



CHINA YONGSHENG LIMITED



RISING THROUGH ADVERSITY

ANNUAL REPORT 2015

This annual report has been reviewed by the Company's Sponsor, Provenance Capital Pte. Ltd., for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Company's Sponsor has not independently verified the contents of this annual report.

This annual report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this annual report, including the correctness of any of the statements or opinions made or reports contained in this annual report.

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OUR PROJECTS

东门町
East Avenue



南行实验小学
Nanxing Experimental Primary School



商会大厦
Chamber of Commerce Building



尼盛滨江城
Ni Sheng Bin Jiang City



星湖湾花园
Xing Hu Wan Garden



正荣华府
Zheng Rong Hua Fu



海亮长桥府
Hai Liang Chang Qiao Mansion



红星国际生活广场
Red Star International Life Square



CHAIRMAN'S MESSAGE

DEAR SHAREHOLDERS,

On behalf of the Board of Directors (the "Board"), I am pleased to present to you the annual report of China Yongsheng Limited and its subsidiaries (the "Group") for the financial year ended 31 December 2015 ("FY2015").

FINANCIAL PERFORMANCE

For FY2015, the Group's revenue fell by 62% from Rmb656.2 million in the previous financial year ("FY2014") to Rmb247.6 million. Hence, there was a decline in gross profit from Rmb78.9 million in FY2014 to Rmb11.5 million in FY2015. Overall, the Group reported a net loss of Rmb23.9 million in FY2015 compared to a net profit of Rmb13.9 million in FY2014.

The weaker set of results for FY2015 was mainly due to a substantial drop in sales volume and the ongoing weaknesses in the building and housing industries in Suzhou. The Group continues to operate in a challenging and competitive environment in Suzhou.

OUTLOOK AND STRATEGIES

As the Group moves forward into the new financial year, we note the mixed challenges faced by the global economy. Given the decline in stock markets and oil prices and that China's growth in FY2015 was the weakest in a quarter century, the overall industry landscape is expected to remain challenging in the year to come. As the continued softening of China's property market has prompted a contraction in construction output, the Group expects a competitive year ahead where industry competition will remain intense.

Against such a background, we will continue to avail best efforts to enhance our cost and production efficiencies and will diligently seek to enhance Shareholders' value. While margin pressures are likely to remain in light of intensifying competition, we will continue to strive to widen our customer base, improve sales and manage costs.

APPRECIATION

To our customers, business partners, advisers and bankers, I thank you for your support and trust in us during such uncertain times.

I would also like to express my appreciation to the management and staff of the Group for their hard work and commitment, and to my fellow members of the Board for their guidance and support.

On behalf of the Board, I would also like to take this opportunity to once again thank all our Shareholders for your continued support and confidence in us.

SUN JIANMING

Executive Chairman

尊敬的各位股东，

本人谨此代表董事会全体董事（“董事会”）呈报永盛国际股份有限公司及其附属子公司（合称“集团”）财政年截止2015年12月31日（“2015财政年”）的年度报告。

集团业绩

在2015财政年，集团的总收入下跌了62%，从2014财政年的6亿5千620万人民币下跌到2亿4千760万人民币。因此，集团的毛利也从2014财政年的7千890万人民币下跌到2015财政年的1千150万人民币。毛利的下降也导致集团从2014财政年净利润1千390万人民币下跌到2015财政年净亏损2千390万人民币。

集团在2015财政年的成绩不如往年，主要原因包括销售额大幅度下跌和苏州的建筑业与房地产业市场持续缓慢和走弱。集团仍会在这具有挑战性和竞争激烈的环境下持续经营。

前景和对策

对于新的财政年，我们留意和关注全球经济将面临的挑战。鉴于证券市场和油价不断下滑，以及中国2015财政年的经济成长是25年来最弱的，整体市场环境在来临的一年预计依旧具有挑战性。由于中国房地产市场的持续软弱导致建筑业产出的收缩，集团未来一年行业竞争依然激烈。

在这样的环境下，我们将尽最大努力降低成本，提高生产效率及尽力为股东创造更大的价值。尽管日益激烈的竞争将有可能导致集团面临利润压力，我们也将持续扩大顾客群，提高营业额并且高度注重营运开销。

致谢

在此我至诚感谢我们的客户、生意伙伴、顾问和合作银行给予集团的信任和支持。

在此我感谢集团管理层和全体员工的努力与贡献，也非常感激董事会的指导和支持。

我在此谨代表董事会再次感谢我们尊敬的股东给予我们的支持和信心。

孙建明
执行主席

CEO'S MESSAGE

DEAR SHAREHOLDERS,

On behalf of the Board of Directors (the “Board”), I am pleased to present to you a review of the performance of China Yongsheng Limited (the “Company”) and its subsidiaries (collectively, the “Group”) for the financial year ended 31 December 2015 (“FY2015”).

FINANCIAL YEAR IN REVIEW

As a result of decreasing overall market demand, the Group’s revenue declined by 62% from Rmb656.2 million in FY2014 to Rmb247.6 million in FY2015. In line with the decrease in sales volume, the cost of sales decreased from Rmb577.3 million in FY2014 to Rmb236.1 million in FY2015. The Group reported a net loss of Rmb23.9 million in FY2015 compared to a net profit of Rmb13.9 million in FY2014.

During the financial year under review, other income increased from Rmb4.5 million in FY2014 to Rmb10.1 million in FY2015 mainly due to the disposal of Suzhou Industrial Park Yongsheng Concrete Co., Ltd (“SIP Yongsheng”), which was partially offset by the decreases in government grants and rental income. General and administrative expenses decreased from Rmb42.5 million in FY2014 to Rmb34.7 million in FY2015 mainly due to lower allowance for doubtful debts and lower staff costs, which was partially offset by the exchange loss incurred. Selling and distribution expenses decreased from Rmb12.6 million in FY2014 to Rmb8.0 million in FY2015 mainly due to lower marketing expenses incurred during the year.

CORPORATE DEVELOPMENTS

The Group completed the disposal of SIP Yongsheng in FY2015, which gave rise to a gain on disposal of subsidiary of Rmb7.9 million. The disposal of SIP Yongsheng has allowed the Group to re-strategise its financial and capital resources, giving the Group more working capital for its existing operations.

The Company had announced on 23 October 2014 that the Board received a formal proposal (the “Proposal”) from an entity related to certain executive directors of the Company which may result in the delisting of the Company.

The Company released monthly updates on this matter thereafter that discussions were still ongoing and there was no certainty whether a transaction would take place pursuant to the Proposal.

On 24 February 2016, CIMB Bank Berhad, Singapore Branch, released an announcement for and on behalf of Torrington Place Pte. Ltd. (the “Offeror”) in relation to a voluntary conditional cash offer for shares in the Company. The Company has since appointed KGI Fraser Securities Pte. Ltd. as the independent financial adviser to advise the directors of the Company who are considered independent for the purposes of the offer. The Offeror has despatched its offer document on 14 March 2016. The circular to Shareholders will be despatched to Shareholders in due course.

LOOKING FORWARD

The Group expects weak conditions to follow in the next financial year. It is expected that the slowdown and rebalancing of the Chinese economy, lower commodity prices, and strains in some large emerging market economies will continue to weigh on global growth prospects in 2016.

Despite the lacklustre results of the Group in FY2015, we will continue to strive to build a profitable business. While the Group may expect similarly tough conditions to characterise much of 2016, I am confident that we have the business model, strategy, systems, reputation, financial strength and, most importantly, the people required to make the most of the continued market turmoil and to emerge from it more competitive in the concrete industry in Suzhou.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to record my appreciation to all our Shareholders, customers, business partners, management and staff for their continued support and contributions as we dealt with a challenging and competitive business environment. I am also thankful to my fellow directors for their guidance and valuable advice throughout the year.

ZHAO DEMING

Chief Executive Officer

尊敬的各位股东，

本人谨此代表董事会全体董事（“董事会”）呈报永盛国际股份有限公司及其附属子公司（合称“集团”）财政年截止2015年12月31日（“2015财政年”）的年度报告。

业绩回顾

鉴于市场整体需求减缓，集团在2015财政年的销售收入下跌了62%，从2014财政年的6亿5千620万人民币下跌到2亿4千760万人民币。集团销售额下跌导致销售成本自2014财政年的5亿7千730万人民币下跌到2015财政年的2亿3千610万人民币。集团从2014财政年净利润1千390万人民币下跌到2015财政年净亏损2千390万人民币。

集团其它收入从2014财政年的450万人民币上升至1千10万人民币，主要由于集团在2015财政年出售其在苏州工业园区永盛混凝土制品有限公司的全部股权，其上升有部分因下降的政府津贴和租金收入而被抵消。管理费用从2014财政年的4千250万人民币下跌到3千470万人民币主要原因是较低的坏账准备及员工成本；其下跌有部分因外汇损失而被抵消。营业费用从2014财政年的1千260万人民币下跌到800万人民币主要原因是较低的营销费用。

企业发展

集团在2015财政年完成出售其在苏州工业园区永盛混凝土制品有限公司的全部股权，导致集团获得790万人民币的处置子公司收益。此次买卖让集团能重新策划其财务和资本资源，也给予集团更多流动资金用于现有业务。

公司在2014年10月23日宣布，董事会接收到一个与某些执行董事们相关的，可能导致公

司除牌的正式提议（“提议”）。之后，公司每月发布相关的进展公告，提及此事仍然在讨论的阶段，及其交易是否会依照此提议进行存在未知性。

2016年2月24日，联昌银行新加坡分行，代表Torrington Place私人有限公司（“邀约人”）发布一项关于自愿而有条件的以现金收购公司股份的邀约公告。公司已委任KGI Fraser Securities 私人有限公司为独立财务顾问，就其邀约事宜对其公司的其他独立董事提出建议。邀约人已于2016年3月14日发送其邀约文件。公司的股东通函将会在适当的时候发送给股东。

展望

集团预计市场将在下一财政年度持续缓慢。预计中国经济的减缓和再平衡，商品价格降低，以及新兴市场经济体所承受的压力将持续打压全球经济增长的前景。

尽管集团在2015年度的业绩欠佳，我们会继续努力打造一个有利润的业务。虽然集团将可能在2016年遇到同样艰巨的经济条件，我有信心我们现有的商业模式、战略、制度、信誉、资金实力，以及最重要的人力资源，能让我们在这持续动荡的市场做到最好，从而成为一个在苏州混凝土行业更具有竞争力的集团。

致谢

我在此谨代表董事会感谢我们的股东、客户、生意伙伴、管理层和公司员工，在我们面对具有挑战性和竞争力的环境时，给予我们的支持和贡献。我还要特别感谢各位董事在过去的一年里所给予的指导、奉献和努力。

赵德明
首席执行官

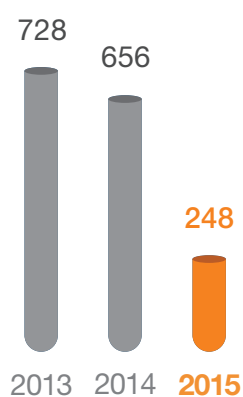
FINANCIAL HIGHLIGHTS

GROUP

	2015 RMB'000	2014 RMB'000	2013 RMB'000
Revenue	247,614	656,227	727,944
Gross profit	11,493	78,885	58,118
(Loss)/Profit before income tax	(28,551)	26,556	4,236
Income tax credit/(expense)	4,673	(12,674)	(35)
(Loss)/Profit for the year	(23,878)	13,882	4,201
Total assets	702,779	1,023,181	1,151,512
Total liabilities	343,753	640,277	782,490
Gross profit margin	5%	12%	8%
Net asset value per share Rmb (cents)	21.58	23.01	22.18

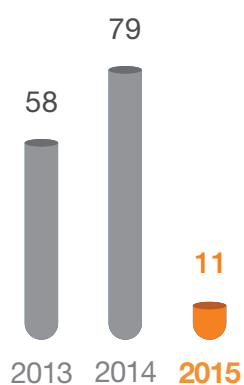
REVENUE

Rmb'M



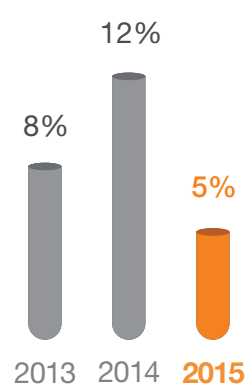
GROSS PROFIT

Rmb'M



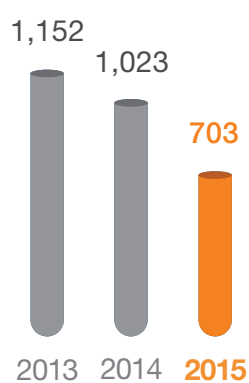
GROSS PROFIT MARGIN

%



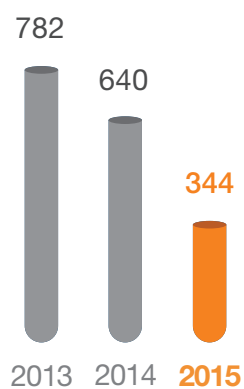
TOTAL ASSETS

Rmb'M



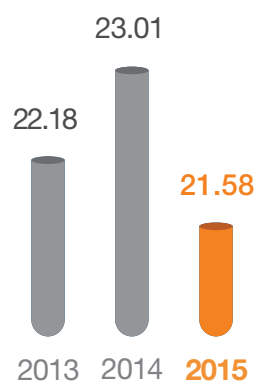
TOTAL LIABILITIES

Rmb'M



NET ASSET VALUE PER SHARE

Rmb(Cents)



OPERATING AND FINANCIAL REVIEW

REVENUE

Revenue decreased from Rmb656.2 million in FY2014 to Rmb247.6 million in FY2015 mainly due to a substantial drop in sales volume as a result of the challenging and competitive environment amidst weaknesses in the building and housing industries in Suzhou.

COST OF SALES

Cost of sales decreased from Rmb577.3 million in FY2014 to Rmb236.1 million in FY2015 mainly in line with the decrease in revenue.

GROSS PROFIT

Gross profit decreased from Rmb78.9 million in FY2014 to Rmb11.5 million in FY2015 mainly in line with the decrease in revenue.

OTHER OPERATING INCOME

Other operating income increased from Rmb4.5 million in FY2014 to Rmb10.1 million in FY2015 mainly due to the disposal of Suzhou Industrial Park Yongsheng Concrete Co., Ltd ("SIP Yongsheng"). This increase is partially offset by the decreases in government grants and rental income.

FINANCE INCOME

The effect of the discounting of trade receivables which are contractually collectible after one year is debited against revenue whereas the subsequent unwinding effect of discounting is recognised as finance income. Finance income decreased from Rmb18.1 million in FY2014 to Rmb12.1 million in FY2015 mainly due to the lower unwinding effect of the discounting in the year.

SHARE OF LOSS OF ASSOCIATE

The decrease in share of loss of associate was due to the decrease in losses reported by the associate during the year.

EXPENSES

Selling and distribution expenses decreased from Rmb12.6 million in FY2014 to Rmb8.0 million in FY2015 mainly due to lower marketing expenses incurred during the year.

General and administrative expenses decreased from Rmb42.5 million in FY2014 to Rmb34.7 million in FY2015 mainly due to lower allowance for doubtful debts and lower staff costs. This is partially offset by the exchange loss incurred.

Other operating expenses increased from Rmb1.3 million in FY2014 to Rmb4.6 million in FY2015 mainly due to the impairment loss on property, plant and equipment and increase in loss on disposal of property, plant and equipment.

Finance expenses decreased from Rmb18.2 million in FY2014 to Rmb14.9 million in FY2015 mainly due to lower bank borrowings.

Income tax credit of Rmb4.7 million in FY2015 was mainly due to deferred tax income recognised.

Overall, the Group reported a net loss of Rmb23.9 million in FY2015 as compared to a net profit of Rmb13.9 million in FY2014.

REVIEW OF FINANCIAL POSITION

Trade and other receivables decreased from Rmb808.7 million as at 31 December 2014 to Rmb573.3 million as at 31 December 2015 mainly due to collections from trade receivables and the decrease in sales.

Inventories decreased from Rmb4.3 million as at 31 December 2014 to Rmb2.3 million as at 31 December 2015 mainly due to the disposal of SIP Yongsheng.

Assets held for sale decreased from Rmb41.6 million as at 31 December 2014 to Rmb24.5 million as at 31 December 2015 mainly due to the completion of the disposal of SIP Yongsheng in FY2015.

OPERATING AND FINANCIAL REVIEW

Property, plant and equipment decreased from Rmb81.4 million as at 31 December 2014 to Rmb62.1 million as at 31 December 2015 mainly due to depreciation for the year. Depreciation for the year decreased mainly due to the disposal of SIP Yongsheng.

Deferred tax assets increased from Rmb9.4 million as at 31 December 2014 to Rmb14.4 million as at 31 December 2015 due to recognition of deferred tax income.

Trade and other payables decreased from Rmb397.9 million as at 31 December 2014 to Rmb158.5 million as at 31 December 2015 mainly due to payments of trade payables.

Short-term bank borrowings decreased from Rmb219.4 million as at 31 December 2014 to Rmb172.9 million as at 31 December 2015 mainly due to repayment of loans during the year.

Mortgage loans were fully repaid during the year.

