2.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Directors who are responsible for allocating resources and assessing performance of the operating segments.

2.21 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value.

2.22 Fair value estimation of financial assets and liabilities

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2.23 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

2.24 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2 Significant accounting policies (continued)

2.25 Non-current assets (or disposal groups) held-for-sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held-for-sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held-for-sale and:

- (a) represents a separate major line of business or geographical area of operations;
- (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- (c) is a subsidiary acquired exclusively with a view to resale.

3 Critical accounting estimates, assumptions and judgements

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

(a) Estimated impairment of non-financial assets

Property, plant and equipment, intangible assets, and investments in subsidiary corporations are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

The recoverable amounts of these assets and, where applicable, CGU, have been determined based on fair value less costs to sell calculations which is from the viewpoint of independent market participants. The carrying amounts of property, plant and equipment, intangible assets, and investments in subsidiary corporations at the balance sheet date are disclosed in Notes 14, 15 and 13 respectively.

An impairment charge of RMB5,255,000 and RMB14,120,000 (2014: RMB116,971,000 and RMB 6,042,000) was recognised for property, plant and equipment (Note 14) and intangible assets (Note 15) in the financial year ended 31 December 2015 based on fair value less cost of disposal valued by an independent professional valuer, which reduced the carrying amounts of property, plant and equipment and intangible assets from RMB5,255,000 to RMB Nil and RMB14,120,000 to RMBNil respectively.

An impairment charge of RMB22,983,000 (2014: RMB185,038,000) was recognised for the investments in subsidiary corporations (Note 13) as the Directors believe the carrying amount of these assets in the Company's balance sheet exceeded its recoverable amount through its future sale.

(b) Net realisable value of inventories

The carrying amount of the inventories at the balance sheet date is RMB Nil (2014: RMB Nil). A write-down in inventories of approximately RMB Nil (2014: RMB Nil) (Note 6) was recognised in the financial year ended 31 December 2015 because these inventories were considered obsolete with RMB Nil net realisable value.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

3 Critical accounting estimates, assumptions and judgements (continued)

(c) Impairment of receivables and advances to suppliers

The carrying amount of trade and other receivables at the balance sheet date is RMB Nil (2014: RMB Nil).

An impairment of trade receivables and advances to suppliers of approximately RMB Nil and RMB Nil (2014: RMB13,377,000 and RMB22,086,000) (Note 6) respectively, were recognised in the financial year ended 31 December 2015 because there were estimated losses resulting from the inability of customers to make required payments and utilisation of advances to suppliers.

4 Going concern

The Group incurred total losses of RMB56,620,000 (2014: RMB220,887,000) and net cash outflows from its operating activities of RMB79,000 (2014: RMB16,582,000) for the financial year ended 31 December 2015. Furthermore, the Group's and the Company's current liabilities exceeded current assets by RMB54,980,000 and RMB13,997,000 (2014: RMB17,754,000 and RMB30,115,000) respectively. The Group and the Company were in net liabilities position of RMB54,980,000 and RMB13,997,000 (2014: in net assets position of RMB1,621,000 and in net liabilities position of RMB7,132,000) respectively as at 31 December 2015.

The Group has ceased the production activities in all three production plants in PRC since the financial year ended 31 December 2013. No revenue has been generated since the financial year ended 31 December 2013. The Group has plans to dispose all its subsidiary corporations in the People's Republic of China ("PRC subsidiary corporations") through a public auction (see further in Note 28 to the financial statements).

For the financial year ended 31 December 2015, the Group recorded current income tax liabilities of RMB34,890,000 (2014: RMB32,449,000) (see further in Note 8(b) to the financial statements). As at the date of this report, the Group has not made any payments to the local tax authorities since financial year 2010.

The conditions above indicate the existence of material uncertainties which may cast significant doubt on the Group's and the Company's ability to continue as going concerns. Nevertheless, these financial statements are prepared on the going concern basis as the Company had entered into various sale and purchase agreements with various third parties to acquire new businesses. As part of the conditions precedent of these sale and purchase agreements, the Company would have to dispose the PRC subsidiary corporations. Management is of the opinion that with the successful completion of the above-mentioned acquisitions and disposal, the Company will continue to operate on a going concern basis. Both the above-mentioned acquisitions and the disposal are still subject to shareholders and regulatory approvals (see further in Note 28 to the financial statements).

If the Group and the Company are unable to continue in their operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group and the Company may have to reclassify non-current assets as current assets respectively. The financial statements do not include any adjustment which may arise from these uncertainties.

5 Revenue

No revenue has been generated since the financial year ended 31 December 2013.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

6 Expenses by nature

	<u>Continuing operations</u>		<u>Discontinued operations</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Allowance for impairment of property, plant and equipment (Note 14)	-	60,367	5,255	56,604	5,255	116,971
Allowance for impairment of intangible assets (Note 15)	-	229	14,120	5,813	14,120	6,042
Amortisation of intangible assets (Note 15)	-	510	-	-	-	510
Depreciation of property, plant and equipment (Note 14)	-	2,970	-	-	-	2,970
Total amortisation, depreciation and impairment	-	64,076	19,375	62,417	19,375	126,493
Allowance for impairment of trade receivables [Note 24(b)(ii)]	-	-	-	13,377*	-	13,377*
Allowance for impairment of advances to suppliers	-	6,985*	-	15,101*	-	22,086*
Allowance for impairment of deposit paid for property, plant and equipment	-	-	-	22,396	-	22,396
Auditor's fees						
- Auditor of the Company	270	242	-	-	270	242
Directors' fees	558	423	-	-	558	423
Electricity	-	592	170	-	170	592
Employee compensation (Note 7)	2,560	10,568	18,226	13,592	20,786	24,160
Write-down of inventories	-	-	-	4,256*	-	4,256*
Loss on the remeasurement of assets classified as held-for-sale to fair value less cost to sell	-	-	10,900	-	10,900	-
Rental expense on operating leases	54	88	-	-	54	88
Repairs and maintenance	-	-	-	11	-	11
Changes in inventories	-	-	-	187	-	187
Other expenses	609	1,238	1,457	5,812	2,066	7,050
Total cost of sales, selling and distribution, and administrative expenses	<u>4,051</u>	<u>84,212</u>	<u>50,128</u>	<u>137,149</u>	<u>54,179</u>	<u>221,361</u>

