

CHINA DAIRY GROUP LTD.

(Registration No: 199703080Z)

Statement by Directors and Financial Statements

Year Ended 31 December 2015

RSM Chio Lim LLP

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Business Advisors to Growing Businesses

Statement by Directors and Financial Statements

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Statement by Directors

The directors of the company are pleased to present the accompanying financial statements of the company and of the group for the reporting year ended 31 December 2015.

1. Opinion of the directors

In the opinion of the directors,

- (a) the accompanying financial statements and the consolidated financial statements are drawn up so as to give a true and fair view of the financial position and performance of the company and of the group for the reporting year covered by the financial statements or consolidated financial statements; and
- (b) at the date of the statement there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

The board of directors approved and authorised these financial statements for issue.

2. Directors in office at date of report

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

Liu Huaguo
Kong Jing
Wang Jingji
Kwok Kain Sze
Chao Sik Ting
Lei Huafeng
Zhang Puhui
Wang Xin
Zhao Zhongqi

3. Directors' interests in shares and debentures

The directors of the company holding office at the end of the reporting year were not interested in shares in or debentures of the company or other related body corporate as recorded in the register of directors' shareholdings kept by the company under section 164 of the Companies Act, Chapter 50 ("the Act") except as follows:

Name of directors
and company in which
interests are held

	<u>Direct interest</u>			<u>Deemed interest</u>		
	<u>As at</u> <u>01.01.15</u>	<u>As at</u> <u>31.12.15</u>	<u>As at</u> <u>21.01.16</u>	<u>As at</u> <u>01.01.15</u>	<u>As at</u> <u>31.12.15</u>	<u>As at</u> <u>21.01.16</u>
<u>Interest in China Dairy</u> <u>Group Ltd's ordinary shares</u>						
				<u>Number of shares of no par value</u>		
Liu Huaguo	—	—	—	208,738,000	212,424,000	212,424,000
Wang Xin	—	—	—	129,700,000	129,700,000	129,700,000
Chao Sik Ting	200,000	200,000	200,000	—	—	—

3. Directors' interests in shares and debentures (cont'd)

By virtue of section 7 of the Act, Mr Liu Huaguo is deemed to have an interest in all related body corporates of the company at the relevant dates.

4. Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures

Neither at the end of the reporting year nor at any time during the reporting year did there subsist arrangements to which the company is a party, being arrangements whose objects are, or one of whose objects is, to enable directors of the company to acquire benefits by means of the acquisition of shares in or debentures of the company or any other body corporate.

5. Options

During the reporting year, no option to take up unissued shares of the company or other body corporate in the group was granted.

During the reporting year, there were no shares issued by virtue of the exercise of an option to take up unissued shares.

At the end of the reporting year, there were no unissued shares under option.

6. Report of audit committee

The members of the audit committee ("AC") at the date of this report are as follows:

Lei Huafeng	(Chairman of AC)
Kwok Kain Sze	(Independent and non-executive director)
Chao Sik Ting	(Independent and non-executive director)
Zhang Puhui	(Independent and non-executive director)

The primary role of the AC is to ensure that best practise is achieved as far as possible in the implementation of corporate policies and compliance processes. In addition, the AC monitors corporate risk management and compliance processes, ensures that the Group's Code of Conduct complies with all statutory and fiduciary requirements. The financial statements, accounting policies and system of internal accounting controls are responsibilities that also fall under the ambit of AC.

The AC has held 4 meetings this year and has carried out its functions in accordance with the Act. It has also recommended the nomination of RSM Chio Lim LLP as the company's auditors at the forthcoming annual general meeting.

The AC reviewed the scope of work of the auditors and the assistance given by the group's officer to the auditors. They also met with the company's auditors to review their audit plan and results, having separate and independent access to the auditors.

The AC is satisfied with the independence of the auditors and the provision of non-audit services by RSM Chio Lim LLP does not impact its independence.

6. Report of audit committee (cont'd)

The company has complied with Rules 712,715 and 716 of the Listing Rules of the SGX-ST in relation to the appointments of external auditors.

The AC reviewed the interested party transactions and the financial statements of the Group as well as the quarterly, half-yearly and annual results announcements before they are submitted to the Board for approval.

The Company has adopted a whistle-blowing policy. The policy serves to encourage and provide a channel to employees to report in good faith and in confidence, without fear of reprisals, concerns about possible improprieties in financial reporting or other matters. The objective for such arrangement is to ensure independent investigation of such matter and for appropriate follow-up action.

The AC is kept abreast by Management and external auditors on changes to accounting standards and other regulations which might have a direct impact on the financial statements.

7. Directors' opinion on the adequacy of internal controls

Based on the internal controls established and maintained by the company, work performed by the external auditors, and reviews performed by management, other committees of the board and the board, the audit committee and the board are of the opinion that company's internal controls, addressing financial, operational and compliance risks, are adequate as at the end of the reporting year 31 December 2015.

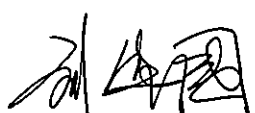
8. Independent auditors

RSM Chio Lim LLP have expressed their willingness to accept re-appointment.

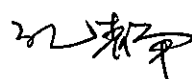
9. Subsequent developments

There are no significant developments subsequent to the release of the group and the company's preliminary financial statements, as announced on 29 February 2016, which would materially affect the group and the company's operating and financial performance as of the date of this report.

On behalf of the directors


.....
Liu Huaguo
Director

27 APR 2016


.....
Kong Jing
Director

RSM Chio Lim LLP

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**Independent Auditor's Report to the Members of
CHINA DAIRY GROUP LTD. (Registration No: 199703080Z)**

Report on the financial statements

We have audited the accompanying financial statements of China Dairy Group Ltd (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 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the group, and statement of changes in equity of the company for the reporting year then ended, and a summary of significant accounting policies and other explanatory information.

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, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditor's responsibility

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 and fair presentation of the financial statements 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 Auditor's Report to the Members of
CHINA DAIRY GROUP LTD. (Registration No: 199703080Z)**

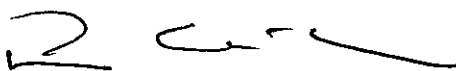
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Opinion

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 31 December 2015 and of the financial performance, changes in equity and cash flows of the group and the changes in equity of the company for the reporting 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 and by those subsidiaries incorporated in Singapore of which we are the independent auditors have been properly kept in accordance with the provisions of the Act.



RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

27 April 2016

Partner in charge of audit: Ng Thiam Soon
Effective from year ended 31 December 2011

Consolidated Statement of Profit or Loss and Other Comprehensive Income
Year Ended 31 December 2015

		<u>Group</u>	
	<u>Notes</u>	<u>2015</u> RMB'000	<u>2014</u> RMB'000
Revenue	4	1,640,165	1,809,382
Cost of sales		(1,073,339)	(1,229,541)
Gross profit		566,826	579,841
<u>Other items of income</u>			
Interest income	5	757	880
Other gains	6	7,417	7,139
<u>Other items of expense</u>			
Marketing and distribution costs		(461,557)	(457,223)
Administrative expenses		(92,068)	(88,271)
Finance costs	7	(9,242)	(9,313)
Other losses	6	(5,274)	(7,430)
Share of (loss)/profit from associate		(106)	817
Profit before tax from continuing operations		6,753	26,440
Income tax expense	9	(1,494)	(4,541)
Profit from continuing operations, net of tax		5,259	21,899
<u>Other comprehensive income</u>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating to presenting currency, net of tax		(1,635)	(2,533)
Other comprehensive loss for the year, net of tax		(1,635)	(2,533)
Total comprehensive income		3,624	19,366
Profit attributable to owners of the parent, net of tax		5,530	22,149
Loss attributable to non-controlling interests, net of tax		(271)	(250)
Profit net of tax		5,259	21,899
Total comprehensive income attributable to owners of the parent, net of tax		3,895	19,616
Total comprehensive loss attributable to non-controlling interests, net of tax		(271)	(250)
Total comprehensive income		3,624	19,366
<u>Earnings per share from continuing operation</u>	11	RMB Cents	RMB Cents
Basic		1.26	5.04
Diluted		1.26	5.04

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

Statements of Financial Position
As at 31 December 2015

		<u>Group</u>		<u>Company</u>	
	<u>Notes</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
		RMB'000	RMB'000	RMB'000	RMB'000
<u>ASSETS</u>					
<u>Non-current assets</u>					
Property, plant and equipment	13	370,929	360,595	5	12
Investment property	14	2,900	3,257	–	–
Investments in subsidiaries	15	–	–	377,630	385,565
Investment in an associate	16	31,733	31,839	–	–
Deferred tax assets	9	11,137	11,548	–	–
Other assets, non-current	17	43,341	44,374	–	–
Total non-current assets		460,040	451,613	377,635	385,577
<u>Current assets</u>					
Inventories	18	185,909	201,081	–	–
Trade and other receivables, current	19	139,127	119,586	9,473	14,340
Income tax recoverable		2,725	627	–	–
Other financial assets, current	20	–	3,000	–	–
Other assets, current	21	50,162	63,217	55	49
Cash and cash equivalents	22	94,853	98,272	6,567	2,619
Total current assets		472,776	485,783	16,095	17,008
Total assets		932,816	937,396	393,730	402,585
<u>EQUITY AND LIABILITIES</u>					
<u>Equity</u>					
Share capital	23	401,392	401,392	401,392	401,392
(Accumulated losses) / retained earnings		(93,721)	(99,251)	(3,659)	1,058
Other reserves	24	40,272	41,907	(12,654)	(4,433)
Equity, attributable to equity holders of the parent, total		347,943	344,048	385,079	398,017
Non-controlling interests		(954)	(683)	–	–
Total equity		346,989	343,365	385,079	398,017
<u>Liabilities</u>					
<u>Non-current liabilities</u>					
Other financial liabilities, non-current	25	11,579	5,051	–	–
Total non-current liabilities		11,579	5,051	–	–
<u>Current liabilities</u>					
Trade and other payables, current	26	406,963	428,916	8,651	4,568
Other financial liabilities, current	25	155,657	152,597	–	–
Other liabilities, current	27	11,628	7,467	–	–
Total current liabilities		574,248	588,980	8,651	4,568
Total liabilities		585,827	594,031	8,651	4,568
Total equity and liabilities		932,816	937,396	393,730	402,585