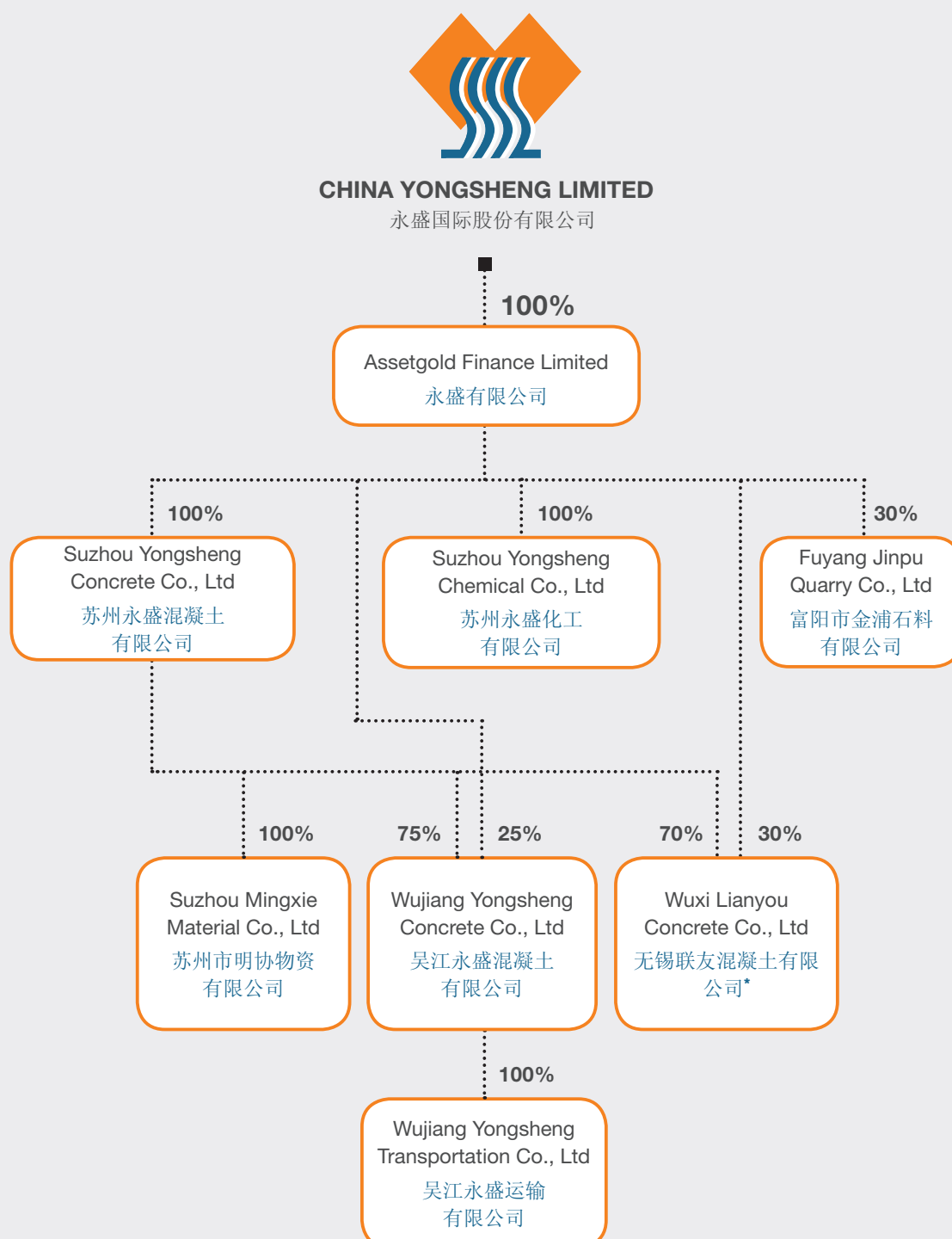
Income tax payable decreased from Rmb7.9 million as at 31 December 2014 to Rmb4.1 million as at 31 December 2015 mainly due to income tax paid during the year.

REVIEW OF CASH FLOWS

The Group reported negative cash flows from operating activities of Rmb8.5 million in FY2015 mainly due to the net loss for the year. However, with the net cash received from investing activities, the Group maintained cash and bank balances of Rmb16.2 million as at 31 December 2015.

Cash flows from investing activities in FY2015 amounting to Rmb27.2 million were mainly attributable to proceeds from the disposal of SIP Yongsheng during the year.

Cash flows used in financing activities in FY2015 amounting to Rmb35.2 million were mainly attributable to repayments of mortgage loans and short-term bank borrowings and payment of interest. These are offset by the decrease in pledged bank balances.



*100% equity interest in the subsidiary was being held for sale as at 31 December 2015

BOARD OF DIRECTORS

MR SUN JIANMING

Mr Sun Jianming (appointed on 22 June 2007 and last re-elected on 2 April 2015) is the Executive Chairman of the Group and has been an Executive Director of Assetgold Finance Limited since 10 August 2005. In 1995, he was appointed Chairman and General Manager of Suzhou New District Yongye Trading Co., Ltd. In 2002, he was appointed Chairman and General Manager of Suzhou City Mudu Yongye Oil Supply Co., Ltd, as well as Chairman of Suzhou Yongsheng Chemical Co., Ltd and a director of Suzhou Yongsheng Concrete Co., Ltd. In 2003, he was appointed Chairman of Suzhou Jinwu Co., Ltd ("Suzhou Jinwu"), a property investment company. He is presently a Non-Executive Director of Suzhou Jinwu. He attended Suzhou University from 1988 to 1992.

MR ZHAO DEMING

Mr Zhao Deming (appointed on 22 June 2007 and last re-elected on 22 April 2010) is the Chief Executive Officer/Managing Director of the Group and is responsible for the corporate policies and overall business strategy of the Group. He oversees the day-to-day operations of the business of the Group. He was a member of the administrative department of the Mudu Town Government, Suzhou from July 1980 to December 1992. Between January 1993 and December 2002, he joined the Wu District Jinsan Co-operative Cement Plant as Procurement Manager and was in charge of the company's purchases. This company was eventually renamed Huaxin Golden Cat (Suzhou) Cement Co., Ltd ("Golden Cat") in January 2004. Golden Cat is a state-owned cement producer in Suzhou. In January 2003, he was employed by Suzhou Yongye Piling Co., Ltd as its General Manager and was overall in charge of operations. He is also the Chairman of Suzhou Huaqing Co., Ltd.

MR SUN JINNAN

Mr Sun Jinnan (appointed on 22 June 2007 and last re-elected on 2 April 2015) is an Executive Director of the Group. He has more than 30 years of experience in the cement and concrete industry. From 1968 to 1976, he served as the Assistant Secretary of the Wu District Jinsan Co-operative Phoenix Branch. From 1976 to 1979, he served as the Assistant Secretary in Golden Cat. From 1979 to 1994, he was the Plant Manager of Golden Cat. He was subsequently promoted to Chairman in 1995 and General Manager in 1997, positions he held until his resignation as Chairman on 2 January 2004 and his resignation as Director and General Manager on 27 October 2004. He was also the Chairman, General Manager and Secretary of Suzhou Golden Cat Industrial Group Company between 1993 and 1995. Between 1993 and 1998, he also served as the Deputy General Manager of Wu District Mudu Town Agricultural Co., Ltd. He obtained a Senior Economist certificate from the Title Reforms Lending Group Office in 1995. He has received numerous commendations and awards for his work and service to the community.

MR ZHAO LEI

Mr Zhao Lei (appointed on 1 September 2013 and last re-elected on 2 April 2014) is an Executive Director of the Group. He is presently a Director of Assetgold Finance Limited and Ever Universe Investments Limited. He attended University of Edinburgh, UK and University of College London, School of Engineering from 2007 to 2011. He graduated from the latter with a Master of Electronic Engineering with Nanotechnology in 2011.

MR LOW BENG TIN

Mr Low Beng Tin (appointed on 22 June 2007 and last re-elected on 30 April 2013) is our Lead Independent Director. He has more than 30 years of experience in engineering work related to the oil, gas, petrochemical, chemical and marine industries. He is the founder of OEL (Holdings) Limited (“OEL”) and has served as one of its directors since its incorporation in September 1984 before being appointed as its Managing Director and Chairman of the Board of Directors in July 1992. Prior to establishing OEL, Mr Low Beng Tin held various senior management positions in a group of local companies that are involved in the sales and services of marine equipment and shipping. He holds a Diploma in Electrical Engineering from the Singapore Polytechnic and a Diploma in Management Studies from the Singapore Institute of Management and was subsequently conferred a Masters in Business Administration (Chinese Programme) degree from National University of Singapore. In recognition for his contribution to the community, he was conferred the Bintang Bakti Masyarakat (Public Service Star) by the President of Singapore in 2009. Mr Low Beng Tin is the Non-Executive Chairman of Cosmosteel Holdings Limited and an Independent Director of JP Nelson Holdings and Lian Beng Group Ltd.

MR BERNARD TAY AH KONG

Mr Bernard Tay Ah Kong (appointed on 22 June 2007 and last re-elected on 2 April 2015) is our Independent Director. He is currently the Non-Executive Chairman of Crowe Horwath First Trust LLP, which is a Singapore Chartered Accountants firm and Chairman of the Risk Committee of RHT Capital Pte Ltd (“RHT”). RHT is an approved SGX (Catalist) Continuing Sponsor’s Company. Mr Tay is an Independent Director of several public companies listed on the SGX Mainboard and Catalist, namely China Hongxing Sports Limited,

OEL (Holdings) Limited, Ramba Energy Limited and SIIC Environment Holdings Ltd. Mr Tay was previously an Independent Director of Hengxin Technology Ltd. He is the President of the Automobile Association of Singapore and Chairman of Singapore Road Safety Council. Mr Tay is the Region 2 (Asia Pacific) Vice-President of the Federation Internationale de l’Automobile (“FIA”) and a member of the World Council for Automobile & Tourism; concurrently he is also a member of the FIA Audit Committee. Currently, he is the Vice-President of the Singapore Productivity Association and a Member of Ministry of Home Affairs - Community Involvement Steering Committee. He was appointed Senior Advisor to the Government of Huzhou City, Zhejiang Province of the People’s Republic of China. He is a recipient of the Service to Education Award and Community Service Medal and was conferred the Bintang Bakti Masyarakat (Public Service Star) and Pingat Bakti Masyarakat (Public Service Medal) by the President of Republic of Singapore. In addition, he was a Member of the Resource Panel of the Government Parliamentary Committees for Home Affairs and Communications. He had also sat on several committees under the Accounting and Corporate Regulatory Authority which includes the Complaints and Disciplinary Panel - Public Accountants Oversight Committee, Standing Law Review Focus Group and Directors’ Duties Study Team. He was also a Member of the Singapore Corporate Awards Judging Panel for the Best Annual Report Award. Mr Tay is a Fellow of the Association of Chartered Certified Accountants (U.K.), the Institute of Singapore Chartered Accountants and the Singapore Institute of Directors. He is also a Chartered Accountant of Malaysia. Mr Tay has a wide range of experience, from having worked in public accounting firms in the United Kingdom and Singapore, the Inland Revenue Authority of Singapore and companies in commerce, industry and management consulting for a period over 30 years.

BOARD OF DIRECTORS

MR FRANK LIU

Mr Frank Liu (appointed on 22 June 2007 and last re-elected on 2 April 2015) is our Independent Director. He has over 14 years of successful private capital investment experiences in technology, manufacturing, service and media companies in the Asia-Pacific region working as a Director and the Executive Vice President of Transpac Capital Pte Ltd ("Transpac"), one of the largest venture capitalist firms in the Asia-Pacific region, from 1989 until his retirement in 2003. Over the course of his career at Transpac, Mr Frank Liu was in charge of investment activities in Taiwan and the Yangtze River delta in the PRC and has overseen the investment and management of over US\$820 million. He has acquired extensive knowledge and networking through investment activities in Greater China and South-East Asia, especially in Technology, Media and Telecommunications through being responsible for and serving on the board of many successful investment portfolios in Taiwan and China, several of which have been listed such as Mustek, Tecom, Systex, Lee Chi, Roly Int'l and Hsu Fu Chi in addition to private companies such as Yangtze Cement Holding, Baycom and Eastern Multimedia Corporation (EMC), a leading media conglomerate in television programming, broadband internet, and cable TV MSO in Asia. Before joining Transpac, Mr Frank Liu was the Managing Director of Li & Fung (Taiwan) Ltd and was responsible for setting up Li & Fung's Circle K franchise operation and Toys "R" Us joint venture in Taiwan. Early in his career, Mr Frank Liu helped to set up the Taiwan subsidiary of RCA pioneering the development of the electronics industry in Taiwan ranging from television, integrated circuits and computing device manufacturing & product developments.

He graduated from National Taiwan University with a Bachelor of Physics degree and holds two Masters' Degrees; Master of Physics from Purdue University and Master of Electrical Engineering and Computer Science from the Massachusetts Institute of Technology. He was also president of the MIT Alumni Association of Taiwan. Mr Frank Liu is presently an Independent Director of Primax Electronics Limited and PVNext Corporation.

MR TAN GIM SOO

Mr Tan Gim Soo (appointed on 22 June 2007 and last re-elected on 2 April 2015) is our Independent Director. He has more than 40 years of experience in accounting, auditing and taxation work. He is the senior partner of G S Tan & Co., a public accounting firm, which he set up in 1976. Prior to setting up his own practice, Mr Tan was an Executive Director of a group of trading companies between 1974 and 1976. Mr Tan is a Fellow of the Institute of Chartered Accountants in England and Wales, a Fellow of the Institute of Singapore Chartered Accountants and a member of the Singapore Institute of Directors. He is also an Independent Director of SIIC Environment Holdings Ltd, which is listed on the mainboard of the SGX-ST, as well as P99 Holdings Limited, a SGX Catalist listed company. He was previously, until February 2016, also an Independent Director of Enviro-Hub Holdings Ltd.

MS YAM YOKE CHUN

Ms Yam Yoke Chun is the Chief Financial Officer of the Group. She has more than 20 years of working experience mainly in the areas of finance and accounting with various organisations including companies listed on the mainboard of SGX-ST. She is a non-practising member of the Institute of Singapore Chartered Accountants.

MR XIA XUEGANG

Mr Xia Xuegang has been with the Group since 2002. He was promoted from Group Finance Manager to Financial Controller (Treasury & Risk Management) in March 2012. He has more than 15 years of experience in finance and accounting. He graduated from The Open University of China in 2006.

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The Board of Directors (the “**Board**”) recognises the importance of corporate governance to Shareholders and will exert best efforts to implement the practices recommended in the Code of Corporate Governance 2012 (the “**Code**”).

The following is a summary of the corporate governance practices of the Company with reference to the Code:

Principle 1: The Board’s Conduct of its Affairs

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

The Board meets at least four times in each financial year. Unscheduled meetings are also convened on an ad-hoc basis where warranted by the circumstances.

The Board’s role is to:

- (a) provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;
- (b) establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of Shareholders’ interests and the Company’s assets;
- (c) review Management performance;
- (d) identify the key stakeholder groups and recognise that their perceptions affect the Company’s reputation;
- (e) set the Company’s values and standards (including ethical standards), and ensure that obligations to Shareholders and other stakeholders are understood and met; and
- (f) consider sustainability issues, such as environmental and social factors, as part of its strategic formulation.

The Board’s approval is required for matters such as:

- (a) setting the strategic direction of the Company;
- (b) material acquisitions or disposals of assets, major investments and funding;
- (c) announcements of financial results;
- (d) approving appointments to the Board and the various Board committees;
- (e) recommending dividend payments; and
- (f) assuming responsibility for corporate governance practices.

A formal document setting out the guidelines and matters (including the matters set out above) which are to be reserved for the Board’s decision has been adopted by the Board.

CORPORATE GOVERNANCE

The table below sets out the attendances at meetings of the Board and Board committees in the course of the year under review:

Name	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Sun Jianming	10	10	5	4 ⁽¹⁾	1	1 ⁽¹⁾	3	3 ⁽¹⁾
Zhao Deming	10	10	5	4 ⁽¹⁾	1	1 ⁽¹⁾	3	3 ⁽¹⁾
Sun Jinnan	10	4	5	2 ⁽¹⁾	1	1 ⁽¹⁾	3	1 ⁽¹⁾
Zhao Lei	10	8	5	2 ⁽¹⁾	1	1 ⁽¹⁾	3	2 ⁽¹⁾
Low Beng Tin	10	10	5	5	1	1	3	3
Bernard Tay	10	10	5	5	1	1	3	3
Frank Liu	10	9	5	4	1	1	3	3
Tan Gim Soo	10	10	5	5	1	1	3	3

Note:

⁽¹⁾ Attendance by invitation

Generally, a newly-appointed Director will be given an orientation and briefing by Management to familiarise him/her with the Group's business and governance practices. The Board is updated, from time to time, when new laws or regulations affecting the Group are introduced. The professional advisors to the Company conduct briefings and presentations to update the Board in this regard. The Directors are also encouraged to attend seminars and training courses that will assist them in executing their obligations and responsibilities as Directors to the Company.

Principle 2: Board Composition and Guidance

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

As at 31 December 2015, the Board comprises eight Directors, four of whom are Non-Executive and Independent Directors, namely, Mr Low Beng Tin, Mr Bernard Tay Ah Kong, Mr Tan Gim Soo and Mr Frank Liu. The independence of each Director is reviewed annually by the Nominating Committee. The Board has determined, taking into account the views of the Nominating Committee, that the aforesaid Directors are independent in character and judgement and that there are no relationships or circumstances which are likely to affect, or could appear to affect, the judgement of each of the aforesaid Directors.

Mr Low Beng Tin, Mr Bernard Tay Ah Kong, Mr Tan Gim Soo and Mr Frank Liu were each appointed to the Board on 22 June 2007. Mr Low Beng Tin was first appointed to the Board as an Independent Director on 28 January 2005. He resigned from the Board on 22 June 2007 pursuant to the reverse takeover exercise that the Company (then known as Global Ariel Limited) undertook. On the same day, he was re-appointed to the Board. As the Company had undergone a complete change of management and controlling shareholders as a result of the reverse takeover, the appointment date of Mr Low Beng Tin as an Independent Director of the Company is taken to be 22 June 2007. Accordingly, none of the Independent Directors have served on the Board beyond 9 years for the purposes of Guideline 2.4 of the Code.

The Board comprises Directors who as a group provide an appropriate balance and diversity of skills, experience and knowledge of the Company. The Board also provides core competencies such as accounting and finance, and business and management experience and this enables Management to benefit from a diverse and objective external perspective on issues raised before the Board.

The Non-Executive Directors:

- (a) constructively challenge and help develop proposals on strategy; and
- (b) review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance.

As of the date of this Annual Report, none of the Independent Directors of the Company sits on the boards of the Company's subsidiaries.

The Board constantly examines its size to satisfy that it is an appropriate size for effective decision making, taking into account the nature and scope of the Group's current operations. The Board considers its current size appropriate for effective decision making. When the Board appoints new directors, the Board will take into consideration the candidates' skill sets with regard to the operation of the Group.

Principle 3: Chairman and Chief Executive Officer

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

The Executive Chairman of the Board is Mr Sun Jianming and the Chief Executive Officer ("CEO")/Managing Director is Mr Zhao Deming. Mr Sun Jianming and Mr Zhao Deming are cousins.

The duties of the Executive Chairman include the following:

- (a) leading the Board to ensure its effectiveness on all aspects of its role;
- (b) setting its agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues;
- (c) promoting a culture of openness and debate at the Board level;
- (d) ensuring that the Directors receive complete, adequate and timely information;
- (e) ensuring effective communication with Shareholders;
- (f) encouraging constructive relationships within the Board and between the Board and Management;
- (g) facilitating the effective contribution of Non-Executive Directors in particular; and
- (h) promoting high standards of corporate governance.

The CEO/Managing Director is responsible for the corporate policies and overall business strategy of the Group. He oversees the day-to-day operations of the business of the Group.

CORPORATE GOVERNANCE

Mr Low Beng Tin is the Lead Independent Director. As Lead Independent Director, Mr Low Beng Tin is the contact person for Shareholders in situations where the Shareholders have concerns or issues which communication with the Executive Chairman or CEO/Managing Director or Chief Financial Officer (“CFO”) has failed to resolve or where such communication is inappropriate.