* These have been fully impaired as at 31 December 2014 (Note 3).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

7 Employee compensation

	Group	
	2015	2014
	RMB'000	RMB'000
Wages and salaries	18,067	17,571
Employer's contribution to defined contribution plans including Central Provident Fund	2,719	6,589
	<u>20,786</u>	<u>24,160</u>

8 Income tax

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the PRC standard rate of income tax as follows:

	Group	
	2015	2014
	RMB'000	RMB'000
Loss before income tax from		
Continuing operations	(4,051)	(84,212)
Discontinued operations [Note 9(d)]	(50,128)	(136,675)
	<u>(54,179)</u>	<u>(220,887)</u>
Tax calculated at tax rate of 25% (2014: 25%)	(13,545)	(55,222)
Effects of:		
- Tax effect of different tax rates in other jurisdiction	4,335	22,352
- Non-deductible expenses	9,210	32,870
Tax charge	<u>-</u>	<u>-</u>

(a) Income tax expense of foreign operations

There was no tax liabilities provided for financial years ended 31 December 2015 and 31 December 2014 as the subsidiary corporations in PRC were in net loss position. The subsidiary corporations are engaged in an on-going negotiation with the local authorities to finalise the total income tax payables.

As at 31 December 2014, the subsidiary corporation was engaged in an on-going negotiation with the local authorities. The provision for income tax for this entity is currently calculated based on the standard rate of income tax in the PRC of 25%.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

8 Income tax (continued)

(a) Income tax expense of foreign operations (continued)

On 2 December 2008, Miluo City People's Government of China granted the Group's subsidiary, Miluo Jincheng Shiye Co., Ltd ("JC Miluo"), a tax preferential policy whereby JC Miluo is required to pay a minimum of RMB2.1 million from FY2009 and subsequently increase by 40% on an annual basis until FY2013 to cover all taxes (e.g. VAT, Stamp Duty, Land Use Tax, Urban Real Estate Tax, Corporate Income Tax, etc). Any amount paid in excess of the minimum tax liability will be refunded (subject to the approval by Miluo City People's Government of China) to the Group.

On 9 February 2010, Xiangyin County People's Government of China granted the Group's subsidiary, Changjiang Huafei (Hunan) Co., Ltd ("Changjiang Huafei"), a tax preferential policy whereby Changjiang Huafei is required to pay a minimum of RMB1.0 million from FY2010 and subsequently increase by 25% on an annual basis until FY2014 to cover all taxes (e.g. VAT, Stamp Duty, Land Use Tax, Urban Real Estate Tax, Corporate Income Tax, etc). Any amount paid in excess of the minimum tax liability will be refunded (subject to the approval by Xiangyin County People's Government of China) to the Group.

The other subsidiary corporation, Hunan Changjiang Huafei Hanshou Co., Ltd ("Huafei Hanshou"), had applied for a preferential tax policy from Hanshou County People's Government of China.

(b) Movements in the current income tax liabilities

	Group	
	2015 RMB'000	2014 RMB'000
Beginning of financial year	12,762	32,449
Under provision in prior financial years (Note 9(m))	2,441	-
	<u>15,203</u>	<u>32,449</u>
Less: Reclassified to the disposal group	<u>(15,203)</u>	<u>(19,687)</u>
	<u>-</u>	<u>12,762</u>
	Group	
	2015 RMB'000	2014 RMB'000
Presented in the balance sheet as:		
Current income tax liabilities	-	12,762
Disposal group	<u>34,890</u>	<u>19,687</u>
	<u>34,890</u>	<u>32,449</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

9 Discontinued operations and disposal group classified as held-for-sale

- (a) The Group has three production plants located in PRC operated by its wholly-owned subsidiary corporations, namely Miluo Jincheng Shiye Co., Ltd ("JC Miluo"), Changjiang Huafei (Hunan) Co., Ltd ("Changjiang Huafei"), and Hunan Changjiang Huafei Hanshou Co., Ltd ("Huafei Hanshou") (Collectively known as "PRC subsidiary corporations").
- (b) On 21 June 2013, the Group announced that JC Miluo has received a notice from the local environment protection agency informing it that, in connection with the urbanisation development plans of the city including the initiatives taken by the city to clean up the environment in urban areas, JC Miluo is required to take steps towards the winding-down of its operations in its existing factory which is located in an urban area of the city and relocate the factory (the "City-Redevelopment").
- (c) Changjiang Huafei (Hunan) Co., Ltd ("Changjiang Huafei") has also been notified by a local government agency that it will be also affected by the City-Redevelopment since the financial year ended 2013. However, as at the date of this report, Changjiang Huafei has not received any formal notification.
- (d) The Group and the subsidiary corporations was in negotiation with the local government to work out the arrangement to put the land ("land use right") of JC Miluo and Changjiang Huafei on which the factories are currently sited by auction or otherwise, the proceeds of such sales where of being for JC Miluo's and Changjiang Huafei own account since the financial year ended 2013.
- (e) The production activities of Huafei Hanshou has ceased its production since 2013. During the financial year 2014, the Group and the subsidiary corporations were in negotiation with a third party to rent out the existing production facilities of the subsidiary corporations, Hunan Changjiang Huafei Hanshou Co. Ltd or to produce new products using existing facilities, or to dispose the subsidiary corporation on a going concern basis.
- (f) The Group in 2014 was in the midst of negotiation with local government authority on the compensation relating to JC Miluo and Changjiang Huafei and expects that it will be completed within 12 months from the end of the reporting period.
- (g) In view of the above, in 2014, the entire assets and liabilities related to JC Miluo and Changjiang Huafei are classified as a disposal group held-for-sale on the balance sheet, and the entire results from JC Miluo and Changjiang Huafei are presented separately on the statement of comprehensive income as "Discontinued operations".
- (h) The Company, as part of the conditions for the proposed acquisition of WBH Investments Pte. Ltd., Cowealth Investments Pte. Ltd and CTE Resources Pte Ltd. (Note 28), announced on 12 April 2016 their intention to dispose their PRC Subsidiary Corporations by means of auction with a bidding price starting from RMB1. Management have proposed to appoint Nanshengyang Auction Co., Ltd (南晟杨拍卖有限公司) and Yueyangshi Zhengping Auction Co., Ltd (岳阳市正平拍卖有限公司) to jointly sell all the subsidiary corporations in the public auctions.
- (i) In view of the above, the entire assets and liabilities related JC Miluo, Changjiang Huafei and Huafei Hanshou have been classified as a disposal group held-for-sale on the balance sheet and the entire results from these entities are presented separately on the statement of comprehensive income as "Discontinued operations".
- (j) The impact of the discontinued operations on the cash flows of the Group is as follows:

	Group	
	2015	2014
	RMB'000	RMB'000
Operating cash outflows, representing total cash outflows	<u>(7)</u>	<u>(16,326)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

9 Discontinued operations and disposal group classified as held-for-sale (Continued)

(k) Details of the assets in disposal group classified as held-for-sale are as follows:

	Group	
	2015	2014
	RMB'000	RMB'000
Cash and cash equivalent [Note 9(k)(iii)]	5	-
Property, plant and equipment [Note 9(k)(i)]	-	10,900
Intangible assets – “Land use rights” [Note 9(k)(ii)]	28,464	28,464
	<u>28,469</u>	<u>39,364</u>

(k)(i) Property, plant and equipment

	Group	
	2015	2014
	RMB'000	RMB'000
Property, plant and equipment		
Beginning of financial year	10,900	-
Add: Reclassification of property, plant and equipment	-	10,900
Less: - Write down of impairment of property, plant and equipment ^(a)	(10,900)	-
End of financial year	<u>-</u>	<u>10,900</u>

(a) A write down of RMB10,900,000 (2014: Nil) was recognised for property, plant and equipment in the financial year ended 31 December 2015. Management has assessed the fair value less cost of disposal of the property, plant and equipment and decided to further write down property, plant and equipment to RMB Nil. See further details in Note 14(a) and 14(b) to the financial statements.

(k)(ii) Intangible assets – “Land use rights”

	Group	
	2015	2014
	RMB'000	RMB'000
Land use rights		
Beginning of financial year	28,464	-
Add: Reclassification of intangible assets	-	28,464
End of financial year	<u>28,464</u>	<u>28,464</u>

Management has assessed the fair value less cost of disposal of land use rights (Note 15(v)) and noted that it was higher than its net carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

9 Discontinued operations and disposal group classified as held-for-sale (Continued)

(k) Details of the assets in disposal group classified as held-for-sale are as follows: (Continued)

(k)(iii) Cash and cash equivalents

	Group	
	2015	2014
	RMB'000	RMB'000
Cash and cash equivalents		
Beginning of financial year	-	-
Add: Reclassification from cash and cash equivalents	5	-
End of financial year	<u>5</u>	<u>-</u>

Included in cash at bank and on hand are bank deposits amounting to approximately RMB5,000 (2014: RMB Nil) which are not freely remissible for use by the Company because of currency exchange restriction in PRC.

(l) Details of the liabilities directly associated with disposal group classified as held-for-sale are as follows:

	Group	
	2015	2014
	RMB'000	RMB'000
Other payables		
- Accruals for operating expenses	34,330	8,054
- Amounts due to directors	232	-
Current income tax liabilities	34,890	19,687
	<u>69,452</u>	<u>27,741</u>

(l)(i) Other payables

	Group	
	2015	2014
	RMB'000	RMB'000
Other payables		
Beginning of financial year	8,054	-
Add: Reclassification from other payables	12,599	8,054
Add: Amount due to director	232	-
Add: Accruals for operating expenses during the year	13,677	-
End of financial year	<u>34,562</u>	<u>8,054</u>

(l)(ii) Details of accruals for operating expenses during the year

	Group	
	2015	2014
	RMB'000	RMB'000
Employee compensation	12,613	-
Property and land use tax	704	-
Accrued operating expenses	360	-
Provisions during the year	<u>13,677</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

9 Discontinued operations and disposal group classified as held-for-sale (Continued)

- (l) Details of the liabilities directly associated with disposal group classified as held-for-sale are as follows:
(Continued)

(l)(iii) Current income tax liabilities

	Group	
	2015	2014
	RMB'000	RMB'000
Current income tax liabilities		
Beginning of financial year	19,687	-
Add: Reclassification from current income tax liabilities	12,762	19,687
Add: Under provision in prior financial year (Note 9(m))	2,441	-
End of financial year	<u>34,890</u>	<u>19,687</u>

- (m) The results of the discontinued operations are as follows:

	Group	
	2015	2014
	RMB'000	RMB'000
Other income	-	474
Expenses		
- Selling and distribution	(182)	(44)
- Administrative ^(a)	(49,946)	(137,105)
Loss before tax from discontinued operations	<u>(50,128)</u>	<u>(136,675)</u>
Income tax expense- under provision of tax in prior financial year	(2,441)	-
Loss for the financial year from discontinued operations	<u>(52,569)</u>	<u>(136,675)</u>

^(a) Included in administrative expense was an impairment charge of RMB5,255,000 and RMB14,120,000 (2014: RMB56,604,000 and RMB5,813,000) recognised for property, plant and equipment and intangible assets respectively for financial year ended 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

10 Loss per share

Basic loss per share is calculated by dividing the net loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	2015	2014
Net loss attributable to equity holders of the Company (RMB'000)		
- continuing operations	(4,051)	(84,212)
- discontinued operations	(52,569)	(136,675)
	<u>(56,620)</u>	<u>(220,887)</u>
Weighted average number of ordinary shares outstanding for basic loss per share ('000)	<u>359,900</u>	<u>359,900</u>
Basic and diluted loss per share (RMB cents per share)		
- continuing operations	(1.13)	(23.40)
- discontinued operations	(14.61)	(37.97)
	<u>(15.74)</u>	<u>(61.37)</u>

There were no diluted loss per share for the financial years ended 31 December 2014 and 2015 as there were no potential ordinary shares outstanding.