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

CHINA DAIRY GROUP LTD. (Registration No: 199703080Z)

**Statements of Changes in Equity
Year Ended 31 December 2015**

Group:	Total Equity RMB'000	Attributable to Parent Sub-total RMB'000	Share Capital RMB'000	Accumulated Losses RMB'000	Other Reserves RMB'000	Non- Controlling Interests RMB'000
Current year						
Opening balance at 1 January 2015	343,365	344,048	401,392	(99,251)	41,907	(683)
Movement in equity:						
Total comprehensive income / (loss) for the year	3,624	3,895	-	5,530	(1,635)	(271)
Closing balance at 31 December 2015	346,989	347,943	401,392	(93,721)	40,272	(954)
Previous year						
Opening balance at 1 January 2014	323,285	323,718	401,392	(121,090)	43,416	(433)
Movement in equity:						
Total comprehensive income / (loss) for the year	19,366	19,616	-	22,149	(2,533)	(250)
Disposal of subsidiary (Note 10)	1,024	1,024	-	-	1,024	-
Effect of shareholding change in associate	(310)	(310)	-	(310)	-	-
Closing balance at 31 December 2014	343,365	344,048	401,392	(99,251)	41,907	(683)

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

Statements of Changes in Equity
Year Ended 31 December 2015

<u>Company:</u>	<u>Total</u> <u>Equity</u> RMB'000	<u>Share</u> <u>Capital</u> RMB'000	Retained Earnings/ (Accumulated <u>Losses</u> RMB'000	Other <u>Reserves</u> RMB'000
Current year				
Opening balance at 1 January 2015	398,017	401,392	1,058	(4,433)
Movement in equity:				
Total comprehensive loss for the year	(12,938)	—	(4,717)	(8,221)
Closing balance at 31 December 2015	385,079	401,392	(3,659)	(12,654)
Previous year				
Opening balance at 1 January 2014	407,315	401,392	5,968	(45)
Movement in equity:				
Total comprehensive loss for the year	(9,298)	—	(4,910)	(4,388)
Closing balance at 31 December 2014	398,017	401,392	1,058	(4,433)

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

Consolidated Statement of Cash Flows
Year Ended 31 December 2015

	<u>2015</u> RMB'000	<u>2014</u> RMB'000
<u>Cash flows from operating activities</u>		
Profit before tax	6,753	26,440
Interest income	(757)	(880)
Interest expense	9,242	9,313
Share of loss from associate	106	(817)
Depreciation of investment property, property, plant and equipment	39,888	41,321
Amortisation of other assets, non-current	1,033	1,401
Loss on disposal of plant and equipment	1,542	554
Foreign exchange adjustment gains	(1,593)	(2,556)
Gain on disposal of investment in subsidiary	–	(1,358)
Operating cash flows before changes in working capital	56,214	73,418
Inventories	15,172	(6,673)
Trade and other receivables, current	(19,541)	539
Other assets, current	13,055	(593)
Trade and other payables, current	(21,953)	9,945
Other liabilities, current	4,161	(4,389)
Net cash flows from operations	47,108	72,247
Income taxes paid	(3,181)	(1,633)
Net cash flows from operating activities	43,927	70,614
<u>Cash flows from investing activities</u>		
Disposal of plant and equipment	744	211
Purchase of property, plant and equipment (Note 22)	(34,414)	(68,023)
Disposal of subsidiary	–	1,500
Disposal of other financial asset (Note 20)	3,000	–
Increase in investment in associate	–	(8,099)
Interest received	757	880
Net cash flows used in investing activities	(29,913)	(73,531)
<u>Cash flows from financing activities</u>		
Finance lease repayments (Note 22)	(8,149)	(2,386)
New loans obtained	–	150,000
Repayment of loans	–	(130,400)
Cash restricted in use over 3 months	(35,130)	1,290
Interest paid	(9,242)	(9,313)
Net cash flow (used in) / from investing activities	(52,521)	9,191
Net (decrease) / increase in cash and cash equivalents	(38,507)	6,274
Cash and cash equivalents, statement of cash flows, beginning balance	95,092	88,873
Effect of foreign exchange rate adjustments	(42)	(55)
Cash and Cash Equivalents, Statement of Cash Flows, Ending Balance (Note 22A)	56,543	95,092

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

Notes to the Financial Statements
31 December 2015

1. General

China Dairy Group Ltd. (the "company") is incorporated in Singapore with limited liability. The financial statements are presented in Chinese Renminbi and expressed to the nearest thousand. They cover the company (referred to as "parent") and the subsidiaries (the "group").

The board of directors approved and authorised these financial statements for issue on the date of the statement by directors.

The company is an investment holding company. It is listed on the Singapore Exchange Securities Trading Limited.

The principal activities of the subsidiaries are described in Note 15 to the financial statements.

The registered office is 8 Wilkie Road, #03-01, Wilkie Edge, Singapore 228095. The company is situated in Singapore.

Going concern assumption

As at 31 December 2015 the company and the group have net assets of RMB346,989,000 (2014: RMB343,365,000) and RMB385,079,000 (2014: RMB398,017,000) respectively and the group generated net cash flows from operating activities of RMB43,927,000 (2014: RMB70,614,000) in the reporting year ended 31 December 2015. Notwithstanding these, the group's current liabilities exceeded its current assets by RMB101,472,000 (2014: RMB103,197,000) as at 31 December 2015. The negative working capital is due to the group utilising short-term financing to finance its long-term capital expenditure.

In the opinion of the directors, the group is able to continue as going concern due to the following factors:

- (a) Management has considered the profitability and the progress on business development during the reporting year, and is confident that the group's performance would improve in the coming years.
- (b) The group continues to be dependent on the bank facilities to support its operation and will open renewal negotiations with the banks in due course. The group has built up good rapport with the banks and therefore, management does not expect difficulties in securing renewal of bank facilities.

The group monitors and manages the liquidity risk by ensuring there are sufficient cash to meet all its normal operating commitments in a timely and cost-effective manner, having adequate amount of credit facilities. Adjustments to estimates will be made in future periods if future market activity indicates that such adjustments are appropriate.

1. General (cont'd)

Accounting convention

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ("FRS") and the related Interpretations to FRS ("INT FRS") as issued by the Singapore Accounting Standards Council and the Companies Act, Chapter 50. The financial statements are prepared on a going concern basis under the historical cost convention except where a FRS requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in FRSs may not be applied when the effect of applying them is immaterial. The disclosures required by FRSs need not be made if the information is immaterial. Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in the statement of profit or loss, as required or permitted by FRS. Reclassification adjustments are amounts reclassified to profit or loss in the current period that were recognised in other comprehensive income in the current or previous periods.

Basis of preparation of the financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity's accounting policies. The areas requiring management's most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed at the end of this footnote, where applicable.

Basis of presentation

The consolidated financial statements include the financial statements made up to the end of the reporting year of the company and all of its subsidiaries. The consolidated financial statements are the financial statements of the group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity and are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions, including income, expenses and cash flows are eliminated on consolidation. Subsidiaries are consolidated from the date the reporting entity obtains control of the investee and cease when the reporting entity loses control of the investee. Control exists when the group has the power to govern the financial and operating policies so as to gain benefits from its activities.

Changes in the group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity as transactions with owners in their capacity as owners. The carrying amounts of the group's and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. When the group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at fair value at the date when control is lost and is subsequently accounted as available-for-sale financial assets in accordance with FRS 39.

The company's separate financial statements have been prepared on the same basis, and as permitted by the Companies Act, Chapter 50, the company's separate statement of profit or loss and other comprehensive income is not presented.

2. Significant accounting policies and other explanatory information

2A. Significant accounting policies

Revenue recognition

The revenue amount is the fair value of the consideration received or receivable from the gross inflow of economic benefits during the reporting year arising from the course of the activities of the entity and it is shown net of sales related taxes, estimated returns and rebates. Revenue from the sale of goods is recognised when significant risks and rewards of ownership are transferred to the buyer, there is neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Rental income is recognised on a time-proportion basis that takes into account the effective yield on the asset on a straight-line basis over the lease term. Interest is recognised using the effective interest method. Dividend from equity instrument is recognised in profit or loss when the entity's right to receive payment is established.

Government grants

A government grant is recognised at fair value when there is reasonable assurance that the conditions attaching to it will be complied with and that the grant will be received. A grant in recognition of specific expenses is recognised as income over the periods necessary to match them with the related costs that they are intended to compensate, on a systematic basis. A grant related to depreciable assets is allocated to income over the period in which such assets are used in the project subsidised by the grant. A government grant related to assets, including non-monetary grants at fair value, is presented in the statement of financial position by setting up the grant as deferred income.

Employee benefits

Contributions to a defined contribution retirement benefit plan are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it agrees to contribute to an independently administered fund (such as the Central Provident Fund in Singapore, a government managed defined contribution retirement benefit plan). For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

Pursuant to the relevant regulations of the People's Republic of China ("PRC") government, the subsidiaries in PRC have each participated in a local municipal government social insurance and house provident funds (the "social insurance"), whereby the subsidiaries in PRC are required to contribute a certain percentage of the basic salaries of its employees to the social insurance to fund their retirement, medical, unemployment and other benefits. The local municipal government undertakes to assume the social insurance obligations of those employees of the group.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. Interest expense is calculated using the effective interest method. Borrowing costs are recognised as an expense in the period in which they are incurred except that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. 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.

Foreign currency transactions

The functional currency of the company is the Singapore dollar ("S\$") as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss except when recognised in other comprehensive income and if applicable deferred in equity such as qualifying cash flow hedges. The presentation currency is the Chinese Renminbi ("RMB") as the major operation of the group is in People's Republic of China. For the Singapore dollar financial statements assets and liabilities are translated at year end rates of exchange and the income and expense items for each statement presenting profit or loss and other comprehensive income are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity. The reporting year end rates used are S\$1 to RMB4.594 (2014: S\$1 to RMB4.690) which approximate the rate of exchange at the end of the reporting year. The average rates of exchange for the reporting year were S\$1 to RMB4.565 (2014: S\$1 to RMB4.827). The translations of S\$ amounts into RMB amounts are included solely for the convenience of readers. Such translation should not be construed as a representation that the Renminbi amounts could be converted into Singapore dollars at the above rate or other rate.