The Independent Directors meet at least once annually without the presence of the other Directors and where necessary, the Lead Independent Director provides feedback to the Executive Chairman after such meetings.

Principle 4: Board Membership

There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The Nominating Committee (“NC”) comprises the Independent Directors, namely, Mr Frank Liu, Mr Bernard Tay Ah Kong, Mr Low Beng Tin and Mr Tan Gim Soo. Mr Frank Liu is the chairman of the NC.

The NC makes recommendations to the Board on all board appointments, with written terms of reference, which clearly set out the authority and duties of the NC.

The duties of the NC include the following:

- (a) reviewing Board succession plans for Directors, in particular, the Chairman and the CEO;
- (b) developing a process for evaluating the performance of the Board, its committees and Directors;
- (c) reviewing training and professional development programs for the Board;
- (d) making recommendations to the Board on the appointment and re-appointment of Executive and Non-Executive Directors, including making recommendations on the composition of the Board generally and the balance between Executive and Non-Executive Directors appointed to the Board;
- (e) regularly reviewing the Board’s structure, size and composition and making recommendations to the Board with regards to any adjustments that are deemed necessary;
- (f) determining the process for search, nomination, selection and appointment of new board members and being responsible for assessing nominees or candidates for appointment or election to the Board, determining whether or not such nominee has the requisite qualifications and whether or not he/she is independent;
- (g) determining, on an annual basis, if a Director is independent. If the NC determines that a Director, who has one or more of the relationships mentioned under the Code is in fact independent, the NC shall provide its views to the Board for the Board’s consideration. Conversely, the NC may at its discretion determine a Director as non-independent even if he has no business or other relationships with the Company, its related companies or its officers, and the NC shall similarly provide its views to the Board for the Board’s consideration;
- (h) recommending Directors who are retiring by rotation to be put forward for re-election;
- (i) deciding whether a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when he/she has multiple board representations;

- (j) assessing the effectiveness of the Board as a whole and in respect of the assessment of the contribution and commitment of individual Directors, this is done on an exceptions basis; and
- (k) conducting a review on the performance of the Board and the Board committees as a whole.

The NC has discussed and addressed the implications of competing time commitments that may be faced when Directors serve on multiple boards and have other principal commitments. However, the Board, with the concurrence of the NC, has agreed that the Company shall not impose a maximum number of listed board representations on the Directors as the Board is of the opinion that setting a fixed number would not adequately take into account the varied circumstances relating to each Director and the NC will instead focus on whether a Director has sufficient time to adequately discharge his duties to the Company. The NC will monitor and determine annually, on a case-by-case basis, whether Directors have given sufficient time and attention to the affairs of the Company and adequately carried out their duties as Directors of the Company.

The NC is satisfied that in the financial year ended 31 December 2015 (“FY2015”), where a Director had other listed company board representations and/or other principal commitments, the Director was able to carry out, and had been adequately carrying out, his duties as a Director of the Company.

Subject to the Company’s Constitution and the Companies Act, Cap. 50 of Singapore (the “Companies Act”), at each Annual General Meeting (“AGM”), at least one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) are required to retire from office by rotation. Further, all the Directors (except the Managing Director) are required to retire from office at least once in every three years. However, a retiring Director is eligible for re-election at the AGM at which he retires. No Director holding office as Managing Director is subject to retirement by rotation or taken into account in determining the number of Directors to retire. The Directors who are required to retire from office by rotation and are eligible for re-election at the AGM to be held on 28 April 2016 are Mr Low Beng Tin and Mr Zhao Lei. In addition, each of Mr Sun Jinnan, Mr Frank Liu and Mr Tan Gim Soo was last re-appointed to the board at the AGM of the Company held on 2 April 2015 pursuant to section 153(6) of the Companies Act which was in force immediately before 3 January 2016. Pursuant to section 153(6) of the Companies Act, such re-appointment was until the next AGM. Accordingly, as the appointment of each of Mr Sun Jinnan, Mr Frank Liu and Mr Tan Gim Soo lapses at the forthcoming AGM of the Company, each of Mr Sun Jinnan, Mr Frank Liu and Mr Tan Gim Soo is subject to re-appointment at the forthcoming AGM of the Company. Subject to each of their re-appointment at the conclusion of the forthcoming AGM of the Company, the re-appointment of Mr Sun Jinnan, Mr Frank Liu and Mr Tan Gim Soo will no longer be subject to Shareholders’ approval under section 153(6) of the Companies Act as it has been repealed and each of them will then be subject to retirement by rotation pursuant to the Company’s Constitution.

Principle 5: Board Performance

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

The NC assesses the effectiveness of the Board as a whole by taking into consideration quantitative and qualitative criteria such as the success of the strategic and long-term objectives set by the Board. The Board is expected to act in good faith, with due diligence and care in the best interests of the Company to enhance long-term Shareholder value. The NC Chairman considers each Director’s relevant experience, industry knowledge and functional expertise, and monitors the attendance and participation of each Director at Board and Board committee meetings and availability of each Director for consultation and advice when required.

CORPORATE GOVERNANCE

At the end of each financial year, a Board evaluation is conducted where the Directors complete a questionnaire seeking their views on various aspects of Board performance, such as Board size and composition, board effectiveness and training, access to information, standards of conduct, processes and accountability. The Company Secretary then compiles the Directors' responses to the questionnaire into a summarised report and circulates the same to the Board for discussion. The Chairman will act on the results of the performance evaluation, and in consultation with the NC, propose, where appropriate, new members to be appointed to the Board or seek the resignation of Directors.

Principle 6: Access to Information

In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Management has an obligation to supply the Board with complete, adequate and timely information prior to meetings and on a regular basis to enable them to fulfill their duties properly. Management is also prepared to provide further information and explanation on materials given to Directors and to meet to discuss any issue prior to a Board meeting, if required. In exercising their duties, the Directors have separate and independent access to Management and the Company Secretary. Directors are entitled to request from Management and are provided with such additional information as is needed to make informed decisions, and may seek professional advice and services on any areas they deem necessary, at the expense of the Company.

The Company Secretary or a representative from the Company Secretary's office will attend all Board meetings and Board committee meetings when necessary and is responsible for the proper maintenance of the records of Board and Board committee meetings and records of discussions on key deliberations and decisions taken.

The Company Secretary renders necessary assistance to the Board, and ensures meeting procedures are followed and the applicable laws and regulations are complied with. Under the direction of the Chairman, the Company Secretary's responsibilities include ensuring good information flows within the Board and its committees and between Management and Non-Executive Directors, as well as facilitating orientation and assisting with professional development as required.

Pursuant to the Constitution of the Company, the appointment and removal of the Company Secretary requires the approval of the Board.

Principle 7: Procedures for Developing Remuneration Policies

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

The Remuneration Committee ("RC") comprises the Independent Directors, namely, Mr Tan Gim Soo, Mr Bernard Tay Ah Kong, Mr Low Beng Tin and Mr Frank Liu. Mr Tan Gim Soo is the chairman of the RC.

The duties of the RC include the following:

- (a) reviewing and recommending to the Board, a general framework of remuneration for the Board and key management personnel and reviewing and recommending the specific remuneration packages and terms of employment for each Director as well as the key management personnel;
- (b) recommending to the Board any employees' share option schemes or any long term incentive schemes which may be set up from time to time and carrying out all acts necessary in connection therewith;

- (c) carrying out its duties in the manner that it deems expedient, subject always to any regulations or restrictions that may be imposed upon the RC by the Board from time to time; and
- (d) as part of its review, the RC shall ensure that:
 - (i) all aspects of remuneration including Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind should be covered;
 - (ii) the remuneration packages shall be comparable within the industry and comparable companies and shall include a performance-related element coupled with appropriate and meaningful measures of assessing individual Directors' and senior management's performances; and
 - (iii) the remuneration package of employees related to Directors or controlling Shareholders of the Group are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibility.

If necessary, the RC may seek expert advice inside and/or outside the Company on remuneration of the Directors and key management personnel. The RC ensures that in the event of such advice being sought, existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants. The Company has not appointed any remuneration consultants for FY2015.

Each member of the RC abstains from voting on any resolutions in respect of his remuneration package.

Principle 8: Level and Mix of Remuneration

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

Non-Executive Directors do not have service contracts with the Company and their terms are specified in the Constitution of the Company which contains retirement and re-election provisions.

Non-Executive Directors are paid Directors' fees which are recommended by the Board and RC based on factors such as the effort and time spent as well as responsibilities as members of the various Board committees. The fees are subject to the approval of the Shareholders at AGMs. Executive Directors do not receive Directors' fees.

Each of the Executive Directors has entered into a service agreement with the Company and the terms of these service agreements are reviewed by the RC upon the renewal of the respective agreements.

Principle 9: Disclosure on Remuneration

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

During the year under review, there were only three key management personnel of the Group who are not Directors of the Group, one of whom left the Group during the year under review.

CORPORATE GOVERNANCE

Taking note of the competitive pressures in the talent market, the Board has, on review, decided not to disclose the remuneration of the Company's Directors and key management personnel. Details (in percentage terms) of the remuneration paid to the Directors for FY2015 are set out below:

Remuneration Band and Name	Fees (%)	Base/fixed Salary (%)	Variable or Bonuses (%)	Other Incentives (%)	Total (%)
S\$250,000 to below S\$500,000					
Sun Jianming	–	100	–	–	100
Zhao Deming	–	99	–	1	100
Below S\$250,000					
Sun Jinnan	–	100	–	–	100
Zhao Lei	–	98	–	2	100
Low Beng Tin	100	–	–	–	100
Bernard Tay Ah Kong	100	–	–	–	100
Frank Liu	100	–	–	–	100
Tan Gim Soo	100	–	–	–	100

The annual aggregate remuneration paid to the 3 key management personnel of the Company for FY2015 is approximately S\$566,000. Details (in percentage terms) of the remuneration paid to the key management personnel for FY2015 are set out below:

Remuneration Band and Name	Fees (%)	Base/fixed Salary (%)	Variable or Bonuses (%)	Other Incentives (%)	Total (%)
S\$250,000 to below S\$500,000					
Yam Yoke Chun	–	59	21	20	100
Below S\$250,000					
To Kuo Hong ⁽¹⁾	–	49	19	32	100
Xia Xuegang	–	79	17	4	100

Note:

⁽¹⁾ Mr To Kuo Hong resigned from the Company effective from 16 March 2015.

There is no immediate family member of the Directors or the CEO employed by the Group whose remuneration for FY2015 exceeds S\$50,000.

There are no termination, retirement and post-employment benefits granted to Directors, the CEO or the key management personnel.

On 29 April 2011, Shareholders approved the China Yongsheng Employee Share Option Scheme (the “**Scheme**”) as part of a remuneration and compensation plan for attracting as well as retaining executive personnel and Directors. The Scheme was approved to provide an opportunity for participants who have contributed and who may continue to contribute significantly to the growth and performance of the Group to participate in the equity of the Company in accordance with the rules of the Scheme. The Scheme is administered by the RC. To date, no options have been granted under the Scheme. For more details on the Scheme, please refer to page 34 of this Annual Report as well as the Circular to Shareholders dated 11 April 2011.

Principle 10: Accountability

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

The Board, with the assistance of the Company Secretary and its legal advisors, ensures compliance with the disclosure requirements under Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (“SGX-ST”) (“Catalist Rules”). In this regard, the Company demonstrates its accountability to its Shareholders by announcing its financial results on a quarterly basis and other information via SGXNET in accordance with the requirements of the SGX-ST, so that the Shareholders can have a detailed explanation and balanced assessment of the Group's financial position and prospects.

Management provides the Board with management accounts and such explanation and information relating to the Group's performance on a regular basis and as the Board may require from time to time to assist the Board in understanding and in making a balanced and informed assessment of the Group's performance, position and prospects.

Principle 11: Risk Management and Internal Controls

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

As required by the relevant laws applicable to the Company's subsidiaries in the People's Republic of China, legal representatives have been appointed with sole powers to represent, exercise rights on behalf of, and enter into binding obligations on behalf of the relevant subsidiary.

Generally, powers and responsibilities of the aforementioned legal representatives are as follows:

- (a) executing any legal transactions that are within the nature and scope of the subsidiary's business;
- (b) authorising legal representation of and litigation by the subsidiary; and
- (c) executing powers of attorney on the subsidiary's behalf.

In the opinion of the Board, AC and Management, there are some possible risks in relation to the appointment (including the concentration of authority and impediments to their removal) of the legal representative(s). A company will generally be held liable for the unauthorised actions of a rogue legal representative.

The Company has put in place a standard operating procedure which sets out the procedures for the Company to effect a change of the legal representative of all or any of the subsidiaries in the future.

The Board is responsible for the Group's overall internal control framework, but acknowledges that no cost-effective internal control system will preclude all errors and irregularities. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The internal controls in place will address the financial, operational, compliance and information technology risks and the objectives of these controls are to provide reasonable assurances that there are no material financial misstatements or material loss, that there is maintenance of proper accounting records, that financial information is reliable and that assets are safeguarded.

CORPORATE GOVERNANCE

The Board, with the assistance of independent internal auditors and external auditors, has reviewed the adequacy and effectiveness of the Group's risk management and system of internal controls addressing key financial, operational, compliance and information technology risks.

The external auditors have, in the course of their audit, considered internal controls relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances.

The Directors have received and considered the representation letters from the Executive Directors, the CFO and Management in relation to the financial information for FY2015.

The Board has received assurance from the CEO and the CFO:

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

The internal auditors, PricewaterhouseCoopers Management Consultants Pte Ltd ("**PwC**") supported the Group in the development of its Enterprise Risk Management Framework. The Risk Management Committee had completed the identification of major risks through meetings conducted for the major subsidiaries.

The Risk Management Committee meets at least twice a year to discuss, evaluate and instruct or advise on appropriate steps to be taken to mitigate or manage risks identified by key executives of the Company and its subsidiaries. A summary report of risks identified and steps taken to mitigate these risks are presented to the Board at least twice a year.

The system of internal controls and risk management established by the Group provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against poor judgement in decision making, human errors, losses, fraud, misstatement or other irregularities.

Financial risk management is outlined in Note 4 of the financial statements.

Based on the internal controls established and maintained by the Group, work performed by the internal auditors and external auditors, reviews performed by Management, work done by the Risk Management Committee and representation letters from the Executive Directors and the CFO, the Board, with the concurrence of the Audit Committee, is of the opinion that the Group's internal controls are effective and adequate in addressing the financial, operational, compliance and information technology risks of the Group for FY2015.

Principle 12: Audit Committee

The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The Audit Committee ("**AC**") comprises the Independent Directors, namely, Mr Bernard Tay Ah Kong, Mr Frank Liu, Mr Low Beng Tin and Mr Tan Gim Soo. The chairman of the AC is Mr Bernard Tay Ah Kong.

The details of the relevant expertise and experience of the members of the AC are set out on pages 13 to 14 of this Annual Report. The members of the AC collectively have the necessary expertise and experience in financial management and are qualified to discharge the AC's responsibilities.

The AC will assist the Board in discharging their responsibilities of safeguarding the Group's assets, maintaining adequate accounting records, and developing and maintaining effective systems of internal control, with the overall objective of ensuring that Management creates and maintains an effective control environment in the Group. The AC will provide a channel of communication between the Board, Management and the internal and external auditors of the Group on matters relating to audit.

The duties of the AC include the following:

- (a) reviewing with the external auditors:
 - i. the audit plan, including the nature and scope of the audit before the audit commences;
 - ii. their evaluation of the system of internal controls;
 - iii. their audit report; and
 - iv. their management letter and Management's response;
- (b) reviewing the quarterly and annual financial statements before submission to the Board for approval and monitoring the integrity of the financial information provided by the Group, in particular by reviewing the relevance and consistency of the accounting standards used by the Group;
- (c) reviewing the statement of financial position and statement of comprehensive income of the Company and the statements of financial position and consolidated statement of comprehensive income of the Group, before approval by the Board;
- (d) discussing problems and concerns, if any, arising from the quarterly, interim and final audits, in consultation with the external auditors and the internal auditors where necessary;
- (e) meeting with the external auditors and with the internal auditors at least annually without the presence of Management to discuss any problems and concerns they may have;
- (f) reviewing the assistance given by Management to the external auditors;
- (g) reviewing annually the scope and results of the audit and its cost effectiveness as well as the independence and objectivity of the external auditors. Where the auditors also provide non-audit services to the Company, reviewing the nature and extent of such services in order to balance the maintenance of objectivity and value for money, and ensuring that the independence of the auditors will not be compromised;
- (h) reviewing the effectiveness of the internal audit function and ensuring co-ordination between the internal and external auditors and Management;
- (i) reviewing the scope and results of the internal audit procedures and monitoring Management's response to their findings to ensure that appropriate follow-up measures are taken;

CORPORATE GOVERNANCE

- (j) reviewing and reporting to the Board the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls and risk management policies and systems, based on the reviews carried out by the internal or external auditors at least annually;
- (k) reviewing and discussing with the external auditors, any suspected fraud or irregularity, or suspected infringement of any law, rules or regulations, which has or is likely to have a material impact on the Company's operating results or financial position, and Management's response and commissioning and reviewing the findings arising therefrom;
- (l) reviewing arrangements by which staff of the Company or of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or any other matters and, conducting an independent investigation of such matters for appropriate follow up action;
- (m) investigating any matter within its terms of reference, with full access to and co-operation by Management and full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly;
- (n) reviewing interested person transactions ("IPTs") falling within the scope of the Catalist Rules, to consider whether they are on normal commercial terms and are not prejudicial to the interests of the Company or its minority Shareholders;
- (o) reporting to the Board its findings from time to time on matters arising and requiring the attention of the AC;
- (p) undertaking such other reviews and projects as may be requested by the Board;
- (q) undertaking such other functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time;
- (r) reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors;
- (s) making recommendations to the Board on the proposals to the Shareholders on the appointment/re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
- (t) instructing the internal auditors or a certified internal auditor recognised by the Institute of Internal Auditors of Singapore or the Institute of Singapore Chartered Accountants to ensure that at half year intervals or any other period that the AC deems fit, the trade receivables are stated at fair value, accurately recorded in the financial statements and that credit policies are adhered to;
- (u) instructing the internal auditors to conduct such tests and examinations of financial statements including but not limited to securing independent confirmations of balances from major debtors, checking on frequencies of payments from major debtors and evaluating the adequacy of credit policies;

- (v) assessing, at the end of the audit cycle, the effectiveness of the audit process by:
 - i reviewing the auditor's findings arising from the audit (including any issues that have subsequently been resolved), giving particular considerations to the key accounting and audit judgements (including why certain errors might remain unadjusted), the level of errors identified during the audit, and the explanations obtained from Management;
 - ii reviewing whether the auditors have met the objectives of the agreed audit plan, and understanding the reasons for any changes in perceived audit risks, and the work undertaken by the auditors to address those risks;
 - iii assessing the accuracy of the auditors in their handling of the key accounting and identified audit judgements, their responses to questions from the AC, and their commentary on the systems of internal control; and
 - iv obtaining feedback about the conduct of the audit from the key people involved;
- (w) reviewing the audit representation letters before consideration by the Board, giving particular consideration to matters that relate to non-standard issues;
- (x) reviewing the contents of the external auditors' management letter;
- (y) ensuring that the external auditors have direct and unrestricted access to the chairman of the AC and the chairman of the Board;
- (z) conducting an annual review of the whistle-blowing arrangements to ensure that related changes in legal and regulatory requirements are updated and that the arrangements have been effective;
- (aa) reviewing the existing internal controls implemented by Management so that anti-fraud programmes are adequately established within the Group; and
- (bb) if appropriate, asking Management to provide a summary of financial information on a monthly basis (rather than quarterly), so that the AC can be alerted to any potential financial problems within the Company early, and applying appropriate remedial actions to address such problems.