11 Cash and cash equivalents

	<u>Group</u>		<u>Company</u>	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and on hand	<u>1</u>	<u>85</u>	<u>1</u>	<u>73</u>

Included in cash at bank and on hand are bank deposits amounting to approximately RMB Nil (2014: RMB12,000) which are not freely remissible for use by the Company because of currency exchange restriction in PRC. During the current financial year, cash at banks amounted to RMB5,000 (2014: RMB Nil) was reclassified to disposal group [Note 9(k)(iii)]

12 Other receivables

	<u>Group</u>		<u>Company</u>	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Advances to suppliers	10,521	10,521	-	-
Less: Allowance for impairment of advances to suppliers	(10,521)	(10,521)	-	-
Less: Reclassified to disposal group	-	-	-	-
Advances to suppliers - net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deposits	-	163	-	19
Prepayment	-	24	-	24
	<u>-</u>	<u>187</u>	<u>-</u>	<u>43</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

13 Investments in subsidiary corporations

	<u>Company</u>	
	2015	2014
	RMB'000	RMB'000
Equity investments, at cost	208,021	208,021
Less: Impairment losses	(208,021)	(185,038)
End of financial year	-	22,983

The subsidiary corporations incurred net losses for the financial years ended 31 December 2015 and 2014 and the management has plans to dispose all the subsidiary corporations after the financial year ended 31 December 2015. Accordingly, the Directors believe the recoverable amount of these assets in the Company's balance sheet is RMB Nil, therefore, these assets are fully impaired as at 31 December 2015.

Details of the subsidiary corporations are as follows:

Name of subsidiary corporations	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by the Company	
			2015	2014
			%	%
<u>Held by the Company</u>				
Tangjia Electric Technology (Shenzhen) Co., Ltd	Investment holding	PRC	100	100
Changjiang Huafei (Hunan) Co., Ltd ^{(b)(c)}	Trading and manufacturing of nitrogenous fertilizer, ammonia and methanol	PRC	100	100
<u>Held by Tangjia Electric Technology (Shenzhen) Co., Ltd</u>				
Miluo Jincheng Shiye Co., Ltd ^{(b)(c)}	Trading and manufacturing of nitrogenous fertilizer, ammonia and methanol	PRC	100	100
<u>Held by Changjiang Huafei (Hunan) Co., Ltd</u>				
Hunan Changjiang Huafei Hanshou Co., Ltd ^{(a)(c)}	Trading and manufacturing of nitrogenous fertilizer, ammonia and methanol	PRC	100	100

(a) Cessation of operations due to weak demand of traditional fertilizer.

(b) The government had notified the plants to halt their operations of factories located in urban areas of the cities due to redevelopment plans.

(c) On 12 April 2016, the Company announce their intention to dispose its investments in their subsidiary corporations (Refer Note 28(5)).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

14 Property, plant and equipment

Group 2015 Cost	Machinery and equipment RMB'000	Buildings and workshops RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction-in- progress RMB'000	Total RMB'000
Beginning of financial year	37,982	20,150	495	627	76,500	135,754
Less: Reclassified to disposal group	(37,982)	(20,150)	(495)	(627)	(76,500)	(135,754)
End of financial year	-	-	-	-	-	-
Accumulated depreciation and impairment losses						
Beginning of financial year	32,938	20,150	472	439	76,500	130,499
Impairment charge (Note 6)						
- Discontinued operations	5,044	-	23	188	-	5,255
Less: Reclassified to disposal group	(37,982)	(20,150)	(495)	(627)	(76,500)	(135,754)
End of financial year	-	-	-	-	-	-
Net book value						
End of financial year	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

14 Property, plant and equipment (continued)

Group 2014	Machinery and equipment RMB'000	Building and workshops RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Catalyst RMB'000	Construction- in-progress RMB'000	Total RMB'000
Cost							
Beginning of financial year	289,319	69,241	901	2,742	14,065	169,700	545,968
Currency translation differences	-	(2)	(3)	-	-	-	(5)
Reclassified to disposal group	(251,337)	(49,089)	(403)	(2,115)	(14,065)	(93,200)	(410,209)
End of financial year	37,982	20,150	495	627	-	76,500	135,754
Accumulated depreciation and impairment losses							
Beginning of financial year	223,681	51,069	635	1,350	12,913	120,224	409,872
Currency translation differences	-	(2)	(3)	-	-	-	(5)
Depreciation charge (Note 6)	2,298	541	76	55	-	-	2,970
Impairment charge (Note 6)							
- Continuing operations	20,741	16,454	103	168	-	22,901	60,367
- Discontinued operations	27,718	742	44	615	910	26,575	56,604
Reclassified to disposal group	(241,500)	(48,654)	(383)	(1,749)	(13,823)	(93,200)	(399,309)
End of financial year	32,938	20,150	472	439	-	76,500	130,499
Net book value							
End of financial year	5,044	-	23	188	-	-	5,255

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

14 Property, plant and equipment (continued)

(a) During the financial year ended 31 December 2015, an impairment charge of RMB5,255,000 (2014: RMB116,971,000) (Note 6) was recognised for property, plant and equipment based on fair value less cost of disposal by management's assessment. The impairment charge was made due to the cessation of the Group's operations due to persistent weak demand in the market for the Group's products since financial year ended 31 December 2013 and the Company's intention to dispose the subsidiary corporations.

(b) Valuation of property, plant and equipment

(i) 2015

A non-recurring fair value is derived using comparison approach by making reference to comparable market transactions available in the market. Sales prices of comparable assets are adjusted for difference in key attributes such as land area of the land use right and is therefore within the Level 2 of the fair value hierarchy. These are regarded as Level 2 fair values. The valuations are performed by Jones Lang LaSalle Appraisal and Advisory Limited, an independent professional with recognised and relevant professional qualification and with recent experience in the location and category of the assets being valued.

(ii) 2014

A non-recurring fair value is derived using market value approach, using observable inputs by making reference to sales evidence as available in the market. Sales prices of comparable assets are adjusted for difference in key attributes such as land area of the land use right and is therefore within the Level 2 of the fair value hierarchy. These are regarded as Level 2 fair values. The valuations are based on the assets' highest-and-best-use, performed by Hunan Public Assets Appraisal Co., Limited, an independent professional with recognised and relevant professional qualification and with recent experience in the location and category of the assets being valued.