Translation of financial statements of other entities

Each entity in the group determines the appropriate functional currency as it reflects the primary economic environment in which the relevant reporting entity operates. In translating the financial statements of such an entity for incorporation in the combined financial statements in the presentation currency the assets and liabilities denominated in other currencies are translated at end of the reporting year rates of exchange and income and expense items for each statement presenting profit or loss and other comprehensive income are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity until the disposal of that relevant reporting entity.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Segment reporting

The group discloses financial and descriptive information about its consolidated reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

Income tax

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the reporting year in respect of current tax and deferred tax. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income and (b) directly in equity if the tax is related to an item recognised directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each end of the reporting year and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax liability or asset is recognised for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and joint arrangements except where the reporting entity is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Property, plant and equipment

Depreciation is provided on a straight-line basis to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets. The annual rates of depreciation are as follows:

Leasehold properties	–	5%
Plant and Equipment	–	10% - 20%

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Construction in progress is not depreciated as the asset is not available for use. Fully depreciated assets still in use are retained in the financial statements.

Property, plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. The gain or loss arising from the derecognition of an item of property, plant and equipment is measured as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at least at each end of the reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

Cost also includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred.

Investment property

Investment property is property owned or held under a finance lease to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business. It includes an investment property in the course of construction. After initial recognition at cost including transaction costs the cost model is used to measure the investment property using the treatment for property, plant and equipment, that is, at cost less any accumulated depreciation and any accumulated impairment losses. An investment property that meets the criteria to be classified as held for sale is carried at the lower of carrying amount and fair value less costs to sell. For disclosure purposes, the fair values are determined periodically on a systematic basis at least once in three years by management. The annual rate of depreciation of the investment property is 5%.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over the remaining lease terms. The annual rate of amortisation is as follows:

Land use rights – 2% to 2.4%

Leases

Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. At the commencement of the lease term, a finance lease is recognised as an asset and as a liability in the statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each measured at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The excess of the lease payments over the recorded lease liability are treated as finance charges which are allocated to each reporting year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the reporting years in which they are incurred. The assets are depreciated as owned depreciable assets. Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Subsidiaries

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the reporting entity and the reporting entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of substantive potential voting rights that the reporting entity has the practical ability to exercise (that is, substantive rights) are considered when assessing whether the reporting entity controls another entity.

In the reporting entity's separate financial statements, an investment in a subsidiary is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying value and the net book value of the investment in a subsidiary are not necessarily indicative of the amount that would be realised in a current market exchange.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Associates

An associate is an entity including an unincorporated entity in which the reporting entity has a significant influence and that is neither a subsidiary nor a joint arrangement of the reporting entity. 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. An investment in an associate includes goodwill on acquisition, which is accounted for in accordance with FRS 103 Business Combinations. However the entire carrying amount of the investment is tested under FRS 36 for impairment, by comparing its recoverable amount (higher of value in use and fair value) with its carrying amount, whenever application of the requirements in FRS 39 indicates that the investment may be impaired.

In the company's separate financial statements, an investment in an associate is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for an associate is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying value and the net book value of an investment in the associate are not necessarily indicative of the amounts that would be realised in a current market exchange.

In the consolidated financial statements, the accounting for investments in an associate is on the equity method. Under the equity method the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The carrying value and the net book value of the investment in the associate are not necessarily indicative of the amounts that would be realised in a current market exchange. The investor's profit or loss includes its share of the investee's profit or loss and the investor's other comprehensive income includes its share of the investee's other comprehensive income. Losses of an associate in excess of the reporting entity's interest in the relevant associate are not recognised except to the extent that the reporting entity has an obligation. Profits and losses resulting from transactions between the reporting entity and an associate are recognised in the financial statements only to the extent of unrelated reporting entity's interests in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates are changed where necessary to ensure consistency with the policies adopted by the reporting entity. The reporting entity discontinues the use of the equity method from the date that when its investment ceases to be an associate and accounts for the investment in accordance with FRS 39 from that date. Any gain or loss is recognised in profit or loss. Any investment retained in the former associate is measured at fair value at the date that it ceases to be an associate.

Business combinations

Business combinations are accounted for by applying the acquisition method. There were no acquisitions during the reporting year.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Non-controlling interests

The non-controlling interest is equity in a subsidiary not attributable, directly or indirectly, to the reporting entity as the parent. The non-controlling interest is presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. For each business combination, any non-controlling interest in the acquiree (subsidiary) is initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Where the non-controlling interest is measured at fair value, the valuation techniques and key model inputs used are disclosed in the relevant Note. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Inventories

Inventories are measured at the lower of cost (weighted average method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. A write down on cost is made where the cost is not recoverable or if the selling prices have declined. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Impairment of non-financial assets

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The carrying amount of other non-financial assets is reviewed at each end of the reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. When the fair value less costs of disposal method is used, any available recent market transactions are taken into consideration. When the value in use method is adopted, in assessing the 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 the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each end of the reporting year non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been measured, net of depreciation or amortisation, if no impairment loss had been recognised.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Financial assets

Initial recognition, measurement and derecognition:

A financial asset is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument. The initial recognition of financial assets is at fair value normally represented by the transaction price. The transaction price for financial asset not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs incurred on the acquisition or issue of financial assets classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date method.

Irrespective of the legal form of the transactions performed, financial assets are derecognised when they pass the "substance over form" based on the derecognition test prescribed by FRS 39 relating to the transfer of risks and rewards of ownership and the transfer of control. Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Subsequent measurement:

Subsequent measurement based on the classification of the financial assets in one of the following four categories under FRS 39 is as follows:

- #1. Financial assets at fair value through profit or loss: As at end of the reporting year date there were no financial assets classified in this category.
- #2. Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets that are for sale immediately or in the near term are not classified in this category. These assets are carried at amortised costs using the effective interest method (except that short-duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant) minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Impairment charges are provided only when there is objective evidence that an impairment loss has been incurred as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The methodology ensures that an impairment loss is not recognised on the initial recognition of an asset. Losses expected as a result of future events, no matter how likely, are not recognised. For impairment, the carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Typically the trade and other receivables are classified in this category.
- #3. Held-to-maturity financial assets: As at end of the reporting year date there were no financial assets classified in this category.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Financial assets (cont'd)

Subsequent measurement (cont'd):

- #4. Available-for-sale financial assets: These are non-derivative financial assets that are designated as available-for-sale on initial recognition or are not classified in one of the previous categories. These assets are carried at fair value. Changes in fair value of available-for-sale financial assets (other than those relating to foreign exchange translation differences on monetary investments) are recognised in other comprehensive income and accumulated in a separate component of equity under the heading revaluation reserves. Such reserves are reclassified to profit or loss when realised through disposal. When there is objective evidence that the asset is impaired, the cumulative loss is reclassified from equity to profit or loss as a reclassification adjustment. A significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment. If, in a subsequent period, the fair value of an equity instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss, it is reversed against revaluation reserves and is not subsequently reversed through profit or loss. However for debt instruments classified as available-for-sale impairment losses recognised in profit or loss are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss. The weighted average method is used when determining the cost basis of publicly listed equities being disposed of. For non-equity instruments classified as available-for-sale the reversal of impairment is recognised in profit or loss. These financial assets are classified as non-current assets unless management intends to dispose of the investments within 12 months of the end of the reporting year. Usually non-current investments in equity shares and debt securities are classified in this category but it does not include subsidiaries, joint ventures, or associates. Unquoted investments are stated at cost less allowance for impairment in value where there are no market prices, and management is unable to establish fair value by using valuation techniques except that where management can establish fair value by using valuation techniques the relevant unquoted investments are stated at fair value. For unquoted equity instruments impairment losses are not reversed.

Cash and cash equivalents

Cash and cash equivalents include bank and cash balances, on demand deposits and any highly liquid debt instruments purchased with an original maturity of three months or less. For the statement of cash flows the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Financial liabilities

Initial recognition, measurement and derecognition:

A financial liability is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument and it is derecognised when the obligation specified in the contract is discharged or cancelled or expires. The initial recognition of financial liability is at fair value normally represented by the transaction price. The transaction price for financial liability not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial liability. Transaction costs incurred on the acquisition or issue of financial liability classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date. Financial liabilities including bank and other borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting year.

Subsequent measurement:

Subsequent measurement based on the classification of the financial liabilities in one of the following two categories under FRS 39 is as follows:

- #1. Liabilities at fair value through profit or loss: As at end of the reporting year date there were no financial assets classified in the category.
- #2. Other financial liabilities: All liabilities, which have not been classified as in the previous category fall into this residual category. These liabilities are carried at amortised cost using the effective interest method. Trade and other payables and borrowings are usually classified in this category. Items classified within current trade and other payables are not usually re-measured, as the obligation is usually known with a high degree of certainty and settlement is short-term.

Fair value measurement

Fair value is taken to be 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 (that is, an exit price). It is a market-based measurement, not an entity-specific measurement. When measuring fair value, management uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The entity's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Fair value measurement (cont'd)

In making the fair value measurement, management determines the following: (a) the particular asset or liability being measured (these are identified and disclosed in the relevant notes below); (b) for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis; (c) the market in which an orderly transaction would take place for the asset or liability; and (d) the appropriate valuation techniques to use when measuring fair value. The valuation techniques used maximise the use of relevant observable inputs and minimise unobservable inputs. These inputs are consistent with the inputs a market participant may use when pricing the asset or liability.

The fair value measurements and related disclosures categorise the inputs to valuation techniques used to measure fair value by using a fair value hierarchy of three levels. These are recurring fair value measurements unless state otherwise in the relevant notes to the financial statements. 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. Level 3 inputs are unobservable inputs for the asset or liability. The level is measured on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting year. If a financial instrument measured at fair value has a bid price and an ask price, the price within the bid-ask spread or mid-market pricing that is most representative of fair value in the circumstances is used to measure fair value regardless of where the input is categorised within the fair value hierarchy. If there is no market, or the markets available are not active, the fair value is established by using an acceptable valuation technique.

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting year and in the event the fair values are disclosed in the relevant notes to the financial statements.

Provisions

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision is made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in profit or loss in the reporting year they occur.