The AC takes measures to keep abreast of the changes to accounting standards and issues which have a direct impact on financial statements, with updates being given by the external and internal auditors.

The Company has implemented whistle-blowing procedures pursuant to which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

Deloitte & Touche LLP is the Company's current external auditors and was appointed since 30 April 2012. The amount of audit fees paid to Deloitte & Touche LLP for FY2015 is disclosed in Note 29 of the financial statements. There were no non-audit services provided by Deloitte & Touche LLP to the Group in FY2015. Accordingly, the AC is satisfied that the independency and objectivity of the external auditors are not affected.

Having regard to the adequacy of the resources and experience of Deloitte & Touche LLP and the audit engagement partner assigned to the audit, the firm's other audit engagements, the size and complexity of the Group being audited, and the number and experience of supervisory and professional staff assigned to the particular audit, the Board and the AC are of the opinion that a suitable auditing firm has been appointed to meet the Company's auditing obligations.

CORPORATE GOVERNANCE

The Company is in compliance with Rules 712 and 715 of the Catalist Rules.

Mr Bernard Tay Ah Kong, the Chairman of the AC, has declared to the Board that he has chaired the risk committee of RHT Capital Pte. Ltd. (“**RHT Capital**”) since 26 August 2011, which, *inter alia*, oversees and advises on all risk, independence and conflict of interest aspects of RHT Capital’s activities. RHT Capital was appointed as the Company’s continuing sponsor on 26 April 2012 and continued to be the Company’s continuing sponsor during the year under review until their cessation on 10 January 2016. Mr Bernard Tay Ah Kong is not a Shareholder or a Director of RHT Capital. The NC, with the concurrence of the Board, is of the view that there is no conflict of interest arising from his aforesaid roles. He abstained from voting on any resolution where it related to the appointments of RHT Capital or RHTLaw TaylorWessing LLP or their related companies.

Principle 13: Internal Audit

The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Company has outsourced its internal audit functions to PwC since the financial year ended 31 December 2012. The internal auditors have conducted the internal controls review of the Company’s subsidiaries. The internal auditors have unfettered access to all the Company’s documents, records, properties and personnel, and report directly to the AC. The AC assesses the adequacy and effectiveness of the internal audit function annually.

The AC approves the appointment, removal, evaluation and compensation of the internal auditors. The internal auditors carry out their function according to the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

Principle 14: Shareholder Rights

Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders’ rights, and continually review and update such governance arrangements.

The Shareholders are treated fairly and equitably to facilitate the exercise of their ownership rights. Written policies and procedures are implemented to ensure that there is adequate disclosure of development in the Group in accordance with the Catalist Rules.

Any notice of a general meeting of Shareholders is issued at least 14 days before the scheduled date of such meeting. At the general meetings, Shareholders are given the opportunity to voice their views, raise their concerns with the Directors or question the Management on matters relating to the Group and its operations.

Principle 15: Communication with Shareholders

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

The Company maintains full and adequate disclosure, in a timely manner, of material events and matters concerning its businesses through SGXNET, public announcements, circulars to Shareholders and annual reports.

The Company does not practise selective disclosure and price sensitive information is publicly released on an immediate basis where required under the Catalist Rules. In addition, all Shareholders will receive the Company’s annual reports together with the notices of AGM, which are also accessible through SGXNET.

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate. Notwithstanding the foregoing, any pay-out of dividends would be clearly communicated to Shareholders via announcements released on SGXNET.

Principle 16: Conduct of Shareholder Meetings

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

To facilitate participation by Shareholders, all general meetings of the Company are held in Singapore. Shareholders have the opportunity to participate effectively in and to vote at general meetings of Shareholders. Shareholders are informed of the rules, including voting procedures, that govern general meetings of Shareholders. The Company's Constitution provides that Shareholders of the Company are allowed to vote in person or by way of duly appointed proxies.

The Chairman of the Board and the respective Chairmen of the AC, NC and RC are usually present and available at general meetings of Shareholders to address Shareholders' queries at these meetings.

The Company's external auditors will be present at the AGMs to address Shareholders' queries about the conduct of audit and the preparation and content of the auditors' report.

The Company Secretary prepares minutes of general meetings that include substantive and relevant comments or queries from Shareholders relating to the agenda of the meeting, and responses from the Board and Management, and such minutes are available to Shareholders upon their request.

In compliance with Rule 730A(2) of the Catalist Rules, resolutions tabled at general meetings of Shareholders will be put to vote by poll, the procedures of which will be explained by the appointed scrutineer(s) at the general meetings of Shareholders.

ADDITIONAL INFORMATION

Dealings in Securities

The Company adopts the following policies in relation to dealings in its securities:

- officers are not to deal in its securities during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of the year and one month before the announcement of the Company's financial statements for the full year, and ending on the date of the announcement of the relevant results;
- officers are not to deal in its securities on short-term considerations; and
- in addition, the Company reminds its officers to observe the laws on insider trading at all times, even during the permitted trading period for them to deal in its securities.

CORPORATE GOVERNANCE

Material Contracts

Save as previously disclosed on SGXNET, there are no material contracts entered into by the Company or any of its subsidiaries involving the interest of the CEO, any Director or controlling Shareholder of the Company, either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.

Catalist Sponsor

The Company is currently under the SGX-ST Catalist sponsor-supervised regime. RHT Capital was the continuing sponsor of the Company from 26 April 2012 to 10 January 2016. There were no non-sponsor fees paid to RHT Capital for FY2015. There were no legal fees paid to RHT Capital's affiliate, RHTLaw TaylorWessing LLP for FY2015.

The current Continuing Sponsor of the Company is Provenance Capital Pte. Ltd. ("**Provenance Capital**"). Provenance Capital was appointed as the Company's Continuing Sponsor, in place of RHT Capital, with effect from 11 January 2016. There were no non-sponsor services provided by Provenance Capital after their appointment as the Company's Continuing Sponsor.

Interested Person Transactions

The aggregate value of transactions entered into by the Group with interested persons and their associates, as defined in the Catalist Rules, are as follows:

Interested Person	Aggregate value of all interested person transactions (excluding transactions less than S\$100,000 and transactions conducted under a shareholders' mandate pursuant to Rule 920) Rmb'000	Aggregate value of all interested person transactions conducted under a shareholders' mandate pursuant to Rule 920 of the Catalist Rules (excluding transactions less than S\$100,000) Rmb'000
Suzhou Lingyun Concrete Co., Ltd (" Lingyun ")	113	–
Suzhou Huaqing Co., Ltd (" Huaqing ")	432	–

Huaqing and Lingyun are related companies. Huaqing owns a 57.55% interest in Lingyun and as such, transactions between the Group and Lingyun or Huaqing are deemed to be transactions between the Group with the same interested person.

Mr Sun Jianming has interest in Lingyun. Mr Zhao Deming and his family have interests in Lingyun and Huaqing.

The Group does not have any general mandate from Shareholders pursuant to Rule 920 of the Catalist Rules for the financial year under review.

DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2015.

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 39 to 101 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at December 31, 2015, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

1 DIRECTORS

The directors of the Company in office at the date of this statement are:

Sun Jianming
Zhao Deming
Sun Jinnan
Zhao Lei
Low Beng Tin
Bernard Tay Ah Kong
Frank Liu
Tan Gim Soo

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement of which the object was to enable the directors of the Company to acquire benefits by means of acquisition of shares or debentures in the Company or any other body corporate, except for the options mentioned in paragraphs 3 and 4 of the Directors' statement.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under section 164 of the Singapore Companies Act except as follows:

DIRECTORS' STATEMENT

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (cont'd)

Names of directors and companies in which interests are held	Shareholdings registered in name of director		Shareholdings in which directors are deemed to have an interest	
	At beginning of year	At end of year	At beginning of year	At end of year
Holding company				
- <u>Ever Universe Investments Limited</u>				
(Ordinary shares)				
Sun Jianming	1,726	1,726	—	—
Zhao Deming	3,202	3,202	—	—
Sun Jinnan	1,696	1,696	—	—
Zhao Lei	1,688	1,688	—	—
<u>The Company</u>				
(Ordinary shares)				
Zhao Deming ⁽¹⁾	—	—	1,132,476,078	1,132,476,078

(1) Zhao Deming holds 32.02% of the shares in Ever Universe Investments Limited. Accordingly, he is deemed interested in the 1,132,476,078 shares in the Company which Ever Universe Investments Limited is interested in.

Save as disclosed above, none of the directors have direct or deemed interests in the share capital and debentures of the Company and related corporations by virtue of section 7 of the Singapore Companies Act.

The directors' interests in the shares and options of the Company as at January 21, 2016 were the same as that on December 31, 2015.

4 SHARE OPTIONS

The China Yongsheng Employee Share Option Scheme (the "Scheme") of the Company was approved and adopted by its members at an Extraordinary General Meeting held on April 29, 2011. The Scheme is administered by the Company's Remuneration Committee, comprising the independent directors, namely, Mr Tan Gim Soo, Mr Bernard Tay Ah Kong, Mr Low Beng Tin and Mr Frank Liu.

A summary of the details of the Scheme is set out below:

- The exercise price of the options can be fixed at the Market Price (as defined in the Scheme) or at a discount to the Market Price not exceeding 20% of the Market Price (or such other percentage or amount prescribed or permitted by the Singapore Exchange Securities Trading Limited ("SGX-ST").

4 SHARE OPTIONS (cont'd)

- An option granted with the exercise price set at the Market Price shall be exercisable at any time by the participant (as defined in the Scheme) after the 1st anniversary of the date of grant, provided that the option shall be exercised before the 10th anniversary of the relevant date of grant or such earlier date as may be determined.
- An option granted with the exercise price set at a discount to the Market Price shall be exercisable at any time by the participant after the 2nd anniversary of the date of grant, provided that the option shall be exercised before the 10th anniversary of the relevant date of grant or such earlier date as may be determined.

During the financial year, there were:

- (i) no options granted by the Company or its subsidiary corporations to any person to take up unissued shares of the Company or its subsidiary corporations; and
- (ii) no shares issued by virtue of any exercise of options to take up unissued shares of the Company or its subsidiary corporations.

As at the end of the financial year, there were no unissued shares of the Company or its subsidiary corporations under options.

5 AUDIT COMMITTEE

The Audit Committee of the Company, consisting of all non-executive directors, is chaired by Mr Bernard Tay Ah Kong, an independent director, and includes Mr Frank Liu, Mr Low Beng Tin and Mr Tan Gim Soo, all of whom are independent directors. The Audit Committee has met four times since the last Annual General Meeting ("AGM") and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the Company:

- a) the audit plans and results of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;
- b) the Group's financial and operating results and accounting policies;
- c) the financial statements of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and external auditors' report on those financial statements;
- d) the quarterly, half-yearly and annual announcements on the results and financial position of the Company and the Group;
- e) the co-operation and assistance given by the management to the Group's external auditors; and
- f) the re-appointment of the external auditors of the Group.

DIRECTORS' STATEMENT

5 AUDIT COMMITTEE (cont'd)

The Audit Committee has full access to and the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director or executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Group at the forthcoming AGM of the Company.

6 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

Sun Jianming

Zhao Deming

March 15, 2016

INDEPENDENT AUDITORS' REPORT

To the Members of China Yongsheng Limited

Report on the Financial Statements

We have audited the accompanying financial statements of China Yongsheng Limited (the “Company”) and its subsidiaries (the “Group”), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at December 31, 2015, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 39 to 101.

Management’s Responsibility for the Financial Statements

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.

Auditors’ Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT

To the Members of China Yongsheng Limited

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at December 31, 2015 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, 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.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

March 15, 2016

STATEMENTS OF FINANCIAL POSITION

December 31, 2015

		Group		Company	
	Note	2015	2014	2015	2014
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Current assets					
Cash and cash equivalents	7	16,228	67,484	1,078	667
Trade and other receivables	8	573,323	808,713	12,558	11,603
Inventories	11	2,287	4,293	–	–
		591,838	880,490	13,636	12,270
Assets classified as held for sale	33	24,475	41,638	–	–
Total current assets		616,313	922,128	13,636	12,270
Non-current assets					
Subsidiaries	12	–	–	236,112	236,112
Due from a subsidiary (non-trade)	5, 13	–	–	98,313	96,002
Associate	14	3,295	3,306	–	–
Property, plant and equipment	15	62,051	81,366	4	13
Intangible assets	16	–	–	–	–
Land use rights	17	6,759	6,942	–	–
Deferred tax assets	18	14,361	9,439	–	–
Total non-current assets		86,466	101,053	334,429	332,127
Total assets		702,779	1,023,181	348,065	344,397
LIABILITIES AND EQUITY					
Current liabilities					
Trade and other payables	19	158,453	397,949	1,665	1,482
Short-term bank borrowings	20	172,944	219,357	–	–
Mortgage loans	21	–	6,747	–	–
Income tax payable		4,069	7,937	–	–
		335,466	631,990	1,665	1,482
Liabilities directly associated with assets classified as held for sale	33	8,287	8,287	–	–
Total current liabilities		343,753	640,277	1,665	1,482
Capital and reserves					
Share capital	22	182,405	182,405	653,285	653,285
Reserves	23	71,651	79,014	–	–
Accumulated profits (losses)		104,970	121,485	(306,885)	(310,370)
Total equity		359,026	382,904	346,400	342,915
Total liabilities and equity		702,779	1,023,181	348,065	344,397

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended December 31, 2015

	Note	Group	
		2015 RMB'000	2014 RMB'000
Revenue	24	247,614	656,227
Cost of sales		(236,121)	(577,342)
Gross profit		11,493	78,885
Other operating income	25	10,133	4,519
Selling and distribution expenses		(8,002)	(12,575)
General and administrative expenses		(34,716)	(42,535)
Other operating expenses		(4,563)	(1,272)
Share of loss of associate	14	(11)	(362)
Finance income	26	12,062	18,145
Finance expenses	27	(14,947)	(18,249)
(Loss) profit before income tax		(28,551)	26,556
Income tax credit (expense)	28	4,673	(12,674)
(Loss) profit for the year, representing total comprehensive income for the year	29	(23,878)	13,882
(Loss) profit and total comprehensive income for the year attributable to owners of the Company		(23,878)	13,882
Earnings per share:			
Basic and diluted earnings per share (in RMB cents)	30	(1.44)	0.83

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year ended December 31, 2015

	Share capital	Reserves	Accumulated profits	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Group</u>				
Balance at January 1, 2014	182,405	74,297	112,320	369,022
Profit for the year, representing total comprehensive income for the year	–	–	13,882	13,882
Transaction with owners, recognised directly in equity				
Transfer to statutory reserve fund (Note 23)	–	4,717	(4,717)	–
Balance at December 31, 2014	182,405	79,014	121,485	382,904
Loss for the year, representing total comprehensive income for the year	–	–	(23,878)	(23,878)
Transaction with owners, recognised directly in equity				
Disposal of a subsidiary (Note 23)	–	(7,363)	7,363	–
Balance at December 31, 2015	182,405	71,651	104,970	359,026

	Share capital	Accumulated losses	Total equity
	RMB'000	RMB'000	RMB'000
<u>Company</u>			
Balance at January 1, 2014	653,285	(308,530)	344,755
Loss for the year, representing total comprehensive income for the year	–	(1,840)	(1,840)
Balance at December 31, 2014	653,285	(310,370)	342,915
Profit for the year, representing total comprehensive income for the year	–	3,485	3,485
Balance at December 31, 2015	653,285	(306,885)	346,400

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2015

		Group	
	Note	2015	2014
		RMB'000	RMB'000
Operating activities			
(Loss) profit before income tax		(28,551)	26,556
Adjustments for:			
Depreciation of property, plant and equipment		13,379	17,235
Impairment loss on property, plant and equipment		2,493	–
Loss (gain) on disposal of property, plant and equipment		807	(48)
Property, plant and equipment written off		46	67
Amortisation of land use rights		183	183
Allowance for impairment loss on trade receivables/bad debts written off		2,891	5,757
Allowance for impairment loss on other receivables/bad debts written off		–	3,399
Allowance for inventories		355	–
Gain on disposal of a subsidiary	34	(7,932)	–
Share of loss of associate		11	362
Finance income		(12,062)	(18,145)
Finance expenses		14,947	18,249
Unrealised net foreign exchange loss		2,769	–
Operating cash flows before movements in working capital		(10,664)	53,615
Trade and other receivables		231,526	103,266
Inventories		451	53
Trade and other payables		(225,522)	(133,020)
Cash (used in) generated from operations		(4,209)	23,914
Income tax paid		(4,283)	(10,253)
Net cash (used in) from operating activities		(8,492)	13,661
Investing activities			
Purchase of property, plant and equipment (Note A)		(200)	(3,059)
Proceeds from disposal of property, plant and equipment		885	276
Deposit received for the intended sale of a subsidiary	33	–	4,000
Net cash inflow from disposal of a subsidiary	34	25,860	–
Interest received		637	1,190
Net cash from investing activities		27,182	2,407

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)

Year ended December 31, 2015

	Note	Group	
		2015 RMB'000	2014 RMB'000
Financing activities			
Mortgage loan repayments		(6,747)	(15,152)
Loans from related party	6	10,000	–
Repayment of loans from related party	6	(10,000)	–
Repayments of short-term bank borrowings		(319,345)	(263,750)
Proceeds from short-term bank borrowings		270,163	264,528
Interest paid		(14,017)	(17,263)
Decrease in pledged bank balances		34,705	26,528
Net cash used in financing activities		(35,241)	(5,109)
Net (decrease) increase in cash and cash equivalents		(16,551)	10,959
Cash and cash equivalents at beginning of the year		31,902	20,943
Cash and cash equivalents at end of the year	7	15,351	31,902

Note A

During the financial year ended December 31, 2015, the Group acquired property, plant and equipment with an aggregate cost of RMB95,000. Cash payments of RMB91,000 were made to purchase property, plant and equipment, with the balance of RMB4,000 remained unpaid as at year end.