15 Intangible assets

	Group	
	2015	2014
	RMB'000	RMB'000
Land use rights		
Cost		
Beginning of financial year	16,556	56,015
Reclassified to disposal group	(16,556)	(39,459)
End of financial year	-	16,556
Accumulated amortisation and impairment losses		
Beginning of financial year	2,436	6,879
Amortisation charge (Note 6)		
- Continuing operations	-	510
- Discontinued operations	-	-
Impairment charge (Note 6)	-	-
- Continuing operations	-	229
- Discontinued operations	14,120	5,813
Reclassified to disposal group	(16,556)	(10,995)
End of financial year	-	2,436
Net book value		
End of financial year	-	14,120

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

15 Intangible assets (continued)

- (i) There is no further impairment charge was made during the current financial year as the director believes that the carrying amount of these assets in the Group's balance sheet exceeded its recoverable amount through their future sale.
- (ii) During the financial year ended 31 December 2015, an impairment charge of RMB14,120,000 (2014: RMB6,042,000) (Note 6) was recognised for intangible assets – land use rights based on fair value less cost to sell valued by an independent professional valuer, which reduced the carrying amounts of intangible assets – land use rights from RMB42,584,000 to RMB28,464,000. The impairment charge was made due to the cessation of the Group's operations due to persistent weak demand in the market for the Group's products since financial year ended 31 December 2013.
- (iii) On June 2010, a subsidiary of the Group, Hunan Changjiang Huafei Hanshou Co., Ltd ("Huafei Hanshou"), signed an agreement with Hunan Handan Huagong Co., Ltd. ("previous owner") for the acquisition of land use right, associated factory and plant and machinery owned by the previous owner. As at 31 December 2014, Huafei Hanshou is still in the process of obtaining the title deed of the land use right with carrying amount of RMB14,120,000 (2013: RMB14,858,000) from the relevant authorities. Notwithstanding the fact that Huafei Hanshou is in the process of obtaining the title deed of the land use right, Huafei Hanshou considers that it has obtained the right to use through contractual arrangement with the previous owner; hence it expects the transfer of title deed in future should have no major difficulties.
- (iv) The production activities of Huafei Hanshou Co.,Ltd (Huafei Hanshou) has ceased its production since 2013. The management currently has no plans to resume production activities of Huafei Hanshou and announce their intention to dispose Huafei Hanshou. No commercial value was assigned to the land use right in Huafei Hanshou as the title deed has yet to be transferred to Huafei Hanshou. As such, the management has decided to provide full impairment of RMB14,120,000 for the land use rights of Huafei Hanshou Co., Ltd as they are of the opinion that the cost of transferring the title deeds will exceed the carrying amount.
- (v) Valuation of intangible assets – land use rights

2015

A non-recurring fair value is derived using comparison approach by making reference to comparable market transactions available in the market. Sales prices of comparable assets are adjusted for difference in key attributes such as land area of the land use right and is therefore within the Level 2 of the fair value hierarchy. These are regarded as Level 2 fair values. The valuations are performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent professional with recognised and relevant professional qualification and with recent experience in the location and category of the assets being valued.

2014

A non-recurring fair value is derived using market value approach, using observable inputs by making reference to sales evidence as available in the market. Sales prices of comparable assets are adjusted for difference in key attributes such as land area of the land use right and is therefore within the Level 2 of the fair value hierarchy. These are regarded as Level 2 fair values. The valuations are based on the assets' highest-and-best-use, performed by Hunan Public Assets Appraisal Co., Limited, an independent professional with recognised and relevant professional qualification and with recent experience in the location and category of the assets being valued.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

16 Other payables

	<u>Group</u>		<u>Company</u>	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Loan from former controlling shareholder	5,759	5,834	5,759	5,834
Accruals for operating expenses	4,523	4,951	4,523	2,638
Other payables- non-related parties	2,161	5,835	2,161	1,550
Amount due to a subsidiary corporation	-	-	- ⁽¹⁾	19,942
Amount due to directors	1,555	267	1,555	267
	<u>13,998</u>	<u>16,887</u>	<u>13,998</u>	<u>30,231</u>

⁽¹⁾ During the current financial year, the Company and its subsidiary corporation have been in negotiation for a waiver of the Company's amount due to subsidiary corporation amounted to RMB20,141,721. On 13 June 2016, both parties formalised the waiver by entering into an agreement.

Loan from former controlling shareholder, amount due to a subsidiary corporation and amount due to a director are unsecured, interest-free and repayable on demand.

Loan from former controlling shareholder pertains to loan from Zhu Cheng Bao. However, with effect from 16 May 2013, Zhu Cheng Bao has ceased to be the controlling shareholder of the Group.

17 Share capital and treasury shares

	<u>No. of ordinary shares</u>		<u>Amount</u>	
	<u>Issued share capital</u>	<u>Treasury shares</u>	<u>Issued share capital</u>	<u>Treasury shares</u>
			RMB'000	RMB'000
<u>Group and Company</u>				
2015				
Beginning and end of financial year	<u>360,000,000</u>	<u>(100,000)</u>	<u>216,788</u>	<u>(108)</u>
2014				
Beginning and end of financial year	<u>360,000,000</u>	<u>(100,000)</u>	<u>216,788</u>	<u>(108)</u>

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

Treasury shares

The Company acquired 100,000 of its shares in the open market in financial year 2010. The total amount paid to acquire the shares was RMB108,000 and this was presented as a component within shareholders' equity.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

18 Statutory reserves

In accordance with the relevant laws and regulations of the PRC, companies in the PRC are required to set aside general funds by way of appropriation from their statutory net profit, as reported in the PRC statutory financial statements, at a rate to be determined by the directors of the Group. The directors have decided that 10% to 15% of the statutory net profit, as reported in the statutory financial statements of the subsidiary corporations in PRC, be appropriated each year to the general reserve funds.