2. Significant accounting policies and other explanatory information (cont'd)

2B. Other explanatory information

Classification of equity and liabilities

A financial instrument is classified as a liability or as equity in accordance with the substance of the contractual arrangement on initial recognition. Equity instruments are contracts that give a residual interest in the net assets of the reporting entity. Where the financial instrument does not give rise to a contractual obligation on the part of the issuer to make payment in cash or kind under conditions that are potentially unfavourable, it is classified as an equity instrument. Ordinary shares are classified as equity. Equity instruments are recognised at the amount of proceeds received net of incremental costs directly attributable to the transaction. Dividends on equity are recognised as liabilities when they are declared. Interim dividends are recognised when declared by the directors.

2C. Critical judgements, assumptions and estimation uncertainties

The critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting year are discussed below. These estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

Allowance for doubtful trade accounts:

An allowance is made for doubtful trade accounts for estimated losses resulting from the subsequent inability of the customers to make required payments. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. To the extent that it is feasible impairment and uncollectibility is determined individually for each item. In cases where that process is not feasible, a collective evaluation of impairment is performed. At the end of the reporting year, the trade receivables carrying amount approximates the fair value and the carrying amounts might change materially within the next reporting year but these changes would not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year. The carrying amount is disclosed in the Note on trade and other receivables.

Net realisable value of inventories:

A review is made periodically on inventory for excess inventory and declines in net realisable value below cost and an allowance is recorded against the inventory balance for any such declines. These reviews require management to consider the future demand for the products. In any case the realisable value represents the best estimate of the recoverable amount and is based on the acceptable evidence available at the end of the reporting year and inherently involves estimates regarding the future expected realisable value. The usual considerations for determining the amount of allowance or write-down include ageing analysis, market demand assessment and subsequent events. In general, such an evaluation process requires significant judgment and materially affects the carrying amount of inventories at the end of the reporting year. Possible changes in these estimates could result in revisions to the stated value of the inventories. The carrying amount of inventories at the end of the reporting year is disclosed in Note 18.

2. Significant accounting policies and other explanatory information (cont'd)

2C. Critical judgements, assumptions and estimation uncertainties (cont'd)

Income tax amounts:

The entity recognises tax liabilities and assets tax based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual amount arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax amounts in the period when such determination is made. In addition management judgement is required in determining the amount of current and deferred tax recognised and the extent to which amounts should or can be recognised. A deferred tax asset is recognised for unused tax losses if it is probable that the entity will earn sufficient taxable profit in future periods to benefit from a reduction in tax payments. This involves the management making assumptions within its overall tax planning activities and periodically reassessing them in order to reflect changed circumstances as well as tax regulations. Moreover, the measurement of a deferred tax asset or liability reflects the manner in which the entity expects to recover the asset's carrying value or settle the liability. As a result, due to their inherent nature assessments of likelihood are judgmental and not susceptible to precise determination. The income tax amounts are disclosed in the Note on income tax.

Leasehold properties:

An assessment is made at each reporting date whether there is any indication that the asset may be impaired. If any such indication exists, an estimate is made of the recoverable amount of the asset. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. If the revised estimated gross margin is less favorable than that used in the calculations there would be a need to provide for impairment. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amount of the specific class of assets affected by the assumption is approximately RMB187,819,000 (2014: RMB179,016,000).

Useful lives of plant and equipment:

The estimates for the useful lives and related depreciation charges for plant and equipment is based on commercial and other factors which could change significantly as a result of innovations and competitor actions in response to market conditions. The depreciation charge is increased where useful lives are less than previously estimated lives, or the carrying amounts written off or written down for technically obsolete or assets that have been abandoned. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amount of the specific asset (or class of assets) at the end of the reporting year affected by the assumption is approximately RMB160,915,000 (2014: RMB138,647,000).

3. Related party relationships and transactions

FRS 24 on related party disclosures requires the reporting entity to disclose: (a) transactions with its related parties; and (b) relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. A party is related to a party if the party controls, or is controlled by, or can significantly influence or is significantly influenced by the other party.

The ultimate controlling party is Liu Huaguo.

3. Related party relationships and transactions (cont'd)

3A. Members of group

Related companies in these financial statements refer to members of the company's group of companies.

3B. Related party transactions

There are transactions and arrangements between the reporting entity and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The related party balances are unsecured without fixed repayment terms and interest unless stated otherwise. For any non-current balances and financial guarantees no interest or charge is imposed unless stated otherwise.

3C. Key management compensation

	<u>2015</u> RMB'000	<u>2014</u> RMB'000
Salaries and other short-term employee benefits	<u>4,752</u>	<u>5,375</u>

The above amounts are included under employee benefits expense. Included in the above amounts are following items:

	<u>2015</u> RMB'000	<u>2014</u> RMB'000
Remuneration of directors of the company	2,779	3,402
Fees to directors of the company	<u>873</u>	<u>891</u>

Directors' and key management remuneration is set out as follows:

	<u>Salary</u> <u>(Including fees)</u>	<u>Bonus</u>	<u>Total</u>
Below S\$250,000			
Mr. Liu Huaguo	87%	13%	100%
Ms. Kong Jing	100%	0%	100%
Mr. Wang Jingji	100%	0%	100%
Dr. Chao Sik Ting	100%	0%	100%
Mr. Lei Huafeng	100%	0%	100%
Mr. Zhang Puhui	100%	0%	100%
Dr. Kwok Kai Sze	100%	0%	100%
Mr. Wang Xin	100%	0%	100%
Mr. Zhao Zhongqi	100%	0%	100%
Below S\$250,000			
Key management personnel	100%	0%	100%
Mr. Li Jia	100%	0%	100%
Mr. Zhang Shanjun	100%	0%	100%
Mr. Tian Xihua	100%	0%	100%

3. Related party relationships and transactions (cont'd)

3C. Key management compensation (cont'd)

The Company does not have any Share Option Scheme. The Company is generally aware of pay and employment conditions within the industry.

The remuneration of the top three key management personnel is in band of below S\$250,000.

Having considered the sensitivity and confidentiality of the remuneration package and the recommendations of the Code, the Board is of the view that the disclosure on the remuneration of the directors and key management personnel provides a balance between detailed disclosure and confidentiality.

There are no employees who are immediate family members of a director or the CEO whose remuneration exceeds S\$50,000 during the financial year.

Executive directors do not receive directors' fee but are remunerated as members of the management team. The remuneration package of the executive directors and key management personnel are based on their individual performance and the performance of the Group. This alignment of remuneration with interests of shareholders and linking Rewards to corporate and individual performance would promote long term sustainability of the Group.

3D. Other receivables from and other payables to related parties

The trade transactions and trade receivables and payables balances arising from sales and purchases of goods and services are disclosed elsewhere in the notes to the financial statements.

The movements in other payables to related parties are as follows:

	<u>Group</u>	
	<u>Substantial shareholders</u>	
	<u>2015</u>	<u>2014</u>
	RMB'000	RMB'000
<u>Other payables:</u>		
Balance at beginning of the year	(216)	(216)
Amount paid in	(4,813)	—
Balance at end of the year (Note 26)	<u>(5,029)</u>	<u>(216)</u>

3. Related party relationships and transactions (cont'd)

3D. Other receivables from and other payables to related parties (cont'd)

The movements in other payables to related parties are as follows:

	<u>Group Associate</u>	
	<u>2015</u> RMB'000	<u>2014</u> RMB'000
<u>Other receivables:</u>		
Balance at beginning of the year	—	—
Amount paid out	3,900	—
Balance at end of the year (Note 19)	<u>3,900</u>	<u>—</u>

	<u>Group Other related parties</u>	
	<u>2015</u> RMB'000	<u>2014</u> RMB'000
<u>Other payables:</u>		
Balance at beginning of the year	(1,049)	(219)
Amount paid in	(34)	(864)
Amount paid out	—	34
Balance at end of the year (Note 26)	<u>(1,083)</u>	<u>(1,049)</u>

4. Revenue

	<u>Group</u>	
	<u>2015</u> RMB'000	<u>2014</u> RMB'000
Sale of goods	1,636,186	1,782,594
Sale of materials	3,979	26,788
	<u>1,640,165</u>	<u>1,809,382</u>

5. Interest income

	<u>Group</u>	
	<u>2015</u> RMB'000	<u>2014</u> RMB'000
Interest income	<u>757</u>	<u>880</u>

6. Other gains and (other losses)

	<u>Group</u>	
	<u>2015</u> RMB'000	<u>2014</u> RMB'000
Allowance for impairment on other receivables – reversal	–	12
Allowance for impairment on trade receivables – loss	(83)	–
Allowance for impairment on other assets, current - reversal	82	–
Claim from insurance	1,102	–
Depreciation of investment property	(357)	(357)
Depreciation of plant and equipments leased out	(951)	(867)
Foreign exchange adjustment gain	1,593	2,556
Fines and penalties	(805)	–
Gain on transfer of manufacturing license	2,000	–
Gain on disposal of investments in subsidiary (Note 10)	–	1,358
Government grant	848	1,880
Inventories written off	(1,324)	(5,383)
Loss on disposal of plant and equipment	(1,542)	(554)
Other expenses	(212)	(269)
Other income	471	1,041
Rental income	1,321	292
Net	<u>2,143</u>	<u>(291)</u>
Presented in profit or loss as:		
Other gains	7,417	7,139
Other losses	(5,274)	(7,430)
Net	<u>2,143</u>	<u>(291)</u>

7. Finance costs

	<u>Group</u>	
	<u>2015</u> RMB'000	<u>2014</u> RMB'000
Interest expenses	<u>9,242</u>	<u>9,313</u>

8. Employee benefits expense

	<u>Group</u>	
	<u>2015</u> RMB'000	<u>2014</u> RMB'000
Short term employee benefits expense	169,306	160,225
Contributions to defined contribution plans	17,256	16,850
Other benefits	717	1,349
Total employee benefits expense	<u>187,279</u>	<u>178,424</u>

9. Income tax**9A. Components of tax expense recognised in profit or loss include:**

	<u>Group</u>	
	<u>2015</u> RMB'000	<u>2014</u> RMB'000
Current tax expense	1,083	1,842
Deferred tax expense	411	2,699
Total income tax expense	<u>1,494</u>	<u>4,541</u>

The income tax in profit or loss varied from the amount of income tax amount determined by applying the Singapore income tax rate of 17.0% (2014: 17.0%) to profit or loss before income tax as a result of the following differences:

	<u>Group</u>	
	<u>2015</u> RMB'000	<u>2014</u> RMB'000
Profit before tax	6,753	26,440
Share of loss/(profit) from associate	106	(817)
	<u>6,859</u>	<u>25,623</u>
Income tax expense at the statutory rate	1,166	4,356
Effect of different tax rate in different countries	556	2,200
Effect of income at concessionary rate of 15%	(762)	(2,813)
Not deductible items	473	1,224
Unrecognised deferred tax assets	108	(461)
Change in tax rates	—	35
Others	(47)	—
Total income tax expense	<u>1,494</u>	<u>4,541</u>

Two subsidiaries in People's Republic of China have been granted concessionary income rate of 15% by China State Administration of Taxation for a period of 10 years from 1 January 2011 under policy of Enhancing the Western Region Development Strategy, subject to the terms and conditions specified under the policy.