In 2014, the Group acquired property, plant and equipment with an aggregate cost of RMB1,792,000. Cash payments of RMB3,059,000 were made to purchase property, plant and equipment, with the balance of RMB109,000 remained unpaid as of December 31, 2014. The outstanding balance of RMB109,000 had been settled during the financial year ended December 31, 2015.

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

1 GENERAL

The Company (Registration No. 197302032R) is incorporated in Singapore with its principal place of business at 151 Chin Swee Road, #02-24 Manhattan House, Singapore 169876 and registered office at 80 Robinson Road, #17-02, Singapore 068898. The Company is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). The financial statements are expressed in Renminbi ("RMB").

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries and associate are disclosed in Notes 12 and 14 to the financial statements respectively.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended December 31, 2015 were authorised for issue by the Board of Directors on March 15, 2016.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 *Share-based Payment*, leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

ADOPTION OF NEW AND REVISED STANDARDS - On January 1, 2015, the Group adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

STANDARDS ISSUED BUT NOT YET EFFECTIVE - At the date of authorisation of these financial statements, the following new/revised FRSs, that are relevant to the Group and the Company were issued but not effective:

- FRS 109 *Financial Instruments*¹
- FRS 115 *Revenue from Contracts with Customers*¹

¹ Applies to annual periods beginning on or after January 1, 2018, with early application permitted.

Consequential amendments were also made to various standards as a result of these new/revised standards.

FRS 109 *Financial Instruments*

FRS 109 was issued in December 2014 to replace FRS 39 *Financial Instruments: Recognition and Measurement* and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) derecognition (iii) general hedge accounting (iv) impairment requirements for financial assets.

Key requirements of FRS 109:

- All recognised financial assets that are within the scope of FRS 39 are now required to be subsequently measured at amortised cost or fair value through profit or loss (FVTPL). Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured at FVTPL at the end of subsequent accounting periods. In addition, under FRS 109, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

- With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, FRS 109 requires that the amount of change in fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under FRS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL is presented in profit or loss.
- In relation to the impairment of financial assets, FRS 109 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in FRS 39. Under FRS 109, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

FRS 109 will take effect from financial years beginning on or after January 1, 2018, with retrospective application subject to transitional provisions.

Management is currently evaluating the potential impact of the application of FRS 109 on the financial statements of the Group and of the Company in the period of initial application.

FRS 115 Revenue from Contracts with Customers

In November 2014, FRS 115 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. FRS 115 will supersede the current revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer,
- Step 2: Identify the performance obligations in the contract,

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

- Step 3: Determine the transaction price,
- Step 4: Allocate the transaction price to the performance obligations in the contract, and
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in FRS 115 to deal with specific scenarios. Furthermore, extensive disclosures are required by FRS 115.

FRS 115 will take effect from financial years beginning on or after January 1, 2018, with retrospective application subject to transitional provisions.

Management is currently evaluating the potential impact of the application of FRS 115 on the financial statements of the Group and of the Company in the period of initial application.

Management anticipates that the adoption of other FRSs and amendments to FRSs issued but not effective at the date of authorisation of these financial statements in future periods will not have material impact on the financial statements of the Group and of the Company in the period of their initial adoption except as discussed above.

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company’s voting rights in an investee are sufficient to give it power, including:

- the size of the Company’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39, or when applicable, the cost on initial recognition of an investment in an associate.

In the Company's financial statements, investments in subsidiaries and associate are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

BUSINESS COMBINATIONS - Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

ASSOCIATE - An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The results and assets and liabilities of associate are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with FRS 105. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of FRS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with FRS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with FRS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with FRS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture. There is no remeasurement to fair value upon such changes in ownership interests.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

NON-CURRENT ASSETS HELD FOR SALE - Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period to complete a sale does not preclude an asset (or disposal group) from being classified as held for sale if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset (or disposal group).

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

FINANCIAL INSTRUMENT - Financial assets and financial liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Loans and receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as “loans and receivables”. Loans and receivables (including trade and other receivables, bank balances and cash and amount due from subsidiaries) are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade and other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company and the Group had a legally enforceable right to set-off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Other financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing short-term bank borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Interest expense calculated using the effective interest method is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

LEASES - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

INVENTORIES - Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

PROPERTY, PLANT AND EQUIPMENT - Property, plant and equipment in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets commences when the assets are ready for their intended use.

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets, other than construction-in-progress, over their estimated useful life, using the straight-line method, on the following bases:

Leasehold buildings	-	20 years
Plant and machinery	-	5 to 10 years
Office equipment	-	3 to 10 years
Motor vehicles and vessels	-	8 to 20 years

Construction-in-progress relates to buildings and plant and machinery and these are depreciated only when they are ready for their intended use.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

INTANGIBLE ASSETS - Intangible assets acquired separately are reported at cost less accumulated amortisation (where they have finite useful lives) and accumulated impairment losses. Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are not amortised. Each period, the useful lives of such assets are reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy below.

Land improvement costs

Land improvement costs pertain to costs incurred to prepare the land for use by a subsidiary. It is stated at cost less any impairment losses and is amortised on a straight-line basis over 10 years which the subsidiary derives benefits.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

LAND USE RIGHTS - Land use rights are stated at cost less accumulated amortisation and any impairment losses. Land use rights are amortised on a straight-line basis over 50 years, being the entitled period to use the land. The amortisation period and amortisation method are reviewed at each year end.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS - At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

PROVISIONS - Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

REVENUE RECOGNITION - Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rental income

Rental income is recognised on a straight-line basis over the relevant lease term.

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

FINANCE INCOME - Finance income comprises interest income on funds invested and the unwinding effect from the discounting of trade receivables which are contractually collectible after one year. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

BORROWING COSTS - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

GOVERNMENT GRANTS - Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

RETIREMENT BENEFIT COSTS - Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

The employees of China Yongsheng Limited and its subsidiaries that are located in Singapore and the People's Republic of China are members of state-managed retirement benefit plans. The Company and the subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit plans is to make the specified contributions.

The Group operates defined contribution retirement benefit plans for all qualifying employees in Singapore and the People's Republic of China ("PRC").

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

INCOME TAX - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Renminbi, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Renminbi using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associate that does not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

CASH AND CASH EQUIVALENTS IN THE CONSOLIDATED STATEMENT OF CASH FLOWS - Cash and cash equivalents in the consolidated statement of cash flows comprise cash at bank and cash on hand less pledged bank balances and are subject to an insignificant risk of changes in value.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

Critical judgements in applying the entity's accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

(a) Non-recognition of potential tax expense of unremitted profit from PRC subsidiaries

As disclosed in Note 18 to the financial statements, no deferred tax liability has been recognised in respect of the temporary differences associated with undistributed earnings of subsidiaries as the Group estimated that such differences will not reverse in the foreseeable future.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(a) Income taxes

The Group has exposure to income taxes in the PRC. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of income tax payable and deferred tax assets at the end of the reporting period are RMB4,069,000 and RMB14,361,000 (2014 : RMB7,937,000 and RMB9,439,000) respectively.

(b) Useful lives of property, plant and equipment

The cost of leasehold buildings, plant and machinery, office equipment and motor vehicles and vessels are depreciated on a straight-line basis over their respective estimated useful lives. Management estimates the useful lives of these assets to be within 3 to 20 years. Changes in the expected level of usage and technological developments could impact the economic useful lives, therefore future depreciation charges could be revised. The carrying amounts of the property, plant and equipment at the end of the reporting period are disclosed in Note 15 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(c) Impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have any indication of impairment in accordance with the accounting policy. If there is indication of impairment, the recoverable amounts of property, plant and equipment are determined based on higher of fair value less costs to sell and value in use calculations. These calculations require the use of judgement and estimates. The assessment has led to the recognition of impairment loss of RMB2,493,000 (2014 : RMBNil) in the current year. The recoverable amount of the relevant assets of Suzhou Yongsheng Concrete Co., Ltd ("SY Concrete") has been determined on the basis of their fair value less costs to sell. The carrying amounts of the property, plant and equipment at the end of the reporting period are disclosed in Note 15 to the financial statements.

(d) Impairment of investments in subsidiaries and amounts due from subsidiaries

Determining whether investments in subsidiaries and amounts due from subsidiaries are impaired requires an estimation of the value in use of those investments and amounts. The value in use calculation requires the entity to estimate the future cash flows expected to arise and a suitable discount rate in order to calculate present value. In the past, management carried out a review of the recoverable amount of the investments in subsidiaries and the amounts due from subsidiaries, having regard to the existing performance of the relevant subsidiaries and the carrying value of the net assets in these subsidiaries. The assessment led to the recognition of accumulated allowance for impairment of investments in subsidiaries of RMB129 million (2014 : RMB129 million) and no allowance for impairment of amounts due from subsidiaries in the current and prior years. The carrying amounts of the investments in subsidiaries and amounts due from subsidiaries at the end of the reporting period are disclosed in Notes 12 and 13 to the financial statements respectively.

(e) Allowance for inventories

At the end of each reporting period, the Group reviews the carrying value of their inventories to ensure that they are stated at the lower of cost and net realisable value. In assessing net realisable value and making appropriate allowances, the management identifies inventories that are slow moving and considers their physical conditions, market conditions and market price for similar inventories. The carrying amount of inventories at the end of the reporting period is disclosed in Note 11 to the financial statements.

(f) Allowance for bad and doubtful debts

The policy for allowances for bad and doubtful debts of the Company and the Group is based on the evaluation of collectibility and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness, the past collection history of each customer and on-going dealings with these parties. During the year, the management has performed a credit evaluation process to review the recoverability of the trade and other receivables balances based on their judgement. Where there is objective evidence of impairment, management makes an assessment as to whether any impairment loss should be recorded. The assessment has led to the recognition of accumulated allowance for impairment of RMB8,898,000 (2014 : RMB11,993,000) at the end of the reporting period. The carrying amounts of trade and other receivables at the end of the reporting period are disclosed in Note 8 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(g) Discounting of trade receivables

The Group discounts trade receivables, which are expected to be collected more than one year from the outstanding date, to their fair values at the reporting date using the market rates of interest for similar type of lending at 8% (2014 : 8%) per annum and also estimates customers' repayment pattern in discounting these receivables. The receivables are classified as current assets because they are expected to be realised in the Group's normal operating cycle. The carrying amounts of trade and other receivables at the end of the reporting period are disclosed in Note 8 to the financial statements.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) *Categories of financial instruments*

The following table sets out the financial instruments as at the end of the reporting period.

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Loans and receivables:				
- Due from a subsidiary	–	–	98,313	96,002
- Trade and other receivables (excluding prepayments and advances, and tax recoverable)	570,571	803,775	12,471	11,513
- Cash and cash equivalents	16,228	67,484	1,078	667
	<u>586,799</u>	<u>871,259</u>	<u>111,862</u>	<u>108,182</u>
Financial liabilities				
At amortised cost:				
- Mortgage loans	–	6,747	–	–
- Trade and other payables (excluding advances from customers, value added tax and other operating tax payables, amount received for sale of subsidiaries)	134,322	369,056	1,665	1,482
- Short-term bank borrowings	172,944	219,357	–	–
	<u>307,266</u>	<u>595,160</u>	<u>1,665</u>	<u>1,482</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(b) *Financial instruments subject to offsetting enforceable master netting arrangements and similar agreements*

The Group does not have any financial instruments which are subject to enforceable master netting arrangements or similar netting arrangements.

(c) *Financial risk management policies and objectives*

The Group has documented financial risk management policies. These policies set out the Group's overall business strategies and its risk management philosophy. The Group's overall financial risk management programme seeks to minimise potential adverse effects on the financial performance of the Group.

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group does not hold or issue derivative financial instruments for speculative purpose.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

(i) Foreign exchange risk management

The Group has minimal transactional foreign currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currency of Group entities which is Renminbi. Most of the foreign exchange differences arise from translation differences and settlement of liabilities arising from expenses or overheads denominated in a currency other than the respective functional currency of Group entities. The Group's trade receivable and trade payable balances at the reporting date had minimal foreign currency exposures. The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes, mainly in United States dollar. The Group has short-term bank borrowings denominated in United States dollar.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(i) Foreign exchange risk management (cont'd)

At the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the functional currency of the respective Group entities are as follows:

	2015		2014	
	Singapore dollar	United States dollar	Singapore dollar	United States dollar
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Group</u>				
Assets:				
- Trade and other receivables	25	–	25	–
- Cash and cash equivalents	1,169	2,747	870	3,399
	1,194	2,747	895	3,399
Liabilities:				
- Trade and other payables	(1,739)	–	(1,594)	–
- Short-term bank borrowings	–	(56,494)	–	(32,507)
	(1,739)	(56,494)	(1,594)	(32,507)
<u>Company</u>				
Assets:				
- Due from a subsidiary	29,395	60,990	29,182	58,951
- Trade and other receivables	25	–	25	–
- Cash and cash equivalents	1,078	–	667	–
	30,498	60,990	29,874	58,951
Liabilities:				
- Trade and other payables	(1,665)	–	(1,482)	–

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(c) *Financial risk management policies and objectives (cont'd)*

(i) Foreign exchange risk management (cont'd)

Foreign currency sensitivity

The following table details the sensitivity to a 5% increase and decrease in the relevant foreign currencies against the functional currency of each Group entity. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

A 5% strengthening of RMB against the following currencies at the reporting date would increase (decrease) equity and profit before income tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Singapore dollar	27	35	(1,442)	(1,420)
United States dollar	2,687	1,455	(3,050)	(2,948)
	2,714	1,490	(4,492)	(4,368)

A 5% weakening of RMB against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(ii) Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their short-term bank borrowings. All the Group's borrowings are at a mix of fixed and variable rates of interest during the financial years 2015 and 2014. Summary quantitative data of the Group's and Company's interest-bearing financial instruments can be found in section (iv) of this Note.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(c) *Financial risk management policies and objectives (cont'd)*

(ii) Interest rate risk management (cont'd)

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. For variable rate financial assets and liabilities, an increase of 100 basis points in interest rate at the reporting date would decrease the Group's profit before income tax for the financial year ended December 31, 2015 by RMB1.7 million (2014 : decrease the Group's profit before income tax for the financial year ended December 31, 2014 by RMB2.2 million). A decrease in 100 basis points in interest rate would have an equal but opposite effect. A 100 basis points increase or decrease is used in the sensitivity analysis when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

(iii) Credit risk management

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's credit risk arises primarily from trade and other receivables. Cash and cash equivalents are placed with financial institutions. The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades with creditworthy counterparties. In addition, receivable balances are monitored on an ongoing basis. Ongoing credit evaluation is performed on the financial condition of trade and other receivables.

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

There is one major customer to whom the Group made 10% (2014 : 6%) of total sales for the year. Further details of credit risks on trade and other receivables are disclosed in Note 8 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(c) *Financial risk management policies and objectives (cont'd)*

(iv) Liquidity risk management

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group maintains sufficient cash and cash equivalents, and internally generated cash flows to finance their activities. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of credit facilities. The Group's liquidity risk management policy is to maintain sufficient liquid financial assets and credit facilities with different banks.

The management has made an assessment of the Group's ability to continue as a going concern, taking into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. The management is of the view that the use of going concern assumption is appropriate as based on management's ongoing discussions with and letters of intent on financing obtained from the Group's bankers. Accordingly, management is of the view that it is highly probable that the short-term bank borrowings will be refinanced or rolled over upon maturity within the next twelve months subject to the Group's financial needs.

Accordingly, the directors of the Company are of the view that the use of going concern assumption in preparation of the financial statements is appropriate.

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statements of the financial position.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(iv) Liquidity risk management (cont'd)

Non-derivative financial liabilities (cont'd)

	Effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustments	Total
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>Group</u>						
<u>2015</u>						
Trade and other payables	–	134,322	–	–	–	134,322
Short-term bank borrowings	2.6 to 7.6	175,888	–	–	(2,944)	172,944
		310,210	–	–	(2,944)	307,266
<u>2014</u>						
Trade and other payables	–	369,056	–	–	–	369,056
Short-term bank borrowings	2.2 to 7.8	224,099	–	–	(4,742)	219,357
Mortgage loans	7.4	6,985	–	–	(238)	6,747
		600,140	–	–	(4,980)	595,160
<u>Company</u>						
<u>2015</u>						
Trade and other payables	–	1,665	–	–	–	1,665
<u>2014</u>						
Trade and other payables	–	1,482	–	–	–	1,482

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(iv) Liquidity risk management (cont'd)

Non-derivative financial assets

The following table details the expected maturity for non-derivative financial assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's and Company's liquidity risk management as the Group's and Company's liquidity risk is managed on a net asset and liability basis. The table below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except were the Group and the Company anticipates that the cash flow will occur in different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the statements of the financial position.

	Effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustments	Total
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>Group</u>						
<u>2015</u>						
Trade and other receivables						
- Undiscounted	-	477,568	-	-	-	477,568
- Discounted	8.0	-	102,271	-	(9,268)	93,003
Cash and cash equivalents	0.4	16,228	-	-	-	16,228
		493,796	102,271	-	(9,268)	586,799
<u>2014</u>						
Trade and other receivables						
- Undiscounted	-	607,520	-	-	-	607,520
- Discounted	8.0	-	212,924	-	(16,669)	196,255
Cash and cash equivalents	0.4 to 3.1	67,484	-	-	-	67,484
		675,004	212,924	-	(16,669)	871,259

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(iv) Liquidity risk management (cont'd)

Non-derivative financial assets (cont'd)

	Effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustments	Total
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>Company</u>						
<u>2015</u>						
Due from a subsidiary	6.0	98,313	–	–	–	98,313
Trade and other receivables	–	12,471	–	–	–	12,471
Cash and cash equivalents	–	1,078	–	–	–	1,078
		111,862	–	–	–	111,862
<u>2014</u>						
Due from a subsidiary	6.0	96,002	–	–	–	96,002
Trade and other receivables	–	11,513	–	–	–	11,513
Cash and cash equivalents	–	667	–	–	–	667
		108,182	–	–	–	108,182

The Group and the Company do not have any derivative financial instruments.

(v) Fair value of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables, provisions and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(c) *Financial risk management policies and objectives (cont'd)*

(v) Fair value of financial assets and financial liabilities (cont'd)

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments; and
- the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is used, based on the applicable yield curve of the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The Group and the Company had no financial assets or liabilities carried at fair value in 2015 and 2014.

(d) *Capital risk management policies and objectives*

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of short-term bank borrowings and equity attributable to owners of the Company, comprising issued capital, reserves and accumulated profits.