The reserve funds may be used to offset accumulated losses or increase the registered capital of these subsidiary corporations, subject to the approval from the PRC authorities, and are not available for dividend distribution to the shareholders.

	<u>Group</u>		<u>Company</u>	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Beginning and end of financial year ^(a)	71,998	71,998	-	-

(a) No general funds have been set aside in financial years ended 31 December 2014 and 2015 as the subsidiary corporations in PRC suffered net losses.

19 Restructuring reserve

Business combination involving entities under common control are accounted for by applying the "pooling-of-interest method" accounting principles [Note 2.2(a)(ii)]. The acquisition of the subsidiary corporations by the Company was pursuant to the Restructuring Exercise in connection with the listing of the Company on the SGX-ST.

The restructuring reserve represents the difference between the cost of investment and nominal value of share capital of the merged subsidiary corporations. The restructuring reserve is non-distributable.

20 Currency translation reserve

	<u>Group</u>		<u>Company</u>	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Beginning of financial year	380	(739)	645	(474)
Currency translation differences arising from consolidation	19	1,119	19	1,119
End of financial year	399	380	664	645

Currency translation reserve is non-distributable.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

21 Accumulated losses

Movement in accumulated losses for the Company is as follows:

	<u>Company</u>	
	2015	2014
	RMB'000	RMB'000
Beginning of financial year	(224,457)	(34,800)
Net loss	(6,884)	(189,657)
End of financial year	<u>(231,341)</u>	<u>(224,457)</u>

22 Commitments

Operating lease commitments – where the Group is a lessee

The Group leases offices from non-related party under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payables under non-cancellable operating lease contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	<u>Group</u>	
	2015	2014
	RMB'000	RMB'000
Not later than one year	<u>-</u>	<u>77</u>

23 Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

Key management personnel compensation (representing compensation to directors and executive officers of the Group) is as follows:

	<u>Group</u>	
	2015	2014
	RMB'000	RMB'000
Wages and salaries	2,611	2,662
Employer's contribution to defined contribution plans	81	75
Directors' fees	558	423
	<u>3,250</u>	<u>3,160</u>

Included in the above is total compensation to executive directors of the Company amounting to RMB1,365,000 (2014: RMB1,743,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

24 Financial risk management

Financial risk factors

The Group's activities expose it to market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The Board of Directors then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement and exposure limits.

(a) Market risk

(i) Currency risk

The Group does not have significant exposure to currency risk as it operates only in the PRC. Revenue and expenses are predominantly denominated in Chinese Renminbi.

(ii) Price risk

The Group is not exposed to equity price risk as it does not hold any equity financial assets.

(iii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing assets and liabilities, the Group's income and expense are substantially independent of changes in market interest rates.

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group are trade receivables and cash and cash equivalents. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining cash deposits where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the Executive Directors based on ongoing credit evaluation. As the Group does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

The Group has no significant concentrations of credit risk for each class of its financial assets as at 31 December 2015 and 31 December 2014.

(i) *Finance assets that are neither past due nor impaired*

Bank deposits that are neither past due nor impaired are mainly deposits with banks in the PRC.

(ii) *Finance assets that are past due and/or impaired*

There is no other class of financial assets that is past due and/or impaired.

During the financial year ended 31 December 2015, the trade receivables were impaired by RMB Nil (2014: RMB15,878,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

24 Financial risk management (continued)

(b) Credit risk (continued)

(ii) Finance assets that are past due and/or impaired (continued)

The impaired trade receivables arise mainly from sales to customers of which the balances have been long overdue.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions at a short notice. At the balance sheet date, assets held by the Group and the Company for managing liquidity risk included cash and short-term deposits as disclosed in Note 11.

Currently, the Group is planning to manage its liquidity risk by maintaining sufficient cash and cash equivalents through completion of right issues in the Company to enable them to meet their normal operating requirements. All the financial liabilities of the Group are current. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings. Management monitors capital based on a gearing ratio.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as other payables less cash and cash equivalents. Total capital is calculated as total equity plus net debt.

(d) Capital risk

	Group	
	2015	2014
	RMB'000	RMB'000
Net debt	13,997	16,802
Total equity	(54,980)	1,621
Total capital	<u>(40,983)</u>	<u>18,423</u>
Gearing ratio (times)	Not meaningful	10.37

There is no externally imposed capital requirements on the Group for the financial years ended 31 December 2014 and 2015.

(e) Fair value measurements

The carrying amounts of current financial assets and liabilities carried at amortised cost approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

24 Financial risk management (continued)

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheets, except for the following:

	<u>Group</u>		<u>Company</u>	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Loans and receivables	6	248	1	92
Financial liabilities at amortised cost ⁽ⁱ⁾	48,560	24,941	13,998	30,231

⁽ⁱ⁾ Including "other payables" amounting to RMB29,120,000 from discontinued operations as at 31 December 2015 (2014: RMB8,054,000).

25 Segment information

Management has determined the operating segments based on the reports reviewed by the Directors that are used to make strategic decisions. The business segments operate only in the PRC and they are nitrogenous fertilizer, ammonia and methanol segments.

Certain property, plant and equipment, land use rights, and their depreciation and amortisation charges are not allocated to any of the three reportable business segments, as these property, plant and equipment, and land use rights can be used for any of the reportable segments and their usage cannot be attributable to a reportable business segment solely as they served common purposes for all the reportable segments. As a result, they are included in the "common and all other segments" column.

The Group has ceased the operating activities in all three business segments in PRC since the financial year ended 31 December 2013. Management have been aggregated all three business segments (Nitrogenous fertilizer, Ammonia and Methanol) into "discontinued operations" and "continuing operations" reportable segments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

25 Segment information (continued)

Other service included is investment holding, which is not included within the reportable operating segments, as this is not included in the reports provided to the Directors. The result of this operation, if any, is included in the “common and all other segments” column.

The Group has ceased the operating activities in all three business segments in PRC since the financial year ended 31 December 2013.