There are no income tax consequences of dividends to owners of the company.

9B. Deferred tax expense/(income) recognised in consolidated profit or loss include:

	<u>Group</u>	
	<u>2015</u> RMB'000	<u>2014</u> RMB'000
Allowance for impairment on trade receivables, other receivables and inventories	—	63
Tax loss carryforwards	(4,240)	461
Accruals	4,590	2,636
Unrecognised deferred tax assets	108	(461)
Others	(47)	—
Total deferred income tax expense recognised in profit or loss	<u>411</u>	<u>2,699</u>

9. Income tax (cont'd)**9C. Deferred tax balance in the statement of financial position:**

	<u>Group</u>	
	<u>2015</u>	<u>2014</u>
	RMB'000	RMB'000
Deferred tax liabilities:		
Temporary difference for gain on transfer of land use right	(3,144)	(3,144)
Total deferred tax liabilities	<u>(3,144)</u>	<u>(3,144)</u>
Deferred tax assets:		
Allowances for impairment on trade receivables, other receivables and inventories	1,370	1,370
Impairment on plant and equipment	796	796
Tax loss carryforwards	4,660	636
Accruals	8,731	13,321
Unrecognised deferred tax assets	(1,323)	(1,431)
Others	47	—
Total deferred tax assets	<u>14,281</u>	<u>14,692</u>
Net total of deferred tax assets	<u>11,137</u>	<u>11,548</u>

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

Deferred tax asset in respect of the tax losses carryforwards of a subsidiary amounting to RMB1,323,000 has not been recognised as the future profit stream of the subsidiary is not probable against which the deductible temporary difference can be utilised.

The expiry dates of tax losses carryforwards are as follows:

	<u>Group</u>	
	<u>2015</u>	<u>2014</u>
	RMB'000	RMB'000
31 December 2015	—	1,108
31 December 2016	8	8
31 December 2017	128	128
31 December 2018	684	684
31 December 2019	616	616
31 December 2020	28,223	—
	<u>29,659</u>	<u>2,544</u>

10. Disposal of Silver Bridge Dairy (Tianjin) Co., Ltd

On 25 October 2012, the group signed share transfer agreement with Du Enmao and Zhao Xue to transfer its entire equity interest held by the group in Silver Bridge Dairy (Tianjin) Co., Ltd subject to meeting certain requirements. Under this agreement, Du Enmao and Zhao Xue purchased all assets of Silver Bridge Dairy (Tianjin) Co., Ltd with total consideration of RMB 6.7 million in 2012. On 27 January 2014, the group and the above two parties signed a supplementary agreement to finalise the share transfer. According to the supplementary agreement, there was no further consideration to be paid on the transfer of the shares. Since 27 January 2014, Silver Bridge Dairy (Tianjin) Co., Ltd ceased to be a subsidiary of the group.

10. Disposal of Silver Bridge Dairy (Tianjin) Co., Ltd (cont'd)

The results for the reporting year from the disposal of the subsidiary and the results for the previous reporting year and for the period from the beginning of the reporting year to 27 January 2014 which have been included in the consolidated financial statement, were as follows:

	Group Period ended <u>27/1/2014</u> RMB'000
Other losses	—
Loss after tax before disposal loss	—
Gain on disposal of subsidiary (Note 6)	1,358
Income tax expense	—
Gain after tax on disposal	1,358
Total gain on disposal	1,358

The following table summarises the carrying amount of assets and liabilities of the subsidiary Silver Bridge Dairy (Tianjin) Co., Ltd that was sold on 27 January 2014.

	Group At date of <u>disposal in 2014</u> RMB'000
Trade and other receivables	406
Trade and other payables	(2,788)
Other reserves	1,024
Net assets disposed of	(1,358)
Gain on disposal	1,358
Total consideration	—

11. Earnings per share

The following table illustrates the numerators and denominators used to calculate basic and diluted earnings per share of no par value:

	<u>Group</u>	
	<u>2015</u> RMB'000	<u>2014</u> RMB'000
A. Numerators: earnings attributable to equity:		
Continuing operations: attributable to the equity holders	<u>5,530</u>	<u>22,149</u>
B. Denominators: weighted average number of equity shares (in thousands)		
Basic and diluted	<u>439,627</u>	<u>439,627</u>

The weighted average number of equity shares refers to shares in circulation during the reporting period.

The basic earnings per share ratio is based on the weighted average number of ordinary shares outstanding during each reporting period. The diluted earnings per share is based on the weighted average number of ordinary shares and dilutive ordinary share equivalents outstanding during each reporting period (if any).

There is no dilution of earnings per share as there are no shares under options.

12. Items in income statement

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, the income statement includes the following charges:

	<u>Group</u>	
	<u>2015</u> RMB'000	<u>2014</u> RMB'000
Audit fees to the independent auditors of the company	298	305
Audit fees to the other independent auditors	450	535
Other fees to the independent auditors of the company	–	70
Research expenditure	<u>651</u>	<u>803</u>

13. Property, plant and equipment

<u>Group</u>	<u>Construction in progress</u> RMB'000	<u>Leasehold properties</u> RMB'000	<u>Plant and equipment</u> RMB'000	<u>Total</u> RMB'000
<u>Cost:</u>				
At 1 January 2014	25,307	240,361	371,387	637,055
Additions	44,501	934	22,588	68,023
Reclassifications	(26,877)	18,618	8,259	—
Disposals	—	—	(2,381)	(2,381)
Foreign exchange adjustments	—	—	(4)	(4)
At 31 December 2014	42,931	259,913	399,849	702,693
Additions	15,198	1,277	35,676	52,151
Reclassifications	(35,934)	18,685	17,249	—
Disposals	—	—	(4,795)	(4,795)
At 31 December 2015	22,195	279,875	447,979	750,049
<u>Accumulated depreciation:</u>				
At 1 January 2014	—	69,220	233,534	302,754
Depreciation for the year	—	11,676	29,288	40,964
Disposals	—	—	(1,616)	(1,616)
Foreign exchange adjustments	—	—	(4)	(4)
At 31 December 2014	—	80,896	261,202	342,098
Depreciation for the year	—	11,160	28,371	39,531
Disposals	—	—	(2,509)	(2,509)
At 31 December 2015	—	92,056	287,064	379,120
<u>Net book value:</u>				
At 1 January 2014	25,307	171,141	137,853	334,301
At 31 December 2014	42,931	179,017	138,647	360,595
At 31 December 2015	22,195	187,819	160,915	370,929

13. Property, plant and equipment (cont'd)

	Plant and equipment RMB'000
<u>Company</u>	
<u>Cost:</u>	
At 1 January 2014	353
Additions	12
Foreign exchange adjustments	(4)
At 31 December 2014	361
Additions	—
Disposals	(7)
At 31 December 2015	354
<u>Accumulated depreciation:</u>	
At 1 January 2014	348
Depreciation for the year	5
Foreign exchange adjustments	(4)
At 31 December 2014	349
Depreciation for the year	7
Disposals	(7)
At 31 December 2015	349
<u>Net book value:</u>	
At 1 January 2014	5
At 31 December 2014	12
At 31 December 2015	5

The depreciation expense is charged as follows:

	2015 RMB'000	Group 2014 RMB'000
Cost of sales	28,426	30,926
Distribution costs	3,440	2,499
Administrative expenses	6,420	6,672
Other charges	1,245	867
Total	39,531	40,964

Certain items of property, plant and equipment at a carrying value of RMB9,453,000 (2014: RMB54,448,000) are mortgaged as security for the bank facilities (see Note 25B).

Certain items of plant and equipment are under finance lease agreements (see Note 25A).

14. Investment property

	RMB'000
<u>Group</u>	
<u>Cost:</u>	
Balance as at 1 January 2014, 31 December 2014 and 31 December 2015	<u>7,348</u>
<u>Accumulated depreciation:</u>	
At 1 January 2014	3,734
Charged to profit and loss included in other losses	<u>357</u>
At 31 December 2014	4,091
Charged to profit and loss included in other losses	<u>357</u>
At 31 December 2015	<u>4,448</u>
<u>Net book value:</u>	
At 1 January 2014	<u>3,614</u>
At 31 December 2014	<u>3,257</u>
At 31 December 2015	<u>2,900</u>
	<u>Group</u>
	2015 2014
	RMB'000 RMB'000
Fair value	<u>14,456</u> <u>14,456</u>

The fair value of the investment property was estimated by the management to be RMB14,456,000 as at 31 December 2014, which was based on the market value of a similar property located in the same area. In view of that there was no significant economic change in Xi'an since 31 December 2014, the management estimated that the fair value of the investment property as at 31 December 2015 is the same as last year.

The inputs of fair value estimation are under Level 3 category and the valuation technique used by the management is market comparison method. The significant unobservable input is the assumption on the movement of the industrial property market index in Xi'an during the reporting year. Significant increases (decreases) in the unobservable input would result in a significant higher (lower) fair value measurement. However, it has no impact on the profit before tax.

	<u>Group</u>
	2015 2014
	RMB'000 RMB'000
Rental and service income from investment property	<u>—</u> <u>—</u>
Direct operating expenses arising from investment property	<u>(357)</u> <u>(357)</u>

The rental and service income and the direct operating expense is included in other gains and (losses) of profit or loss.

The rent for 2014 and 2015 were waived by the Group because the tenant has suspended its normal production in 2014 in order to improve the sewage treatment system. As at 31 December 2015, the project has not been completed. Both parties agreed to sign a new rental agreement after the improvement project is completed.