The Group reviews the capital structure on an annual basis. As a part of this review, the Group considers the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged from 2014.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(d) Capital risk management policies and objectives (cont'd)

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio within 75%. For internal monitoring purpose, the Group's net debt includes loans and borrowings, trade and other payables, other liabilities, less cash and cash equivalents. Capital includes equity attributable to the equity holders of the Company less the statutory reserve fund as disclosed in Note 23 to the financial statements.

	Group	
	2015	2014
	RMB'000	RMB'000
Trade and other payables	158,453	397,949
Short-term bank borrowings	172,944	219,357
Mortgage loans	–	6,747
Income tax payable	4,069	7,937
Less: Cash and cash equivalents	(16,228)	(67,484)
Net debt	319,238	564,506
Equity attributable to the equity holders of the Company	359,026	382,904
Statutory reserve fund (Note 23)	(73,198)	(80,561)
Total capital	285,828	302,343
Capital and net debt	605,066	866,849
Gearing ratio	53%	65%

5 HOLDING COMPANY AND RELATED COMPANIES TRANSACTIONS

The Company is a subsidiary of Ever Universe Investments Limited, incorporated in British Virgin Islands, which is also the Company's ultimate holding company. Related companies in these financial statements refer to members of the holding company's group of companies.

Some of the Group's transactions and arrangements are with related companies and the effect of these on the basis determined between the parties are reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

NOTES TO FINANCIAL STATEMENTS

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6 OTHER RELATED PARTY TRANSACTIONS

Some of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties are reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

During the year, Group entities entered into the following transactions with related parties:

	Group	
	2015	2014
	RMB'000	RMB'000
Purchase of goods from associate	–	10,082
Land and building rental paid to entities controlled by certain directors	545	882

Interest-free loans of RMB10 million (2014 : RMBNil) were taken from a related party and fully repaid in 2015.

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Group	
	2015	2014
	RMB'000	RMB'000
Short-term benefits	8,630	9,168

The remuneration of directors and key management is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

7 CASH AND CASH EQUIVALENTS

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank	15,231	31,810	977	593
Pledged bank balances	900	35,605	–	–
Cash on hand	120	92	101	74
	16,251	67,507	1,078	667
Transfer to assets classified as held for sale (Note 33)	(23)	(23)	–	–
	16,228	67,484	1,078	667
Cash and cash equivalents	16,251	67,507	1,078	667
Less: Pledged bank balances	(900)	(35,605)	–	–
Cash and cash equivalents in consolidated statement of cash flows	15,351	31,902	1,078	667

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December 31, 2015

7 CASH AND CASH EQUIVALENTS (cont'd)

Bank balances and cash comprise cash held by the Group. The carrying amounts of these assets approximate their fair values.

The effective interest rates per annum relating to bank balances and cash for the Group is 0.4% (2014 : 0.4% to 3.1%). The bank balances and cash for the Company are non-interest bearing.

Pledged bank balances represent bank balances of certain subsidiaries pledged as security for bills payable (Note 19).

As at December 31, 2015, the Group had cash and cash equivalents placed with banks in China amounting to RMB12.3 million (2014 : RMB63.2 million) which the repatriation of the cash into Singapore is subject to the Foreign Exchange Control Regulations in China.

8 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	487,306	664,071	–	–
Less: Allowance for impairment	(8,873)	(8,569)	–	–
Net trade receivables	478,433	655,502	–	–
Bills receivable	83,508	146,385	–	–
Due from a subsidiary (Note 5)				
- non-trade	–	–	12,446	11,488
Due from associate (Notes 6 and 14):				
- trade	2,958	2,958	–	–
- non-trade	1,000	1,000	–	–
Other receivables (Note 9)	20,689	14,764	25	25
Loans and receivables	586,588	820,609	12,471	11,513
Prepayments and advances (Note 10)	2,630	3,999	87	90
	589,218	824,608	12,558	11,603
Transfer to assets classified as held for sale (Note 33)				
- Loans and receivables	(15,851)	(15,851)	–	–
- Prepayments and advances	(44)	(44)	–	–
	573,323	808,713	12,558	11,603

NOTES TO FINANCIAL STATEMENTS

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8 TRADE AND OTHER RECEIVABLES (cont'd)

Trade receivables

Trade receivables are non-interest bearing. Generally, 60% to 70% of the sales from delivery in the current month have to be settled in the following month. The remaining 30% to 40% will have to be settled upon completion of project, generally ranging from 6 months to 12 months from the last delivery date. Trade receivables, which are expected to be collected more than one year from the outstanding date, are discounted to their fair values at the reporting date using the market rates of interest for similar type of lending at 8% (2014 : 8%) per annum and are classified as current assets because they are expected to be realised in the Group's normal operating cycle. As at December 31, 2015, RMB102.3 million (2014 : RMB212.9 million) are expected to be collected more than one year from the reporting date.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The trade receivables which are neither past due nor impaired are assessed to be recoverable as there has not been a significant change in credit quality.

The Group determines concentrations of credit risk by monitoring the types of customers (the Group operates only in the PRC) and industry sector profile of its trade receivables on an ongoing basis. Majority of customers are concentrated in the construction and property development sectors. The Group's historical experience in the collection of trade receivables falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond the amounts provided for collection losses is inherent in the Group's trade receivables.

The credit risk concentration profile of the Group's trade receivables at the reporting date is as follows:

	Group	
	2015	2014
	RMB'000	RMB'000
By type of customers:		
Public sector	90,291	89,638
Private sector	388,142	565,864
	478,433	655,502

At the end of the reporting period, approximately 5% (2014 : 11%) of the Group's trade receivables were due from 1 (2014 : 1) major customer who is a main contractor located in Jiangsu, PRC.

Past due trade receivables are those for which contractual or principal payments have not been met. At the end of the reporting date, the Group has trade receivables amounting to approximately RMB105.7 million (2014 : RMB98.9 million) that are past due but not impaired.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

8 TRADE AND OTHER RECEIVABLES (cont'd)

The table below is an analysis of trade receivables as at December 31:

	Group	
	2015	2014
	RMB'000	RMB'000
Not past due and not impaired	227,730	383,250
Past due but not impaired (i)	105,694	98,862
	333,424	482,112
Impaired receivables - individually assessed (ii)	153,882	181,959
Less: Allowance for impairment	(8,873)	(8,569)
	145,009	173,390
Trade receivables, net	478,433	655,502
 (i) Aging of receivables that are past due but not impaired:		
< 30 days	17,954	23,893
30 days to 60 days	13,412	17,955
61 days to 90 days	15,096	7,676
91 days to 120 days	8,189	3,823
> 120 days	51,043	45,515
	105,694	98,862
 (ii) These amounts are stated before any deduction for impairment losses.		
Aging of receivables that are impaired:		
Not past due	93,072	118,734
Past due:		
< 30 days	8,488	13,824
30 days to 60 days	13,030	5,147
61 days to 90 days	3,269	2,006
91 days to 120 days	4,587	2,867
> 120 days	31,436	39,381
	153,882	181,959

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

8 TRADE AND OTHER RECEIVABLES (cont'd)

The movement in allowance for impairment loss in respect of trade receivables during the year is as follows:

	Group	
	2015 RMB'000	2014 RMB'000
Balance at beginning of the year	8,569	6,947
Amounts written off	(1,492)	(4,135)
Amounts recovered	209	–
Disposal of a subsidiary	(1,304)	–
Increase in allowance recognised in profit or loss	2,891	5,757
Balance at end of the year	8,873	8,569

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and/or have defaulted on payment. These receivables are not secured by a collateral or credit enhancement.

Bills receivable

Bills receivable have a maturity period of 90 days to 180 days (2014 : 90 days to 180 days) and are negotiable at their nominal value or may be cashed at the option of the bearer at a discounted rate against their nominal value of approximately 4% to 6% (2014 : 5% to 7%) per annum. The Group has no intention to cash these bills receivable as at the date of these financial statements.

Due from a subsidiary (non-trade) and associate (non-trade)

The non-trade amounts due from a subsidiary and associate are unsecured, interest-free and repayable on demand. The amounts are not past due nor impaired.

9 OTHER RECEIVABLES

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Other receivables ⁽¹⁾	18,870	12,981	–	–
Less: Allowance for impairment	(25)	(25)	–	–
	18,845	12,956	–	–
Tax recoverable	166	983	–	–
Interest receivable	–	285	–	–
Deposits	1,678	540	25	25
	20,689	14,764	25	25

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

9 OTHER RECEIVABLES (cont'd)

The Group's other receivables are interest-free and repayable on demand.

⁽¹⁾ Included in other receivables is an amount of RMB6,816,000 receivable from one of the major customers of the Group. On January 31, 2015, the Group entered into an agreement with the aforesaid customer to receive part payment of trade receivables in the form of 22 properties ("properties") located in Suzhou Industrial Park in lieu of cash. The Group reclassified the trade receivables of the relevant customer to other receivables due to the pending ownership transfer for the properties as at the reporting date, at a net carrying amount of RMB6,816,000. The fair value of the properties approximate to the net carrying amount.

There has been no movement in the allowance of the Group for the financial year ended December 31, 2015 and 2014.

In determining the recoverability of a receivable, the Group considers any change in the credit quality of the receivables from the date credit was initially granted up to the reporting date. Accordingly, no further allowance for doubtful receivables is deemed necessary by the Group as at the reporting date.

10 PREPAYMENTS AND ADVANCES

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments	2,358	6,632	87	90
Advances to staff	272	766	–	–
	2,630	7,398	87	90
Less: Allowance for impairment	–	(3,399)	–	–
	2,630	3,999	87	90

The movement in allowance for impairment loss in respect of prepayments and advances during the year is as follows:

	Group	
	2015	2014
	RMB'000	RMB'000
Balance at beginning of the year	3,399	–
Amounts written off	(3,399)	–
Increase in allowance recognised in profit or loss	–	3,399
Balance at end of the year	–	3,399

In 2014, an allowance for impairment loss of RMB3,399,000 in prepayments for purchases was made due to deterioration of financial condition of a supplier.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

11 INVENTORIES

	Group	
	2015 RMB'000	2014 RMB'000
Raw materials	1,719	2,739
Consumables and spare parts	3,573	4,424
	5,292	7,163
Less: Allowance for inventories	(1,739)	(1,604)
	3,553	5,559
Transfer to assets classified as held for sale (Note 33)	(1,266)	(1,266)
	2,287	4,293

The cost of inventories recognised as an expense includes RMB355,000 (2014 : RMBNil) in respect of write-downs of inventories to net realisable value.

The movement in allowance for inventories during the year is as follows:

	Group	
	2015 RMB'000	2014 RMB'000
Balance at beginning of the year	1,604	1,604
Disposal of a subsidiary	(220)	–
Increase in allowance recognised in profit or loss	355	–
Balance at end of the year	1,739	1,604

12 SUBSIDIARIES

	Company	
	2015 RMB'000	2014 RMB'000
Unquoted equity shares, at cost	365,112	365,112
Less: Allowance for impairment	(129,000)	(129,000)
	236,112	236,112

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

12 SUBSIDIARIES (cont'd)

Details of subsidiaries at December 31, 2015 are as follows:

Name of subsidiary	Place of incorporation and operations	Proportion of ownership interest and voting power held by the Group		Principal activity
		2015	2014	
		%	%	
<u>Held by the Company</u>				
Assetgold Finance Limited ^{(1) (4)} ("Assetgold")	British Virgin Islands	100	100	Investment holding
<u>Held through subsidiaries</u>				
Suzhou Yongsheng Concrete Co., Ltd ⁽²⁾ ("SY Concrete")	The People's Republic of China	100	100	Production and supply of concrete and related products, leasing of concrete mixing equipment
Suzhou Yongsheng Chemical Co., Ltd ⁽³⁾ ("SY Chemical")	The People's Republic of China	100	100	Production and supply of sodium toluene sulfonate, toluene sulfonic acid, cleansing and disinfecting extract and chemical admixture required in the production of concrete
Wujiang Yongsheng Concrete Co., Ltd ⁽²⁾ ("Wujiang Concrete")	The People's Republic of China	100	100	Production and supply of concrete and related products
Suzhou Industrial Park Yongsheng Concrete Co., Ltd ⁽²⁾⁽⁶⁾ ("SIP Concrete")	The People's Republic of China	-	100	Production and supply of concrete and related products
Wuxi Lianyou Concrete Co., Ltd ⁽⁵⁾ ("Wuxi Lianyou Concrete")	The People's Republic of China	100	100	Production and supply of concrete and related products
Wujiang Yongsheng Transportation Co., Ltd ⁽³⁾ ("Wujiang Transportation")	The People's Republic of China	100	100	Provide transportation services for building materials
Suzhou Mingxie Material Co., Ltd ⁽²⁾ ("MX Material")	The People's Republic of China	100	100	Sale of building materials, chemical products, hardware, machinery and equipment, electronic products, textiles and lubricants.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

12 SUBSIDIARIES (cont'd)

- ⁽¹⁾ Not required to be audited by the law of the country of incorporation.
- ⁽²⁾ Audited by an overseas practice of Deloitte Touche Tohmatsu Limited for consolidation purpose.
- ⁽³⁾ Reviewed by an overseas practice of Deloitte Touche Tohmatsu Limited for consolidation purpose.
- ⁽⁴⁾ Audited by Deloitte & Touche LLP, Singapore for consolidation purpose.
- ⁽⁵⁾ The subsidiary was accounted for as assets classified as held for sale (Note 33).
- ⁽⁶⁾ The subsidiary was disposed during the financial year (Note 34).

13 DUE FROM A SUBSIDIARY (NON-TRADE)

The non-trade amount due from a subsidiary is unsecured and interest-free. Payments are made based on agreed repayment plan between the Company and the subsidiary for the period from January 2015 to December 2023. Outstanding balances have been discounted to their fair value at the end of the reporting period using the market rates of interest for similar type of lending.

The balance is not past due nor impaired.

14 ASSOCIATE

	Group	
	2015	2014
	RMB'000	RMB'000
Cost of investment in associate	15,015	15,015
Share of post-acquisition loss, net of dividend received	(11,720)	(11,709)
	3,295	3,306

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

14 ASSOCIATE (cont'd)

Details of the associate at December 31, 2015 are as follows:

Name of associate	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group		Principal activity
		2015	2014	
		%	%	
Fuyang Jinpu Quarry Co., Ltd ("FJ Quarry")	The People's Republic of China	30	30	Quarrying and processing of rocks used for construction

Summarised financial information in respect of the associate is set out below:

	Group	
	2015	2014
	RMB'000	RMB'000
Total assets	23,882	28,763
Total liabilities	(12,899)	(17,743)
Net assets	10,983	11,020
Group's share of associate's net assets	3,295	3,306

	Group	
	2015	2014
	RMB'000	RMB'000
Revenue	3,526	16,903
Loss for the year	(38)	(1,206)
Group's share of associate's loss for the year	(11)	(362)

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15 PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings	Plant and machinery	Office equipment	Motor vehicles and vessels	Construction- in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group						
Cost:						
At January 1, 2014	25,628	72,989	1,600	122,727	501	223,445
Additions	–	421	25	640	706	1,792
Disposals	–	(338)	–	(2,111)	–	(2,449)
Written off	–	(476)	(148)	–	–	(624)
Transfer	–	706	–	–	(706)	–
Transfer to assets classified as held for sale (Note 33)	(5,175)	(13,276)	(406)	(22,265)	–	(41,122)
At December 31, 2014	20,453	60,026	1,071	98,991	501	181,042
Additions	–	91	4	–	–	95
Disposals	–	(57)	–	(4,115)	–	(4,172)
Written off	–	(544)	–	(166)	–	(710)
Transfer	–	501	–	–	(501)	–
Transfer to assets classified as held for sale (Note 33)	–	–	–	(8,750)	–	(8,750)
At December 31, 2015	20,453	60,017	1,075	85,960	–	167,505
Accumulated depreciation and impairment losses:						
At January 1, 2014	11,536	46,558	1,298	47,986	–	107,378
Depreciation charge for the year	1,103	2,825	115	13,192	–	17,235
Disposals	–	(216)	–	(2,005)	–	(2,221)
Written off	–	(443)	(114)	–	–	(557)
Transfer to assets classified as held for sale (Note 33)	(1,319)	(8,999)	(298)	(11,543)	–	(22,159)
At December 31, 2014	11,320	39,725	1,001	47,630	–	99,676
Depreciation charge for the year	869	1,988	56	10,466	–	13,379
Impairment loss for the year	–	–	–	2,493	–	2,493
Disposals	–	(38)	–	(2,442)	–	(2,480)
Written off	–	(506)	–	(158)	–	(664)
Transfer to assets classified as held for sale (Note 33)	–	–	–	(6,950)	–	(6,950)
At December 31, 2015	12,189	41,169	1,057	51,039	–	105,454
Carrying amount:						
At December 31, 2015	8,264	18,848	18	34,921	–	62,051
At December 31, 2014	9,133	20,301	70	51,361	501	81,366

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

15 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Asset acquisition by government authority

In 2013, a part of SY Chemical's property, plant and equipment with carrying amount of RMB0.7 million was demolished to give way for Mudu local government authority's municipal infrastructure construction. There is no further demolition work performed since the financial year ended December 31, 2013.

Management has reviewed the carrying amount of the assets of SY Chemical to determine whether those assets have suffered an impairment loss taking into account the expected compensation amount from the government. In this regard, the management is satisfied that no further impairment is necessary. The carrying amount of the property, plant and equipment and land use rights (Note 17) of SY Chemical at the end of the reporting period are RMB0.4 million (2014 : RMB0.5 million) and RMB0.7 million (2014 : RMB0.7 million) respectively.

Impairment losses recognised

During the financial year, the Group carried out a review on the recoverable amount of its motor vehicles considering their value may have declined more than what would be expected from normal use. The assessment led to the recognition of an impairment loss of RMB2,493,000 that has been recognised under "Other operating expenses". The recoverable amount of the relevant assets was determined on the basis of their fair value less costs to sell.

Assets pledged as security

As at December 31, 2015, certain property, plant and equipment of the Group with net carrying amount of approximately RMB2.2 million (2014 : RMB2.3 million) are pledged to banks to secure short-term bank borrowings (Note 20).

NOTES TO FINANCIAL STATEMENTS

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15 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Assets held under mortgage loans

The carrying amount of property, plant and equipment held under mortgage loans (Note 21) at the end of the reporting period was approximately RMBNil (2014 : RMB24.1million).