The segment information provided to the Directors for the reportable segments are as follows:

	Nitrogenous fertilizer, Ammonia, Methanol (Discontinued) RMB'000	Common and all other segments (Continuing) RMB'000	Total RMB'000
Group			
2015			
Sales to external parties	-	-	-
Gross profit/(loss)	-	-	-
Administrative expense	(50,128)	(4,051)	(54,179)
Loss before income tax	(50,128)	(4,051)	(54,179)
Income tax expense	(2,441)	-	(2,441)
Net loss	(52,569)	(4,051)	(56,620)
Net loss includes:			
- Allowance for impairment of property, plant and equipment	5,255	-	5,255
- Allowance for impairment of intangible asset	14,120	-	14,120
Total assets	28,469	1	28,470
Total liabilities	69,452	13,998	83,450

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

25 Segment information (continued)

<u>Group</u>	Nitrogenous fertilizer, Ammonia, Methanol (Jincheng and Xiangyin) (Discontinued) RMB'000	Nitrogenous fertilizer, Ammonia, Methanol (Hanshou) (Continuing) RMB'000	Common and all other segments (Continuing) RMB'000	Total RMB'000
2014				
Sales to external parties	-	-	-	-
Gross profit/(loss)	-	-	-	-
Other income	474	-	-	474
Selling and distribution expenses	(44)	(183)	-	(227)
Administrative expense	(137,105)	(79,410)	(4,619)	(221,134)
Loss before income tax	(136,675)	(79,593)	(4,619)	(220,887)
Income tax expense	-	-	-	-
Net loss	(136,675)	(79,593)	(4,619)	(220,887)
Net loss includes:				
- Depreciation	-	2,948	22	2,970
- Amortisation	-	509	-	509
- Allowance for impairment of trade receivables ^(a)	13,377	-	-	13,377
Total assets	39,374	19,521	116	59,011
Total liabilities	27,741	19,364	10,285	57,390

^(a) Impairment of trade receivables of RMB13,377,000 arose from discontinued operations.

The segment profits/(loss), segment assets and segment liabilities presented to the Board of Directors are measured in a manner consistent with that of the financial statements. All are allocated to respective reportable segments.

(a) Revenue from major products and external customers

There are no sales and non-current assets derived from the segments since all operating activities in PRC have ceased since 2013.

(b) Geographical information

The Group's three discontinued business segments are located in PRC.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

26 Disclaimer of Opinion on the Financial Statements for the Year Ended 31 December 2014

The audit report dated 1 April 2015 on the financial statements for the previous year ended 31 December 2014 contained a disclaimer of opinion on the following matters:

26.1 Going concern

- (a) As at 31 December 2014, the Group incurred total comprehensive losses of RMB219,768,000 (2013: RMB318,961,000) and net cash outflows from its operating activities of RMB16,582,000 (2013: RMB10,325,000) for the financial year ended 31 December 2014. Furthermore, the Group's and the Company's current liabilities exceeded their current assets by RMB17,754,000 and RMB30,115,000 (2013: Net current assets of RMB36,157,000 and net current liabilities RMB26,637,000) respectively and the Company was in net liability position of RMB7,132,000 (2013: net asset of RMB181,406,000) as at 31 December 2014.
- (b) Due to persistent weak demand for the Group's products, the Group could not satisfy the minimum threshold levels required for production in order to justify the costs involved, the production activities in all the three production plants of the Group have ceased since the financial year ended 31 December 2013.
- (c) The Group's wholly-owned subsidiary, Miluo Jincheng Shiye Co., Ltd ("JC Miluo") has received a notice from the local environment protection agency informing it that, in connection with the urbanisation development plans of the city including the initiatives taken by the city to clean up the environment in urban areas, JC Miluo is required to take steps towards the winding-down of its operations in its existing factory which is located in an urban area of the city and relocate the factory (the "City-Redevelopment").
- (d) The Group's wholly-owned subsidiary, Changjiang Huafei (Hunan) Co., Ltd ("Changjiang Huafei") has also been notified by a local government agency that it will be also affected by the City-Redevelopment. However, as at 31 December 2015, Changjiang Huafei has not received any formal notification.
- (e) JC Miluo and Changjiang Huafei were granted a tax preferential policy by Miluo City People's Government of China and Xiangyin County People's Government of China to pay a minimum of RMB2.1 million and RMB1.0 million from FY2009 and FY2010 and increase by 40% and 25% on an annual basis until FY2013 and FY2014 respectively. The provision for income tax for the other subsidiary, Hunan Changjiang Huafei Hanshou Co., Ltd ("Huafei Hanshou") is currently calculated based on the standard rate of income tax in People's Republic of China of 25%. The Group recorded current tax liabilities of RMB32,449,000 as at 31 December 2014. As at 31 December 2015, the Group has not made any payments to the local tax authorities since financial year 2010.
- (f) On 28 February 2015, the Company announced that the Executive Chairman and Executive Director of the Company, Mr Cai Jian Hua is taking a leave of absence from his duties for a period of six months with effect from 1 March 2015 to 1 September 2015 to sort out his personal matters. During such period, Mr Cai will not be carrying out any duties on behalf of the Company. In Mr Cai's absence, his duties as the Chairman of the Board of Directors will be undertaken by Mr Zhu Xue Cheng as Acting Chairman. Mr Zhu is an Executive Director and the Deputy Chief Executive Officer of the Company. The Company does not envision any negative impact on the performance of the Company arising as a result of Mr Cai's absence.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

26 Disclaimer of Opinion on the Financial Statements for the Year Ended 31 December 2014 (continued)

26.1 Going concern (continued)

- (g) These conditions above indicate that there is an existence of material uncertainties which may cast significant doubt on the Group's and the Company's ability to continue as going concerns. The abilities of the Group and the Company to continue as going concerns were dependent on:
- (i) The Group and the subsidiary corporations are currently in negotiation with the local government to work out the arrangement to put the land ("land use rights") of JC Miluo and Changjiang Huafei on which the factories are currently sited for sale by auction or otherwise, the proceeds of such sale whereof being for JC Miluo's and Changjiang Huafei's own account.
 - (ii) The Group and the subsidiary corporations are currently in negotiation with a third party to rent out the existing production facilities of its subsidiary, Hunan Changjiang Huafei Hanshou Co., Ltd or to produce new products using existing facilities, or to dispose the subsidiary on a going concern basis.
 - (iii) The proposed share placement of approximately S\$359,900, equivalent to RMB1,674,000.
 - (iv) The proposed convertible loan of approximately S\$359,900, equivalent to RMB1,674,000.
 - (v) Potential acquisition of a new business.