15. Investment in subsidiaries

	Company	
	2015 RMB'000	2014 RMB'000
Unquoted equity shares at cost to company	264,151	264,151
Quasi-equity loans ^(a)	124,660	124,660
Subtotal	388,811	388,811
Foreign exchange adjustments	(11,181)	(3,246)
Balance at end of the year	377,630	385,565
Net book value of subsidiaries in the books of the company	345,214	323,399

(a) Those loans are interest free quasi-equity loans from the company to Silver Bridge International Group Holdings Pte. Ltd. and Tien Chun Pte. Ltd. and they are not expected to be repaid in the foreseeable future. Silver Bridge International Group Holdings Pte. Ltd. has in turn invested substantially the proceeds from the quasi-equity loan as paid up capital of Xi'an Yinqiao Dairy Group Co., Ltd.,

The subsidiaries held by the company and through the subsidiaries are listed below:

Name of subsidiaries, country of incorporation, place of operations and principal activities	Cost of Investments		Percentage of equity held by group	
	2015 RMB'000	2014 RMB'000	2015 %	2014 %
<u>Held by the company</u>				
Silver Bridge International Group Holdings Pte. Ltd. ^(a)	264,151	264,151	100	100
Singapore Investment holding				
Tien Chun Pte. Ltd. ^(a)	(b)	(b)	100	100
Singapore Investment holding				
<u>Held through Silver Bridge International Group Holdings Pte. Ltd.</u>				
Xi'an Yinqiao Dairy Group Co., Ltd. ^(c)	124,764	124,764	100	100
People's Republic of China Manufacture and trading of milk and related products				

15. Investment in subsidiaries (cont'd)

Name of subsidiaries, country of incorporation, place of operations and principal activities	Cost of Investments		Percentage of equity held by group	
	2015	2014	2015	2014
	RMB'000	RMB'000	%	%
<u>Held through Xi'an Yinqiao Dairy Group Co., Ltd.</u>				
Yinqiao Dairy Aletai Co., Ltd. ^{(c)(d)} People's Republic of China Manufacture and trading of milk and related products	6,000	6,000	60	60
PaediaNutrition Co., Ltd. ^(c) People's Republic of China Manufacture and trading of milk and related products	79,090	79,090	100	100

(a) Audited by RSM Chio Lim LLP, Singapore.

(b) Cost of investment is less than RMB1,000.

(c) Audited by Ruihua Certified Public Accountants LLP, a member firm of RSM International of which RSM Chio Lim LLP in Singapore is a member.

(d) The subsidiary is not significant to the group.

16. Investment in associate

	<u>Group</u>	
	<u>2015</u> RMB'000	<u>2014</u> RMB'000
Carrying value:		
Unquoted equity shares at cost	27,054	27,054
Share of post-acquisition profit	4,679	4,785
	<u>31,733</u>	<u>31,839</u>
	<u>Group</u>	
	<u>2015</u> RMB'000	<u>2014</u> RMB'000
Movements in carrying value:		
At the beginning of the year	31,839	23,233
Additions	–	8,099
Effect on retained earnings due to shareholding change in associate	–	(310)
Share of (loss)/profit for the year	(106)	817
At the end of the year	<u>31,733</u>	<u>31,839</u>
Share of net book value of associate	<u>31,733</u>	<u>31,839</u>

The associate held by the group is listed below:

<u>Name of associate, country of incorporation, place of operations and principal activities</u>	<u>Percentage of equity held by the group</u>	
	<u>2015</u> %	<u>2014</u> %
Xi'an Aomeihui Dairy Technology Co., Ltd. ^(a) People's Republic of China Operating dairy cattle farms and supplying raw milk	17.84	17.84

(a) Other independent auditors. Audited by Shaanxi Xin Da CPA Co., Ltd., a firm of accountants other than member firms of RSM International of which RSM Chio Lim LLP in Singapore is a member.

Although the company does not own directly or indirectly through subsidiaries, 20% or more of the voting or potential voting power of Xi'an Aomeihui Dairy Technology Co., Ltd. ("Aomeihui"), Aomeihui is regarded as an associate because the company is able to exercise significant influence by virtue of an agreement with the other shareholders of Aomeihui.

The summarised financial information of each of the material associate and the amounts (and not the reporting entity's share of those amounts) based on the financial statements of the associates are as follows:

16. Investment in associate (cont'd)

	Group	
	2015 RMB'000	2014 RMB'000
Revenue	49,317	40,861
(Loss)/profit for the year	(594)	4,579
Current assets	40,845	68,661
Non-current assets	161,403	127,173
Current liabilities	(14,351)	(7,362)
Non-current liabilities	(10,000)	(10,000)
Reconciliation:		
Net assets of the associate	177,897	178,472
Proportion of the reporting entity's interest in the associate	17.84%	17.84%
Carrying amount of the interest in the associate	31,733	31,839

17. Other assets, non-current

	Group	
	2015 RMB'000	2014 RMB'000
<u>Land use rights</u>		
<u>Cost:</u>		
At beginning and at the end of the year	58,101	58,101
<u>Accumulated amortisation:</u>		
At beginning of the year	13,727	12,326
Amortisation for the year included under cost of sales	1,033	1,401
At the end of the year	14,760	13,727
<u>Net book value:</u>		
At beginning of the year	44,374	45,775
At end of the year	43,341	44,374
<u>Balance to be amortised:</u>		
Not later than one year	1,392	1,400
Later than one year and not later than five years	5,568	5,600
Later than five years	36,381	37,374
	43,341	44,374

The land use rights relate to the land in Xi'an City, Shaan Xi Province in People's Republic of China where the leasehold properties are located. The land use rights in the group expire between 2047 and 2057. They are amortised over the term of the leases on straight line method that are from 2.0% to 2.4% per year.

Certain land use rights at a carrying amount of RMB9,748,000 (2014: RMB11,179,000) are pledged as security for the bank facilities (See Notes 25B).

18. Inventories

	<u>Group</u>	
	<u>2015</u> RMB'000	<u>2014</u> RMB'000
Finished goods	41,510	69,919
Raw materials	<u>144,399</u>	<u>131,162</u>
	<u>185,909</u>	<u>201,081</u>
Inventories are stated after allowance.		
Movements in allowance:		
Balance at beginning and end of year	<u>674</u>	<u>674</u>
The amount of inventories included in cost of sales:		
Changes in closing inventories of finished goods decrease / (increase)	28,409	(20,072)
Raw materials and consumables used	<u>1,043,778</u>	<u>1,152,411</u>
The amount of Inventory included in other charges:		
The write-downs of inventories directly charged to profit or loss	<u>1,324</u>	<u>5,383</u>

There are no inventories pledged as security for liabilities.

19. Trade and other receivables, current

	<u>Group</u>		<u>Company</u>	
	<u>2015</u> RMB'000	<u>2014</u> RMB'000	<u>2015</u> RMB'000	<u>2014</u> RMB'000
<u>Trade receivables:</u>				
Outside parties	112,096	116,586	—	—
Other related parties (Note 3)	50	—	—	—
Less allowance for impairment	<u>(983)</u>	<u>(900)</u>	<u>—</u>	<u>—</u>
Subtotal	<u>111,163</u>	<u>115,686</u>	<u>—</u>	<u>—</u>
<u>Other receivables:</u>				
Staff advances	1,615	1,701	—	—
Subsidiary (Note 3)	—	—	9,473	14,340
Associate (Note 3) ^{#a}	3,900	—	—	—
Other related parties (Note 3)	—	34	—	—
Rebate receivables	7,293	7,274	—	—
Advance to supplier ^{#b}	10,000	—	—	—
Refund receivable and others	10,221	7,274	—	—
Less allowance for impairment	<u>(5,065)</u>	<u>(5,109)</u>	<u>—</u>	<u>—</u>
Subtotal	<u>27,964</u>	<u>3,900</u>	<u>9,473</u>	<u>14,340</u>
Total trade and other receivables	<u>139,127</u>	<u>119,586</u>	<u>9,473</u>	<u>14,340</u>
Movement in above allowance in trade receivables:				
Balance at beginning of the year	900	1,308	—	—
Charged to profit or loss included in other losses	83	—	—	—
Bad debts written off	<u>—</u>	<u>(408)</u>	<u>—</u>	<u>—</u>
Balance at end of the year	<u>983</u>	<u>900</u>	<u>—</u>	<u>—</u>

19. Trade and other receivables, current (cont'd)

#a The advance to the associate bears an interest rate of 8% per annum. The purpose of the advance is to finance the associate's working capital.

#b Among the other receivables, RMB10,000,000 was advanced to a supplier to finance its working capital. The advance bears an interest rate of 8% per annum.

	<u>Group</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Movement in above allowance in other receivables:				
Balance at beginning of the year	5,109	5,182	—	—
Charged for other receivables to profit or loss included in other losses	—	(12)	—	—
Amounts written off	—	(61)	—	—
Foreign exchange difference	(44)	—	—	—
Balance at end of the year	<u>5,065</u>	<u>5,109</u>	<u>—</u>	<u>—</u>

20. Other financial asset, current

	<u>2015</u>	<u>2014</u>
	RMB'000	RMB'000
<u>Group</u>		
<u>Investments available-for-sale:</u>		
Unquoted equity investments at fair value		
At beginning of the year	3,000	3,000
Disposal during the year	<u>(3,000)</u>	<u>—</u>
At end of the year	<u>—</u>	<u>3,000</u>
	<u>2015</u>	<u>2014</u>
	RMB'000	RMB'000
Cash flow from disposal	<u>3,000</u>	<u>—</u>

The investment as at 31 December 2014 relates to the group's 30% interest in the unquoted equity share capital of Silver Bridge International Holdings (Kuitun) Dairy Company Ltd, a company incorporated in Peoples' Republic of China, which was previously a subsidiary of Silver Bridge International Group Holdings Pte Ltd. The group was no longer involved in the management and control and had no influence in this entity since the disposal. The remaining 30% interest was disposed in 2015 for a cash consideration of RMB 3million.

The fair value measurement of the investment which is categorised within Level 3 of the fair value hierarchy is based on the share transfer agreement. It is not possible and practical to apply a generally accepted fair value valuation technique.