	Office equipment RMB'000
<u>Company</u>	
Cost:	
At January 1, 2014	54
Written off	(26)
At December 31, 2014 and 2015	<u>28</u>
Accumulated depreciation:	
At January 1, 2014	31
Depreciation charge for the year	10
Written off	(26)
At December 31, 2014	<u>15</u>
Depreciation charge for the year	9
At December 31, 2015	<u>24</u>
Carrying amount:	
At December 31, 2015	<u>4</u>
At December 31, 2014	<u>13</u>

16 INTANGIBLE ASSETS

	Land improvement costs RMB'000
<u>Group</u>	
Cost:	
At January 1, 2014, December 31, 2014 and 2015	<u>342</u>
Accumulated amortisation and impairment losses:	
At January 1, 2014, December 31, 2014 and 2015	<u>342</u>
Carrying amount:	
At December 31, 2014 and 2015	<u>-</u>

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17 LAND USE RIGHTS

	Group	
	2015	2014
	RMB'000	RMB'000
Cost:		
At January 1 and December 31	8,889	8,889
Accumulated amortisation:		
At January 1	1,947	1,764
Amortisation charge for the year	183	183
At December 31	2,130	1,947
Carrying amount:		
At December 31	6,759	6,942

As at December 31, 2015, certain land use rights of the Group with net carrying amounts of approximately RMB6.8 million (2014 : RMB6.9 million) are pledged to banks to secure short-term bank borrowings (Note 20).

The amortisation expenses was recognised under the “Cost of sales” and “General and administrative expenses” in the Consolidated Statement of Comprehensive Income.

18 DEFERRED TAX ASSETS

	Allowance for impairment of property, plant and equipment	Allowance for impairment and discounting of trade receivables	Allowance for impairment of other receivables	Accruals	Tax losses	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2014	736	7,238	–	2,680	–	235	10,889
(Charge) credit to profit or loss for the year (Note 28)	(83)	(2,087)	850	(97)	–	(33)	(1,450)
At December 31, 2014	653	5,151	850	2,583	–	202	9,439
Credit (charge) to profit or loss for the year (Note 28)	370	(750)	(850)	(1,162)	7,247	67	4,922
At December 31, 2015	1,023	4,401	–	1,421	7,247	269	14,361

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18 DEFERRED TAX ASSETS (cont'd)

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Deductible temporary differences	1,855	6,983	—	—
Tax losses	2,172	3,299	—	—
	4,027	10,282	—	—

Subject to the agreement by the tax authorities, at the end of the reporting period, the Group has unutilised tax losses of RMB2.2 million (2014 : RMB3.3 million) available for offset against future taxable profits. No deferred tax asset has been recognised in respect of these unutilised tax losses due to the unpredictability of future profit streams. These unrecognised tax losses of RMB2.2 million (2014 : RMB3.3 million) will expire between 2016 to 2020 (2014 : 2015 to 2019). Other losses may be carried forward indefinitely subject to the conditions imposed by law including the retention of majority shareholders as defined.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is RMB74.3 million (2014 : RMB110.7 million). No liability has been recognised in respect of these differences because the Group estimated that such differences will not reverse in the foreseeable future.

Temporary differences arising in connection with interests in associate are insignificant.

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19 TRADE AND OTHER PAYABLES

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	109,748	273,139	–	–
Bills payable, secured	1,800	54,200	–	–
Other payables	5,548	7,545	–	–
Accruals for purchase of property, plant and equipment	4	109	–	–
Amount received from purchasers of a subsidiary (Note 33)	21,117	21,117	–	–
Deposit received for the intended sale of a subsidiary (Notes 33 and 34)	–	4,000	–	–
Accrued operating expenses	16,045	31,221	1,665	1,482
Advances from customers	324	548	–	–
Value added tax and other operating tax payables	2,697	3,235	–	–
Due to associate (trade) (Notes 6 and 14)	9,357	11,122	–	–
Due to a related party (trade) (Note 6)	100	–	–	–
	166,740	406,236	1,665	1,482
Transfer to liabilities directly associated with assets classified as held for sale (Note 33)	(8,287)	(8,287)	–	–
	158,453	397,949	1,665	1,482

The average credit period on purchases from major suppliers is normally between 2 to 4 months (2014 : 2 to 4 months). No interest is charged on the trade payables. It is expected that all the trade payables will be paid at their contractual maturity. The Group actively manages payments to all trade payables. Trade payables and accrued operating expenses principally comprise amounts outstanding for purchases of goods and services and ongoing costs.

Bills payable, secured

Bills payable have an average maturity period of 180 days (2014 : 180 days) and are interest-free if repayments are made within the credit period granted.

Bills payable are secured by:

- (i) A charge over bank balances (Note 7) and trade receivables (Note 8) of certain subsidiaries;
- (ii) Personal guarantees from certain directors and related parties; and/or
- (iii) Corporate guarantee from a non-related party.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

20 SHORT-TERM BANK BORROWINGS

	Group	
	2015	2014
	RMB'000	RMB'000
Secured short-term bank loans	172,944	219,357

The short-term bank borrowings are secured by:

- (i) A charge over property, plant and equipment (Note 15), land use rights (Note 17) and trade receivables (Note 8) of certain subsidiaries;
- (ii) Personal guarantees from certain directors and related parties;
- (iii) Corporate guarantee from a non-related party; and/or
- (iv) USD denominated loans of RMB56,494,000 secured by the letters of credit issued by banks.

The secured short-term bank loans bear weighted average effective interest at 2.6% to 7.6% (2014 : 2.2% to 7.8%) per annum.

The fair value of the Group's short-term bank borrowings approximates their carrying amount.

21 MORTGAGE LOANS

	Group			
	Minimum loan repayments		Present value of minimum loan repayments	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts payable under mortgage loans:				
Within one year	–	6,985	–	6,747
In the second to fifth years inclusive	–	–	–	–
	–	6,985	–	6,747
Less: Future finance charges	–	(238)	N/A	N/A
Present value of loan obligations	–	6,747	–	6,747
Less: Amount due for settlement within 12 months (shown under current liabilities)			–	(6,747)
Amount due for settlement after 12 months			–	–

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

21 MORTGAGE LOANS (cont'd)

It is the Group's policy to mortgage certain of its plant and equipment under mortgage loans. The average mortgage term is 3 years. For the year ended December 31, 2015, the interest rates was at 7.4% (2014 : 7.4%) per annum. Interest rates were fixed at the contract date and thus, expose the Group to fair value interest rate risk. All loans were on a fixed repayment.

All loan obligations are denominated in the functional currency of the respective group entities.

The fair value of the Group's loan obligations approximated their carrying amounts.

The Group's obligations under mortgage loans were secured by the Group's title to the mortgaged assets (Note 15).

22 SHARE CAPITAL

	Group and Company		Group		Company	
	2015	2014	2015	2014	2015	2014
	Number of ordinary shares		RMB'000		RMB'000	
	'000	'000				
Issued and paid up:						
At beginning and end of the year	1,663,900	1,663,900	182,405	182,405	653,285	653,285

Fully paid ordinary shares, which have no par value, carry one vote per share and a right to dividends as and when declared by the Company.

In 2007, following the acquisition of Assetgold Finance Limited ("Assetgold") by the Company, the former sole shareholder, Ever Universe Investments Limited ("Ever Universe"), of Assetgold become the majority shareholder of the Company. As a result, the Company's operations and executive management were substantially those of Assetgold. Accordingly, the substance of the transaction constitutes a reverse acquisition where Assetgold became the acquirer of the Company for accounting purposes (Reverse Acquisition). The accounting for Reverse Acquisition caused the Group's share capital to be lower than the Company's share capital.

23 RESERVES

	Group	
	2015	2014
	RMB'000	RMB'000
Statutory reserve fund	73,198	80,561
Foreign currency translation reserve	(1,547)	(1,547)
	71,651	79,014

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

23 RESERVES (cont'd)

Statutory reserve fund

In accordance with the Foreign Enterprise Law applicable to subsidiaries in the PRC, the subsidiaries are required to make appropriation to the Statutory Reserve Fund ("SRF"). At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiaries' registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiaries. The SRF is not available for dividend distribution to shareholders.

	Group	
	2015	2014
	RMB'000	RMB'000
At January 1	80,561	75,844
Transferred from accumulated profits	–	4,717
Disposal of a subsidiary	(7,363)	–
At December 31	73,198	80,561

Foreign currency translation reserve

Exchange differences relating to the translation from the functional currencies of the Group's foreign subsidiaries into Renminbi are brought to account by recognising those exchange differences in other comprehensive income and accumulating them in a separate component of equity under the header of foreign currency translation reserve. The foreign currency translation reserve represents exchange differences brought forward from prior years which arose from the translation of the financial statements of the Group's foreign operations entities whose functional currencies were previously different from that of the Group's presentation currency.

24 REVENUE

Revenue represents sale of goods, net of value-added tax, discounts and returns.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

25 OTHER OPERATING INCOME

	Group	
	2015	2014
	RMB'000	RMB'000
Rental income from lease of vessels to third party	291	583
Rental income from lease of plant and equipment to third party	575	594
Gain on disposal of property, plant and equipment	–	48
Government grant income	594	1,695
Gain on disposal of a subsidiary (Notes 33(ii) and 34)	7,932	–
Compensation from customers	562	1,556
Others	179	43
	<u>10,133</u>	<u>4,519</u>

26 FINANCE INCOME

	Group	
	2015	2014
	RMB'000	RMB'000
Interest income:		
- Bank balances	352	1,114
- Unwinding effect from discounting of trade receivables	11,710	17,031
	<u>12,062</u>	<u>18,145</u>

27 FINANCE EXPENSES

	Group	
	2015	2014
	RMB'000	RMB'000
Interest expense:		
- Short-term bank loans (Note 20)	14,395	16,693
- Mortgage loans (Note 21)	225	1,064
- Discounting of bills payable to banks (Note 19)	327	492
	<u>14,947</u>	<u>18,249</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

28 INCOME TAX (CREDIT) EXPENSE

	Group	
	2015	2014
	RMB'000	RMB'000
Current tax:		
- Current year	–	10,346
- Under provision in respect of prior years	–	15
Withholding tax	249	863
	249	11,224
Deferred tax:		
- Current year (Note 18)	(4,922)	1,450
	(4,673)	12,674

The total (credit) charge for the year can be reconciled to the accounting profit as follows:

	Group	
	2015	2014
	RMB'000	RMB'000
(Loss) profit before income tax	(28,551)	26,556
Income tax (credit) expense calculated at 17% (2014 : 17%)	(4,854)	4,515
Effect of different tax rates of subsidiaries operating in other jurisdictions	(1,297)	3,045
Expenses not deductible for tax purposes	1,625	2,974
Deferred tax assets not recognised	160	1,652
Utilisation of previously unrecognised tax losses	(7)	(346)
Change in unrecognised temporary differences	(549)	(44)
Withholding tax expense	249	863
Under provision in respect of prior years	–	15
	(4,673)	12,674

The Company is subject to a corporate income tax rate of 17% (2014 : 17%). In respect of the PRC subsidiaries, pursuant to the Income Tax Law of the PRC concerning Foreign Investment Enterprises and Foreign Enterprises and various local income tax laws (the "Income Tax Laws"), the Group's subsidiaries are subject to statutory income tax rate of 25% (2014 : 25%) unless the enterprise is located in specially designated regions or cities for which more favourable income tax rates apply.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

29 (LOSS) PROFIT FOR THE YEAR

(Loss) profit for the year has been arrived at after charging (crediting):

	Group	
	2015	2014
	RMB'000	RMB'000
Audit fees paid/payable to:		
- auditors of the Company	509	570
- other auditors		
- overseas practice of Deloitte Touche Tohmatsu Limited	910	1,130
- other auditors	140	175
Non-audit fees paid/payable to:		
- other auditors		
- overseas practice of Deloitte Touche Tohmatsu Limited	290	175
- other auditors	442	684
Directors' remuneration	6,200	6,324
Employee benefits expense (included in "cost of sales", "selling and distribution expenses" and "general and administrative expenses")	21,036	36,076
Contributions to defined contribution plans, included in employee benefits expense:		
- current year	3,523	4,123
- over provision in respect of prior years	(4,291)	-
Cost of inventories recognised as an expense	195,334	502,742
Loss (gain) on disposal of property, plant and equipment	807	(48)
Net foreign currency exchange loss (gain)	2,996	(269)

30 EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Group	
	2015	2014
	RMB'000	RMB'000
Earnings for the purposes of basic and diluted earnings per share		
((loss) profit for the year attributable to the owners of the Company)	(23,878)	13,882

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

30 EARNINGS PER SHARE (cont'd)

	Group	
	2015	2014
	Number of shares	
	'000	'000
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	1,663,900	1,663,900

31 COMMITMENTS

Capital commitments

At December 31, 2015, the Group and the Company have the following capital commitments:

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Commitments for the acquisition of property, plant and equipment	3,600	3,600	–	–

32 OPERATING LEASE ARRANGEMENTS

The Group as lessee

The Group has entered into operating lease agreements for the use of office, production premises and vehicles. As at December 31, 2015, these non-cancellable leases have remaining non-cancellable lease terms of 1 year (2014 : up to 11 years). There are no restrictions placed upon the Group by entering into these leases.

	Group	
	2015	2014
	RMB'000	RMB'000
Payment recognised as an expense during the year:		
Minimum lease payments under operating leases	3,719	12,234

Operating lease payments represent rentals payable by the Group for certain of its office, production premises and vehicles.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

32 OPERATING LEASE ARRANGEMENTS (cont'd)

The Group as lessee (cont'd)

Related parties

At December 31, 2015, the Group has commitments with related parties for future minimum lease payments under non-cancellable operating leases on production premises as follows:

	Group	
	2015	2014
	RMB'000	RMB'000
Less than 1 year	216	666
Within 1 to 5 years	–	1,800
More than 5 years	–	2,775
	216	5,241

Other parties

At December 31, 2015, the Group and Company have commitments with other parties for future minimum lease payments under non-cancellable operating lease as follows:

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Less than 1 year	–	139	–	139

As at the end of the reporting period, the Group has several lease agreements with other parties for the use of vehicles with no minimum lease payments.

33 ASSETS CLASSIFIED AS HELD FOR SALE

- (i) On December 28, 2012, the Company's wholly owned subsidiaries, Suzhou Yongsheng Concrete Co., Ltd ("SY Concrete") and Assetgold Finance Limited ("Assetgold") entered into a sale and purchase agreement and supplemental agreement with external parties, Wuxi Changan Concrete Co., Ltd ("Wuxi Changan") and Guji Investment Co., Limited ("Guji Investment"), to sell SY Concrete's 70% equity interest and Assetgold's 30% equity interest in Wuxi Lianyou Concrete Co., Ltd ("Wuxi Lianyou Concrete") to Wuxi Changan and Guji Investment at the consideration of RMB14,782,000 and RMB6,335,000 respectively. RMB21,117,000 has been received from the purchasers and included in trade and other payables (Note 19). The assets and liabilities attributable to Wuxi Lianyou Concrete, which were expected to be sold within twelve months, were classified as a disposal group held for sale since 2012.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

33 ASSETS CLASSIFIED AS HELD FOR SALE (cont'd)

- (i) Except for the ownership transfer approval from State Administration for Industry and Commerce of the People's Republic of China ("SAIC"), the approval by the other relevant PRC government authorities has been received at the end of the current reporting period. Upon the SAIC's approval of the ownership transfer, all the rights, obligations and liabilities attached to the equity interests held by SY Concrete and Assetgold in the registered capital of Wuxi Lianyou Concrete shall be deemed to be transferred to Wuxi Changan and Guji Investment on October 1, 2012.

Management has assessed and deemed that the delay in effecting the transfer of ownership at SAIC to complete the sale does not preclude the investment in Wuxi Lianyou Concrete from being classified as held for sale as the delay is caused by circumstances beyond the Group's control. The Group remains committed to the sale plan and it retains no managerial control over Wuxi Lianyou Concrete. Based on the sale and purchase agreement entered into with the Purchasers and legal advice, management is of the view that the Group will not be responsible for any loss or contingent liabilities incurred by Wuxi Lianyou Concrete after transferring the managerial control to the Purchasers. Due to uncertainties regarding approval by the authorities, upon legal completion of the sale, a gain of RMB6,729,000 before tax will be recognised in profit or loss, being the difference between the consideration received and the carrying amount of the disposal group.

- (ii) On October 23, 2014, Assetgold and SY Concrete entered into a legally binding letter of intent with Shanghai Jiangong Construction Material Co., Ltd ("SJCM") and Shanghai Construction Overseas (Holdings) Limited (collectively, the "Purchasers") to sell the Group's entire interest in Suzhou Industrial Park Yongsheng Concrete Co., Ltd ("SIP Yongsheng") to the Purchasers at the consideration of the assessed value of SIP Yongsheng's assets as at October 31, 2014.

As at December 31, 2014, a deposit of RMB4,000,000 was received from SJCM and included in trade and other payables (Note 19). The deposit will form part of the consideration upon the execution of a formal sale and purchase agreement.

The Group and the Purchasers entered into a sale and purchase agreement on March 8, 2015 and the disposal was completed on April 1, 2015, with control of SIP Yongsheng being passed to the Purchasers accordingly, at a consideration of RMB30,076,000 as disclosed in Note 34. The resulting gain from the disposal is approximately RMB7,932,000 as disclosed in Note 25.

- (iii) On December 22, 2015, SY Concrete entered into certain sale and purchase agreements with external parties to sell 15 units of motor vehicles at the consideration of RMB1,800,000.

The assets and liabilities attributable to Wuxi Lianyou Concrete and certain motor vehicles of SY Concrete, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the statement of financial position.

The proceeds of disposal on Wuxi Lianyou Concrete are expected to exceed the net carrying amount of the relevant assets and liabilities. Accordingly, no impairment loss has been recognised on the classification of these assets classified as held for sale.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

33 ASSETS CLASSIFIED AS HELD FOR SALE (cont'd)

The proceeds of disposal of certain motor vehicles are expected to be lower than the net carrying amount of the relevant assets. An impairment loss of RMB2,493,000 has been recognised on the classification of these assets classified as held for sale (Note 15) accordingly.

The major classes of assets and liabilities comprising the disposal group classified as held for sale are as follows:

2015	Wuxi Lianyou Concrete	SY Concrete	Total
	RMB'000	RMB'000	RMB'000
Property, plant and equipment	5,025	1,800	6,825
Deferred tax assets	466	–	466
Inventories	1,266	–	1,266
Loans and receivables	15,851	–	15,851
Prepayments and advances	44	–	44
Cash and bank balances	23	–	23
Assets classified as held for sale	22,675	1,800	24,475
Trade and other payables	(8,287)	–	(8,287)
Liabilities directly associated with assets classified as held for sale	(8,287)	–	(8,287)
Net assets of disposal group	14,388	1,800	16,188

2014	Wuxi Lianyou Concrete	SIP Yongsheng	Total
	RMB'000	RMB'000	RMB'000
Property, plant and equipment	5,025	18,963	23,988
Deferred tax assets	466	–	466
Inventories	1,266	–	1,266
Loans and receivables	15,851	–	15,851
Prepayments and advances	44	–	44
Cash and bank balances	23	–	23
Assets classified as held for sale	22,675	18,963	41,638
Trade and other payables	(8,287)	–	(8,287)
Liabilities directly associated with assets classified as held for sale	(8,287)	–	(8,287)
Net assets of disposal group	14,388	18,963	33,351

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

34 DISPOSAL OF A SUBSIDIARY

During the financial year, the Group disposed of its 100% equity interest in SIP Yongsheng to SJCM and Shanghai Construction Overseas (Holdings) Limited as disclosed in Note 33(ii).