If the Group and the Company are unable to continue their operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group and the Company may have to reclassify non-current assets as current assets respectively. The financial statements do not include any adjustment which may arise from these uncertainties.

The ability of the Group and the Company to continue their operation in foreseeable future and to meet their financial obligations as and when they fall due depend on the favourable outcome of the assumptions and measures undertaken as disclosed above. In view of the material uncertainties, the auditors were unable to form an opinion as to whether the going concern assumption was appropriate in the preparation of the accompanying financial statements for the previous year ended 31 December 2014.

26.2 Total assets

The Group's total assets as at 31 December 2014 amounted to RMB59,011,000 (2013: RMB268,839,000). The realisation of the total assets will depend on the favourable outcome of the assumptions and measures undertaken as mentioned in Note 26.1(g)(i) and 26.1(g)(ii) above. Based on the information available to us, we are unable to satisfy ourselves as to the appropriateness of the carrying amount of total assets.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

26 Disclaimer of Opinion on the Financial Statements for the Year Ended 31 December 2014 (continued)

26.3 During the current financial year ended 31 December 2015, all the items in 26.1 and 26.2 have not been resolved except for updates in:

- (a) 26.1(f) where Mr Cai resume his role as an Executive Chairman and Executive Director on 18 June 2015. On 29 July 2015, Daniel Long Chee Tim was appointed as a Non-Executive and Non Independent Director, who was subsequently appointed on 11 February 2016 as acting Chief Executive Officer and re-designated as an Executive Director.
- (b) 26.1(g)(i), 26.1(g)(ii) and 26.1(g)(v), as disclosed in Note 28 to the financial statements, the Company had entered into various sales and purchase agreements with various third parties to acquire new business. As part of the conditions precedent of these sales and purchase agreements, the Company would have to dispose their PRC Subsidiary Corporations. Both the acquisitions and the disposal are still subject to shareholders and regulatory approvals.

27 New or revised accounting standards and interpretations

Below are the new and revised FRS and amendments to existing FRS that have been published and effective for the financial year ending 31 December 2016 onwards:

Effective for annual periods beginning on or after 1 January 2016

- FRS 114 *Regulatory Deferral Accounts*
- Amendments to FRS 1 *Disclosure Initiative*
- Amendments to FRS 27 *Equity Method in Separate Financial Statements*
- Amendments to FRS 16 and FRS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to FRS 16 and FRS 41 *Agriculture: Bearer Plants*
- Amendments to FRS 111 *Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to FRS 110, FRS 112 and FRS 28 *Investment Entities: Applying the Consolidation Exception*
- Improvements to FRSs (November 2014)
 - Amendments to FRS 105 *Non-current Assets Held-for-Sale and Discontinued Operations*
 - Amendments to FRS 107 *Financial Instruments: Disclosures*
 - Amendment to FRS 19 *Employee Benefits*
 - Amendment to FRS 34 *Interim Financial Reporting*

Effective for annual periods beginning on or after 1 January 2017

- Amendments to FRS 7: *Disclosure initiative*
- Amendments to FRS 12: *Recognition of Deferred Tax Assets for Unrealised Losses*

Effective for annual periods beginning on or after 1 January 2018

- FRS 115 *Revenue from Contracts with Customers*
- FRS 109 *Financial Instruments*

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

27 New or revised accounting standards and interpretations (continued)

Effective date to be determined *

- Amendments to FRS 110 and FRS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

* The mandatory effective date of this amendment had been revised from 1 January 2016 to a date to be determined by the Accounting Standards Council Singapore (ASC) in December 2015 via amendments to Effective Date of amendments to FRS 110 & FRS 28.

The management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in the future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption except for FRS115 and FRS 109 which management is in the midst of assessing the impact on the financial statements.

28 Events occurring after balance sheet date

- (1) On 11 April 2016, the Company entered into a sale and purchase agreement with WBH Investments Pte. Ltd. with a consideration amount of S\$13,844,400 (equivalent to RMB66,265,600) where S\$4,845,540 (equivalent to RMB23,193,000) of the consideration shall be satisfied through the allotment and issue of 969,108,000 new share of the Company at an issue price of \$0.005 while the remaining consideration of S\$8,998,860 (equivalent to RMB43,072,700) will be paid in cash on a later date.
- (2) On 25 April 2016, the Company entered into another sale and purchase agreement with Cowealth Investments Pte. Ltd with a consideration amount of S\$13,844,400 (equivalent to RMB66,378,900) where S\$4,153,000 (equivalent to RMB19,912,100) shall be satisfied through the allotment and issue of 830,664,000 new share of the Company at an issue price of \$0.005 while the remaining consideration of S\$9,961,080 (equivalent to RMB47,759,800) will be paid in cash on a later date.
- (3) On 13 June 2016, the Company then entered into another proposed sales and purchase agreement with CTE Resources Pte Ltd with a consideration amount of S\$9,674,288 (equivalent to RMB46,631,800) where S\$2,902,286 (equivalent to RMB13,989,500) shall be satisfied through the allotment and issue of 580,457,280 new share of the Company at an issue price of \$0.005 while the remaining consideration of S\$6,772,002 (equivalent to RMB32,642,300) will be paid in cash on a later date.
- (4) As part of the condition precedent of the above sales and purchase agreements, the Company would have to dispose their PRC Subsidiary Corporations.
- (5) The Company had made an announcement on 12 April 2016, with respect to their intention to dispose off their PRC subsidiary corporations by means of public auction with a bidding price starting from RMB1. The Company has proposed to appoint Nanshengyang Auction Co., Ltd (南晟杨拍卖有限公司) and Yueyangshi Zhengping Auction Co., Ltd (岳阳市正平拍卖有限公司) to jointly sell the subsidiary corporations in the said auction.
- (6) The acquisitions and disposal are still subject to shareholders and regulatory approvals.