21. Other assets, current

	<u>Group</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments of raw materials and prepaid expenses	54,687	67,824	55	49
Allowance for impairment	(4,525)	(4,607)	—	—
	<u>50,162</u>	<u>63,217</u>	<u>55</u>	<u>49</u>
Movement in above allowance:				
Balance at beginning of the year	4,607	4,607	—	—
Reversal to profit or loss included in other gains	(82)	—	—	—
Balance at end of the year	<u>4,525</u>	<u>4,607</u>	<u>—</u>	<u>—</u>

22. Cash and cash equivalents

	<u>Group</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Restricted in use *	38,310	3,180	—	—
Not restricted in use	56,543	95,092	6,567	2,619
Cash at end of the year	<u>94,853</u>	<u>98,272</u>	<u>6,567</u>	<u>2,619</u>
Interest earning balances	<u>86,868</u>	<u>95,629</u>	<u>1,076</u>	<u>1,091</u>

* These relate to cash balance held by bankers as security for other financial liabilities (Note 25B) and bankers' guarantees relating to bills payables included in trade payables to outside parties (Note 26).

The rate of interest for the cash on interest earning balance is between 0.04% and 3.26% (2014: 0.03% and 3.25%) per year.

22A. Cash and cash equivalents in the statement of cash flows:

	<u>Group</u>	
	<u>2015</u>	<u>2014</u>
	RMB'000	RMB'000
Amount as shown above	94,853	98,272
Cash restricted in use over 3 months	(38,310)	(3,180)
Cash and cash equivalents at end of the year	<u>56,543</u>	<u>95,092</u>

22B. Non-cash transactions:

During the year, there were acquisitions of certain assets under plant and equipment with a total cost of RMB17,737,000 (2014:Nil) acquired by means of finance lease.

23. Share capital

<u>Group and Company</u>	Number of shares <u>issued</u> '000	Share <u>capital</u> RMB'000
<u>Ordinary shares of no par value:</u>		
Balance as at 1 January 2014, 31 December 2014 and 31 December 2015	<u>439,627</u>	<u>401,392</u>

The ordinary shares of no par value are fully paid, carry one vote each and have no right to fixed income.

In order to maintain its listing on the Singapore Stock Exchange the company has to have share capital of at least a free float of 10% of the shares. The company met the capital requirement on its initial listing and the rules limiting treasury share purchases mean it will continue to satisfy that requirement, as it did throughout the year. Management receive a report from the registrars frequently on substantial share interests showing the non-free float to ensure continuing compliance with the 10% limit throughout the reporting year.

Capital management

The objectives when managing capital are: to safeguard the reporting entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level or risk. The management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting year. The management manages the capital structure and makes adjustments to it where necessary and possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt. Adjusted capital comprises all components of equity (i.e. share capital, and retained earnings).

The management monitors the capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt / adjusted capital (as shown below). Net debt is calculated as total borrowings less cash and cash equivalents.

	<u>Group</u>	
	<u>2015</u> RMB'000	<u>2014</u> RMB'000
Net debt:		
All current and non-current borrowings	167,236	157,648
Less cash and cash equivalents	<u>(94,853)</u>	<u>(98,272)</u>
Net debt	<u>72,383</u>	<u>59,376</u>
Adjusted capital:		
Total equity	<u>346,989</u>	<u>343,365</u>
Debt-to-adjusted capital ratio	<u>21%</u>	<u>17%</u>

24. Other reserves

	<u>Group</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Statutory reserve (Note 24A)	26,833	26,833	—	—
Capital reserve (Note 24B)	19,689	19,689	—	—
Foreign currency translation reserve (Note 24C)	(6,250)	(4,615)	(12,654)	(4,433)
Total at the end of the year	<u>40,272</u>	<u>41,907</u>	<u>(12,654)</u>	<u>(4,433)</u>

24A. Statutory reserve

	<u>Group</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning and at end of the year	<u>26,833</u>	<u>26,833</u>	<u>—</u>	<u>—</u>

The company's subsidiaries in People's Republic of China ("PRC") are required by PRC Company Law to appropriate 10%-20% of the profits arrived each year to the statutory reserves until the statutory reserve achieve the limit of 50% of registered capital of the subsidiaries. No appropriation to statutory reserves is required if the entities' current year's profit is not enough to recover the accumulated losses brought forward. The appropriation to statutory reserves must be made before distribution of dividends to shareholders. These statutory reserves are not distributable in the form of cash dividends.

There was no transfer of profits made in current year to statutory reserves because the subsidiaries were in accumulated loss position as at the year end.

24B. Capital reserve

	<u>Group</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning and at end of the year	<u>19,689</u>	<u>19,689</u>	<u>—</u>	<u>—</u>

This arises from the reverse acquisition of the company by Silver Bridge International Group Holdings Pte Ltd and is not distributable as cash dividends.

24C. Foreign currency translation reserve

	<u>Group</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of the year	(4,615)	(3,106)	(4,433)	(45)
Exchange differences on translating to another presentational currency	(1,635)	(2,533)	(8,221)	(4,388)
Disposal of subsidiary	—	1,024	—	—
At end of the year	<u>(6,250)</u>	<u>(4,615)</u>	<u>(12,654)</u>	<u>(4,433)</u>

24. Other reserves (cont'd)

24C. Foreign currency translation reserve (cont'd)

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of entities whose functional currencies are different from the group's presentation currency. The foreign currency translation reserves are not distributable in the form of cash dividends.

25. Other financial liabilities

	<u>Group</u>	
	<u>2015</u> RMB'000	<u>2014</u> RMB'000
Non-current:		
<u>Financial instruments with fixed interest rates:</u>		
Finance lease (Note 25A)	11,579	5,051
Non-current	<u>11,579</u>	<u>5,051</u>
<u>Current:</u>		
<u>Financial instruments with floating interest rates:</u>		
Bank loans (secured) (Note 25B)	150,000	150,000
<u>Financial instruments with fixed interest rates:</u>		
Finance lease (Note 25A)	5,657	2,597
Current	<u>155,657</u>	<u>152,597</u>
Total	<u>167,236</u>	<u>157,648</u>

25A. Finance leases

<u>2015</u>	<u>Minimum payments</u> RMB'000	<u>Finance charges</u> RMB'000	<u>Present value</u> RMB'000
Minimum lease payments payable:			
Due within one year	6,558	(901)	5,657
Due within 2 to 5 years	12,028	(449)	11,579
Total	<u>18,586</u>	<u>(1,350)</u>	<u>17,236</u>
Net book value of plant and equipment under finance leases			<u>25,394</u>
<u>2014</u>	<u>Minimum payments</u> RMB'000	<u>Finance charges</u> RMB'000	<u>Present value</u> RMB'000
Minimum lease payments payable:			
Due within one year	3,080	(483)	2,597
Due within 2 to 5 years	5,390	(339)	5,051
Total	<u>8,470</u>	<u>(822)</u>	<u>7,648</u>
Net book value of plant and equipment under finance leases			<u>10,066</u>

25. Other financial liabilities (cont'd)**25B. Bank loans (secured)**

The bank loans are for the purpose of financing working capital.

The bank agreements for those bank loans with floating interest rates provided among other matters for the following:

- i. Pledges on the bank current account and fixed deposit with the bank (Note 22)
- ii. A first legal charge and negative pledges on the borrower's land use rights (Note 17), property, plant and equipment (Note 13).
- iii. Corporate guarantee from a non-controlling shareholder of a subsidiary.

	<u>2015</u>	<u>2014</u>
The range of floating interest rates paid were as follows:		
Bank loans (secured)	<u>5.6% to 6.2%</u>	<u>5.6% to 7.9%</u>
The range of fixed interest rates paid were as follows:		
Finance leases	<u>7.2% to 9.3%</u>	<u>7.2% to 9.3%</u>

26. Trade and other payables, current

	<u>Group</u>		<u>Company</u>	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
<u>Trade payables:</u>				
Outside parties	372,790	399,286	819	682
Other related parties (Note 3)	87	—	—	—
Subtotal	<u>372,877</u>	<u>399,286</u>	<u>819</u>	<u>682</u>
<u>Other payables:</u>				
Other related parties (Note 3)	1,083	1,083	—	—
Substantial shareholder (Note 3)	5,029	216	—	—
Other payables to non-controlling shareholders of subsidiaries	6,340	6,340	4,594	—
Accrual for employee benefits	9,629	7,454	—	1,842
Retention payables and others	12,005	14,537	1,394	534
Subsidiary (Note 3)	—	—	1,844	1,510
Subtotal	<u>34,086</u>	<u>29,630</u>	<u>7,832</u>	<u>3,886</u>
Total trade and other payables	<u>406,963</u>	<u>428,916</u>	<u>8,651</u>	<u>4,568</u>

27. Other liabilities, current

	<u>Group</u>
	2015 RMB'000
	2014 RMB'000
Deferred revenue	1,508
Advances received from customers	10,120
	<u>11,628</u>
	<u>7,467</u>

28. Financial instruments: information on financial risks

28A. Categories of financial assets and liabilities

The following table categorises the carrying amount of financial assets and liabilities recorded at the end of the reporting year:

	<u>Group</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Financial assets:</u>				
Cash and cash equivalents	94,853	98,272	6,567	2,619
Loans and receivables excluding income tax recoverable	139,127	119,586	9,473	14,340
Available-for-sale financial assets	—	3,000	—	—
At end of the year	<u>233,980</u>	<u>220,858</u>	<u>16,040</u>	<u>16,959</u>
<u>Financial liabilities:</u>				
Financial liabilities measured at amortised costs	167,236	157,648	—	—
Trade and other payables measured at amortised cost	406,963	428,916	8,651	4,568
At end of the year	<u>574,199</u>	<u>586,564</u>	<u>8,651</u>	<u>4,568</u>

Further quantitative disclosures are included throughout these financial statements.

There are no significant fair value measurements recognised in the statement of financial position.

28B. Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate, currency risk and price risk exposures. Management has certain practices for the management of financial risks. The guidelines set up the short and long term objectives and action to be taken in order to manage the financial risks. The guidelines include the following:

1. Minimise interest rate, currency, credit and market risk for all kinds of transactions.
2. Maximise the use of "natural hedge": favouring as much as possible the natural off-setting of sales and costs and payables and receivables denominated in the same currency and therefore put in place hedging strategies only for the excess balance (if necessary). The same strategy is pursued with regard to interest rate risk.
3. All financial risk management activities are carried out and monitored by senior management staff.
4. All financial risk management activities are carried out following good market practices.
5. When appropriate consideration is given to entering into derivatives or any other similar instruments solely for hedging purposes.