Details of the disposal are as follows.

	2015 RMB'000
Current Assets	
Inventories	1,200
Trade and other receivables	12,237
Cash and cash equivalents	216
Assets classified as held for sale (Note 33)	18,963
	<u>32,616</u>
Current Liabilities	
Trade and other payables	(10,472)
Net assets derecognised	<u>22,144</u>
Consideration received:	
Cash received	30,076
Trade and other payables (Note 19)	(4,000)
Cash and cash equivalents disposed of	(216)
Net cash inflow on disposal of a subsidiary	<u>25,860</u>
Consideration received	30,076
Net assets derecognised	(22,144)
Gain on disposal (Note 25)	<u>7,932</u>

SIP Yongsheng contributed revenue of RMB1.5 million and net profit after tax of RMB0.7 million for the period from January 1, 2015 to March 31, 2015.

35 OPERATING SEGMENTS

Revenue and profit of the Group are mainly derived from sale of concrete products to customers in the PRC which form the Group's strategic business. The Executive Directors review internal management reports regularly.

The principal assets employed by the Group are located in the PRC. Accordingly, no other segmental information by geographical segment is presented.

The Group operates in only one segment, which is the production and supply of concrete and related products. Accordingly, no reporting by operating segment is presented.

For the financial year ended December 31, 2015, sale to one customer that accounted for more than 10% of the Group's sales amounted to RMB25,401,000. There are no customers that exceed 10% of sales in the financial year ended December 31, 2014.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

36 SUBSEQUENT EVENT

On February 24, 2016, the Company and CIMB Bank Berhad, Singapore Branch, for and on behalf of Torrington Place Pte. Ltd. (the “Offeror”), an entity controlled by the Company’s directors, namely:- Sun Jinnan and Zhao Lei, had issued an offer announcement stating that the Offeror intends to make a voluntary conditional cash offer for all the issued and paid-up ordinary shares in the capital of the Company other than those already owned, controlled or agreed to be acquired by the Offeror (the “Offer Shares”), conditional upon an acceptance level of 90% of the Offer Shares.

STATISTICS OF SHAREHOLDINGS

As at 18 March 2016

Issued and fully paid-up capital : S\$178,739,467
 Number of shares issued : 1,663,900,000 Ordinary Shares
 Class of shares : Ordinary

DISTRIBUTION OF SHAREHOLDINGS

Size of shareholdings	No. of shareholders	%	No. of shares	%
1 - 99	4	0.11	102	0.00
100 - 1,000	307	8.25	300,460	0.02
1,001 - 10,000	1,224	32.88	7,132,136	0.43
10,001 - 1,000,000	2,126	57.12	223,594,502	13.44
1,000,001 and above	61	1.64	1,432,872,800	86.11
Total	3,722	100.00	1,663,900,000	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name of shareholders	No. of shares	%
1	DB Nominees (S) Pte Ltd	1,132,476,078	68.06
2	CIMB Securities (Singapore) Pte Ltd	43,750,700	2.63
3	Bank of Singapore Nominees Pte Ltd	37,726,000	2.27
4	Lim Teck Chuan	32,653,000	1.96
5	Citibank Nominees Singapore Pte Ltd	11,056,000	0.66
6	OCBC Securities Private Ltd	9,741,000	0.59
7	Kea Chee Tong @ Ke Chi Yet @ Kia Chee Yet	9,033,700	0.54
8	Morgan Stanley Asia (S) Securities Pte Ltd	8,601,000	0.52
9	Phillip Securities Pte Ltd	7,748,900	0.47
10	Goh Bee Lan	7,000,000	0.42
11	Ling Leong Chnong	7,000,000	0.42
12	Maybank Kim Eng Securities Pte Ltd	6,339,000	0.38
13	Tan Kuang Kuang	6,000,000	0.36
14	Tan Kiang Hua	5,324,822	0.32
15	Raffles Nominees (Pte) Ltd	5,023,000	0.30
16	Lim Cher Khiang	5,009,900	0.30
17	United Overseas Bank Nominees Pte Ltd	4,492,100	0.27
18	Wong Yun Hey	4,109,000	0.25
19	Tan Too Hock	4,086,300	0.25
20	Tan Poh Hee	4,000,000	0.24
Total:		1,351,170,500	81.21

STATISTICS OF SHAREHOLDINGS

As at 18 March 2016

Based on the information available to the Company as at 18 March 2016, approximately 28.6% of the Company's equity securities are held in the hands of public. This is in compliance with Rule 723 of Listing Manual Section B: Rules of Catalyst of the SGX-ST which requires at least 10% of a listed issuer's equity securities to be held by the public.

Pursuant to Rule 1204(9)(f) of Listing Manual Section B: Rules of Catalyst of the SGX-ST, the Company does not hold any treasury shares as at 18 March 2016.

SUBSTANTIAL SHAREHOLDERS

(as recorded in the register of substantial shareholders)

Name of substantial shareholder	Direct interest	No. of shares		
		%	Indirect interest	%
Ever Universe Investments Limited	–	–	1,132,476,078	68.06

Notes:

1. Ever Universe Investments Limited's indirect interest comprises 1,132,476,078 shares held by nominees.
2. Our Executive Chairman, Mr Sun Jianming, holds 17.26% of the shares in Ever Universe Investments Limited.
3. Our Chief Executive Officer/Managing Director, Mr Zhao Deming, holds 32.02% of the shares in Ever Universe Investments Limited. He is deemed interested in the 1,132,476,078 shares in the Company in which Ever Universe Investments Limited has indirect interest.
4. Our Executive Director, Mr Sun Jinnan, holds 16.96% of the shares in Ever Universe Investments Limited.
5. Our Executive Director, Mr Zhao Lei, holds 16.88% of the shares in Ever Universe Investments Limited.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 41st Annual General Meeting (“**AGM**”) of the Company will be held at Orchard Hotel, 442 Orchard Road, Singapore 238879 on Thursday, 28 April 2016 at 10.00 a.m. for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the Audited Accounts for the financial year ended 31 December 2015 together with the Directors’ Statement and the Auditors’ Report of the Company. **(Resolution 1)**
2. To re-elect Mr Zhao Lei who is retiring under Article 102 of the Company’s Constitution. **(Resolution 2)**
3. To re-elect Mr Low Beng Tin who is retiring under Article 102 of the Company’s Constitution. **(Resolution 3)**

Mr Low Beng Tin will, upon re-election as a Director of the Company, remain the Lead Independent Director of the Company as well as a member of the Audit Committee, a member of the Remuneration Committee and a member of the Nominating Committee and will be considered independent of Management.
4. To re-appoint Mr Sun Jinnan as a Director of the Company. **(Resolution 4)**

[See Explanation Note (i)]
5. To re-appoint Mr Frank Liu as a Director of the Company. **(Resolution 5)**

Mr Frank Liu will, upon re-appointment as a Director of the Company, remain a Non-Executive and Independent Director of the Company as well as the Chairman of the Nominating Committee, a member of the Audit Committee and a member of the Remuneration Committee and will be considered independent of Management.

[See Explanation Note (i)]
6. To re-appoint Mr Tan Gim Soo as a Director of the Company. **(Resolution 6)**

Mr Tan Gim Soo will, upon re-appointment as a Director of the Company, remain a Non-Executive and Independent Director of the Company as well as the Chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nominating Committee and will be considered independent of Management.

[See Explanation Note (i)]
7. To approve the Directors’ fees of S\$400,000 (financial year ended 31 December 2015: S\$400,000) payable to the Independent Directors of the Company for the financial year ending 31 December 2016. **(Resolution 7)**

NOTICE OF ANNUAL GENERAL MEETING

8. To re-appoint Deloitte & Touche LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 8)**
9. To transact any other business that may be transacted at an AGM.

SPECIAL BUSINESS

10. To consider and, if thought fit, pass the following ordinary resolution with or without any modifications: **(Resolution 9)**

"That pursuant to Section 161 of the Companies Act (Cap. 50 of Singapore) ("**Act**") and the Rules of Catalist of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual ("**Catalist Rules**"), the directors of the Company ("**Directors**") be authorised and empowered to:

- (a) (i) issue shares in the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation or issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

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

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuant to any Instruments made or granted by the Directors while this Resolution was in force,

provided always that:

- (i) the aggregate number of Shares (including shares to be issued in pursuant of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed 100% of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of Shares to be issued other than on a pro rata basis to the Shareholders of the Company shall not exceed 50% of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (ii) below);

NOTICE OF ANNUAL GENERAL MEETING

- (II) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (I) above, the total number of issued Shares (excluding treasury shares) shall be based on the total number of issued Shares (excluding treasury shares) in the Company at the time of the passing of this Resolution, after adjusting for:
 - (i) new Shares arising from the conversion or exercise of any convertible securities;
 - (ii) new Shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and
 - (iii) any subsequent bonus issue, consolidation or subdivision of Shares;
- (III) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and
- (IV) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held whichever is the earlier.”

[See Explanation Note (ii)]

11. To consider and, if thought fit, pass the following ordinary resolution with or without any modifications:

(Resolution 10)

“That the Directors be and are hereby authorised to offer and grant options in accordance with the provisions of the China Yongsheng Employee Share Option Scheme (“**Scheme**”) pursuant to section 161 of the Act, to allot and issue and/or transfer from time to time such number of fully paid-up Shares in the capital of the Company as may be required to be issued and/or transferred pursuant to the exercise of the options under the Scheme, provided that the aggregate number of Shares available under the Scheme when added to the number of new Shares issued and/or issuable and/or existing Shares transferred and/or transferrable in respect of all options granted under the Scheme and any other share scheme which the Company may implement from time to time, will not exceed 15% of the total issued Shares in the capital of the Company (excluding treasury shares).”

[See Explanation Note (iii)]

NOTICE OF ANNUAL GENERAL MEETING

12. To consider and, if thought fit, pass the following ordinary resolution with or without any modifications: **(Resolution 11)**

“That, subject to and contingent upon the passing of ordinary resolution 10, the Directors be and are hereby authorised to grant options in accordance with the rules of the Scheme with exercise prices set at a discount to the Market Price (as defined below), provided that such discount does not exceed the relevant limits set by the SGX-ST.

In this notice, “**Market Price**” is defined to be the average of the last dealt prices for a Share determined by reference to the daily Official List published by the SGX-ST for a period of five (5) consecutive Market Days immediately prior to the relevant Offer Date of the option, provided always that in the event that Shares are not traded on the SGX-ST on a particular Market Day, the last dealt price for Shares traded on the SGX-ST on the immediate preceding Market Day shall be deemed as the last dealt price of Shares which are not traded on the SGX-ST on a following Market Day.”

[See Explanation Note (iv)]

By Order of the Board

Ong Beng Hong/Tan Swee Gek
Company Secretaries

28 March 2016

Explanation Notes:

- i. Each of Mr Sun Jinnan, Mr Frank Liu and Mr Tan Gim Soo was last re-appointed to the Board at the AGM of the Company held on 2 April 2015 pursuant to section 153(6) of the Act which was in force immediately before 3 January 2016. Pursuant to section 153(6) of the Act, such re-appointment was until the next AGM. Accordingly, as the appointment of each of Mr Sun Jinnan, Mr Frank Liu and Mr Tan Gim Soo lapses at the forthcoming AGM of the Company, each of Mr Sun Jinnan, Mr Frank Liu and Mr Tan Gim Soo is subject to re-appointment at the forthcoming AGM of the Company. Subject to each of their re-appointment at the conclusion of the forthcoming AGM of the Company, the re-appointment of Mr Sun Jinnan, Mr Frank Liu and Mr Tan Gim Soo will no longer be subject to Shareholders’ approval under section 153(6) of the Act as it has been repealed and each of them will then be subject to retirement by rotation pursuant to the Company’s Constitution.
- ii. The Ordinary Resolution 9 in item 10 above, if passed, will empower the Directors, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue Shares, make or grant Instruments convertible into Shares and to issue Shares pursuant to such Instruments, up to a number not exceeding, in total, 100% of the total number of issued Shares (excluding treasury shares) in the capital of the Company, of which up to 50% may be issued other than on a pro-rata basis to Shareholders.

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

NOTICE OF ANNUAL GENERAL MEETING

- iii. The Ordinary Resolution 10 proposed under item 11 above, if passed, will authorise the Directors to offer and grant options in accordance with the provisions of the Scheme and pursuant to Section 161 of the Act to allot and issue Shares in the Company up to a number not exceeding 15% of the total issued Shares in the capital of the Company (excluding treasury shares). The Scheme was first approved by the Shareholders of the Company in the Extraordinary General Meeting held on 29 April 2011. Please refer to the Company's Circular to Shareholders dated 11 April 2011 for further details.
- iv. The Ordinary Resolution 11 proposed under item 12 above, if passed, will authorise the Directors to grant options in accordance with the rules of the Scheme with exercise prices set at a discount to the Market Price, the quantum of such discount to be determined by the Remuneration Committee in its absolute discretion, provided that the maximum discount which may be given in respect of any option shall not exceed 20% of the Market Price (or such other percentage or amount prescribed or permitted by the SGX-ST). Please refer to the Company's Circular to Shareholders dated 11 April 2011 for further details.

Notes:

- 1)
 - (a) A member who is not a relevant intermediary (as defined in Section 181 of the Act) is entitled to appoint not more than two proxies to attend, speak and vote on his/her behalf at the AGM. Where a member appoints more than one proxy, he/she shall specify the proportion of his/her shares to be represented by each such proxy, failing which the nomination shall be deemed to be alternative.
 - (b) A member who is a relevant intermediary (as defined in Section 181 of the Act) is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.
- 2) A proxy need not be a member of the Company.
- 3) The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.
- 4) The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 80 Robinson Road, #17-02, Singapore 068898 at least 48 hours before the time fixed for the AGM.
- 5) A depositor shall not be regarded as a member of a Company entitled to attend, speak and vote at the AGM unless his name appears on the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Cap. 289) 72 hours before the time fixed for the AGM.
- 6) This notice has been reviewed by the Company's Sponsor, Provenance Capital Pte. Ltd., for compliance with the relevant rules of the SGX-ST. The Company's Sponsor has not independently verified the contents of this notice.

This notice has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this notice, including the correctness of any of the statements or opinions made or reports contained in this notice.

The details of the contact person for the Sponsor are:

Name: Ms Wong Bee Eng, Chief Executive Officer
Address: 96 Robinson Road, #13-01, SIF Building, Singapore 068899
Tel: 6227 1580
Email: wongbe@provenancecapital.com

Personal Data Privacy:

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

Proxy Form

CHINA YONGSHENG LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No: 197302032R)

I/We _____ (Name)

of _____ (Address)

being a member/members of China Yongsheng Limited (the "Company") hereby appoint

Name	Address	NRIC/ Passport No.	Proportion of my/our Shareholding	
			No. of shares	%

and/or (delete as appropriate)

Name	Address	NRIC/ Passport No.	Proportion of my/our Shareholding	
			No. of shares	%

failing which, the Chairman of the Meeting, as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the 41st Annual General Meeting of the Company, to be held at Orchard Hotel, 442 Orchard Road, Singapore 238879 on Thursday, 28 April 2016, at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Meeting.

No.	Resolutions Relating To:	For*	Against*
	Ordinary Business		
1.	Adoption of Accounts for the financial year ended 31 December 2015		
2.	Re-appointment of Mr Zhao Lei		
3.	Re-appointment of Mr Low Beng Tin		
4.	Re-appointment of Mr Sun Jinnan		
5.	Re-appointment of Mr Frank Liu		
6.	Re-appointment of Mr Tan Gim Soo		
7.	Approval of Directors' Fees for the Independent Directors of the Company for the financial year ending 31 December 2016		
8.	Re-appointment of Auditors		
	Special Business		
9.	Authority to allot and issue new shares		
10.	Authority to allot and issue new shares pursuant to the China Yongsheng Employee Share Option Scheme		
11.	Authority to grant options at a discount under the China Yongsheng Employee Share Option Scheme		

* If you wish to exercise all your votes "For" or "Against", please indicate your vote "For" or "Against" with "X" within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2016.

Total number of Shares held

Signature of Member(s) or Common Seal

Important: Please read notes overleaf



Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Cap. 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares registered in your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2.
 - (a) A member who is not a relevant intermediary (as defined in Section 181 of the Companies Act, Cap. 50) is entitled to appoint not more than two proxies to attend, speak and vote on his/her behalf at the Meeting. Where a member appoints more than one proxy, he/she shall specify the proportion of his/her shares to be represented by each such proxy, failing which the nomination shall be deemed to be alternative.
 - (b) A member who is a relevant intermediary (as defined in Section 181 of the Companies Act, Cap. 50) is entitled to appoint more than two proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.
3. A proxy need not be a member of the Company.
4. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 80 Robinson Road, #17-02, Singapore 068898, not less than 48 hours before the time set for the Meeting.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter of power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy; failing which the instrument may be treated as invalid.
7. The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of Shares entered in the Depository Register, the Company may reject a Proxy Form if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By attending the Meeting and/or any adjournment thereof or submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of the Meeting.

CORPORATE INFORMATION

BOARD OF DIRECTORS

SUN JIANMING

Executive Chairman

ZHAO DEMING

*Chief Executive Officer/
Managing Director*

SUN JINNAN

Executive Director

ZHAO LEI

Executive Director

LOW BENG TIN

Lead Independent Director

BERNARD TAY AH KONG

Independent Director

FRANK LIU

Independent Director

TAN GIM SOO

Independent Director

COMPANY SECRETARIES

Ong Beng Hong (LL.B (Hons))

Tan Swee Gek (LL.B (Hons))

REGISTERED OFFICE

80 Robinson Road

#17-02

Singapore 068898

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

B.A.C.S. Private Limited

8 Robinson Road

#03-00 ASO Building

Singapore 048544

AUDITORS TO THE COMPANY

Deloitte & Touche LLP

6 Shenton Way

OUE Downtown 2 #33-00

Singapore 068809

Partner-in-charge: Chua How Kiat
(Year of appointment: 2015)



CHINA YONGSHENG LIMITED

Registration No. 197302032R

Office Address:

151 Chin Swee Road
#02-24 Manhattan House
Singapore 169876
Tel: 6735 1633
Fax: 6737 3859

Registered Address:

80 Robinson Road
#17-02
Singapore 068898
Tel: 6735 1633
Fax: 6223 2178