There have been no changes to the exposures to risk; the objectives, policies and processes for managing the risk and the methods used to measure the risk.

28. Financial instruments: information on financial risks (cont'd)

28C. Fair values of financial instruments

The analyses of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 are disclosed in the relevant notes to the financial statements. These include the significant financial instruments stated at amortised cost and at fair value in the statement of financial position. The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value.

28D. Credit risk on financial assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner consist principally of cash balances with banks, cash equivalents, receivables and certain other financial assets. The maximum exposure to credit risk is: the total of the fair value of the financial assets; the maximum amount the entity could have to pay if the guarantee is called on; and the full amount of any payable commitments at the end of the reporting year. Credit risk on cash balances with banks and any other financial instruments is limited because the counter-parties are entities with acceptable credit ratings. Credit risk on other financial assets is limited because the other parties are entities with acceptable credit ratings. For credit risk on receivables an ongoing credit evaluation is performed on the financial condition of the debtors and a loss from impairment is recognised in profit or loss. The exposure to credit risk with customers is controlled by setting limits on the exposure to individual customers and these are disseminated to the relevant persons concerned and compliance is monitored by management. There is no significant concentration of credit risk on receivables, as the exposure is spread over a large number of counter-parties and customers unless otherwise disclosed in the notes to the financial statements below.

Note 22 disclosed the maturity of cash and cash equivalents.

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade receivable customers ranged from 30 - 90 days (2014: 30 – 90 days). But some customers take a longer period to settle the amounts.

- (a) Ageing analysis of the age of trade receivable amounts that are past due as at the end of reporting year but not impaired:

	<u>Group</u>	
	<u>2015</u>	<u>2014</u>
	RMB'000	RMB'000
Trade receivables:		
90 to 180 days	1,899	3,209
Over 180 days	123	1,071
Total	<u>2,022</u>	<u>4,280</u>

28. Financial instruments: information on financial risks (cont'd)

28D. Credit risk on financial assets (cont'd)

- (b) Ageing analysis at the end of reporting year of trade receivable amounts that are impaired:

	<u>Group</u>	
	<u>2015</u>	<u>2014</u>
	RMB'000	RMB'000
Trade receivables:		
Over 180 days	<u>983</u>	<u>900</u>

The allowance is based on individual accounts totally RMB983,000 (2014: RMB900,000) that are determined to be impaired at the end of reporting year. These are not secured.

Other receivables are normally with no fixed terms and therefore there is no maturity.

There is no concentration of credit risk with respect to trade receivables as there are a large number of customers.

28E. Liquidity risk – financial liabilities maturity analysis

The following table analyses the non-derivate financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows):

<u>Group</u>	<u>Less than</u> <u>1 year</u>	<u>2 – 5 years</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000
Non-derivative financial liabilities:			
<u>2015:</u>			
Gross borrowings commitments	152,225	–	152,225
Gross finance lease obligations	6,558	12,028	18,586
Trade and other payables	406,963	–	406,963
At end of the year	<u>565,746</u>	<u>12,028</u>	<u>577,774</u>

<u>Group</u>	<u>Less than</u> <u>1 year</u>	<u>2 – 5 years</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000
Non-derivative financial liabilities:			
<u>2014:</u>			
Gross borrowings commitments	153,076	–	153,076
Gross finance lease obligations	3,080	5,390	8,470
Trade and other payables	428,916	–	428,916
At end of the year	<u>585,072</u>	<u>5,390</u>	<u>590,462</u>

28. Financial instruments: information on financial risks (cont'd)

28E. Liquidity risk – financial liabilities maturity analysis (cont'd)

<u>Company</u>	<u>Less than</u> <u>1 year</u> RMB'000
Non-derivative financial liabilities:	
<u>2015:</u>	
Trade and other payables	8,651
At end of the year	<u>8,651</u>
<u>Company</u>	<u>Less than</u> <u>1 year</u> RMB'000
Non-derivative financial liabilities:	
<u>2014:</u>	
Trade and other payables	4,568
At end of the year	<u>4,568</u>

The undiscounted amounts on the bank borrowings with fixed and floating interest rates are determined by reference to the conditions existing at the reporting date.

The above amounts disclosed in the maturity analysis are the contractual undiscounted cash flows and such undiscounted cash flows differ from the amount included in the statement of financial position. When the counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which it can be required to pay. At the end of the reporting year no claims on the financial guarantees are expected to be payable.

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be paid at their contractual maturity. The average credit period taken to settle trade payables is about 30 - 90 days (2014: 30 – 90 days). The other payables are with short-term durations. The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary.

28. Financial instruments: information on financial risks (cont'd)**28F. Interest rate risk**

The interest rate risk exposure is from changes in fixed rate and floating interest rates. The following table analyses the breakdown of the significant financial instruments by type of interest rate.

	<u>Group</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Financial assets:</u>				
Floating rate	<u>86,868</u>	<u>95,629</u>	<u>1,076</u>	<u>1,091</u>
<u>Financial liabilities:</u>				
Fixed rate	17,236	7,648	—	—
Floating rate	<u>150,000</u>	<u>150,000</u>	<u>—</u>	<u>—</u>
Sub-total	<u>167,236</u>	<u>157,648</u>	<u>—</u>	<u>—</u>

The floating rate debt instruments are with interest rates that are re-set regularly at one, three or six month intervals. The interest rates are disclosed in the respective notes.

Sensitivity analysis:

	<u>Group</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Financial assets:</u>				
A hypothetical increase in interest rates by 100 basis points with all other variables held constant, would have an increase in pre-tax profit for the year by	869	956	11	11
<u>Financial liabilities:</u>				
A hypothetical increase in interest rates by 100 basis points with all other variables held constant, would have a decrease in pre-tax profit for the year by	<u>(1,500)</u>	<u>(1,500)</u>	<u>—</u>	<u>—</u>

28. Financial instruments: information on financial risks (cont'd)**28G. Foreign currency risks**

Analysis of amounts denominated in non-functional currencies:

<u>Group</u>			
<u>Financial Assets</u>	<u>USD</u>	<u>RMB</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
<u>2015</u>			
Cash	187	—	187
Loans and receivables	—	75,570	141,852
Other financial assets	—	—	—
Total financial assets	<u>187</u>	<u>75,570</u>	<u>142,039</u>
<u>2014</u>			
Cash	179	—	179
Loans and receivables	—	77,195	77,195
Other financial assets	—	3,000	3,000
Total financial assets	<u>179</u>	<u>80,195</u>	<u>80,374</u>

There is exposure to foreign currency risk as part of its normal business.

Sensitivity analysis:

	<u>Group</u>	
	<u>2015</u>	<u>2014</u>
	<u>RMB'000</u>	<u>RMB'000</u>
<u>Financial Assets:</u>		
A hypothetical 10% strengthening in the exchange rate of S\$, which is the functional currency of a subsidiary, against RMB with all other variables held constant would have an adverse effect on profit before tax of	<u>7,557</u>	<u>8,020</u>

For similar rate weakening of S\$ against RMB, there would be comparable impact in the opposite direction on profit or loss.

29. Capital commitments

Estimated amounts committed at the end of the reporting year for future capital expenditure but not recognised in the financial statements are as follows:

	<u>Group</u>	
	<u>2015</u>	<u>2014</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Purchase of property, plant and equipment	<u>11,495</u>	<u>658</u>

30. Operating lease payment commitments – as lessee

At the end of the reporting year the total of future minimum lease payment commitments under non-cancellable operating leases are as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Not later than one year	3,039	5,202	99	106
Later than one year and not later than five years	<u>10,340</u>	<u>10,000</u>	<u>–</u>	<u>–</u>
Rental expenses for the reporting year	<u>8,145</u>	<u>7,546</u>	<u>136</u>	<u>144</u>

Included in the above operating lease payments are equipments leased by a subsidiary for a period of 6 years. The annual rental expense for this lease is RMB5,000,000 (2014: RMB5,000,000) and it will be reduced by a rebate should the subsidiary's purchases from the lessor meet the annual purchase target stated in the lease agreement. The subsidiary achieved the target and received a rebate of RMB5,000,000 (2014: RMB5,000,000) during the reporting year.

Other operating lease payments for the group represent rentals payable for certain leasehold properties and equipments. The leases from the owners are for periods ranging between 3 to 20 years. The leases are not subject to any escalation clause.

31. Operating lease income commitment – as lessor

At the end of the reporting year the total of future minimum lease receivables committed under non-cancellable operating leases are as follows:

	<u>Group</u>	
	<u>2015</u>	<u>2014</u>
	RMB'000	RMB'000
Within one year	<u>–</u>	<u>430</u>
Rental income for the year	<u>1,321</u>	<u>292</u>

Operating lease income represents rental income of investment property and certain plant and equipment. The lease rental income terms are negotiated annually and is not subject to any escalation clause.

32. Financial information by operating segments**32A. Information about reportable segment profit or loss, assets and liabilities**

Disclosure of information about operating segments, products and services, the geographical areas, and the major customers are made as required by FRS 108 Operating Segments. This disclosure standard has no impact on the reported results or financial position of the group.

For management purposes the reporting entity is organised into the following major strategic operating segments that offer different products and services: (1) milk powder products, (2) liquid milk products. Such a structural organisation is determined by the nature of risks and returns associated with each business segment and defines the management structure as well as the internal reporting system. It represents the basis on which the management reports the primary segment information. They are managed separately because each business requires different strategies.

The segments and the types of products and services are as follows:

- The milk powder segment is a manufacturer of milk powder products.
- The liquid milk segment is a manufacturer of liquid milk products.

Inter-segment sales are measured on the basis that the entity actually used to price the transfers. Internal transfer pricing policies of the group are as far as practicable based on market prices. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

The management reporting system evaluates performances based on a number of factors. However the primary profitability measurement to evaluate segment's operating results comprises two major financial indicators: (1) earnings from operations before depreciation, amortisation, interests and income taxes (called "Recurring EBITDA") and (2) operating result before interests and income taxes and other unallocated items (called "ORBIT").

The following tables illustrate the information about the reportable segment profit or loss, assets and liabilities.

32B. Profit or loss from continuing operations and reconciliations

	<u>Milk powder</u> RMB'000	<u>Liquid milk</u> RMB'000	<u>Unallocated</u> RMB'000	<u>Consolidated</u> RMB'000
Continuing Operations 2015				
Revenue by Segment				
Total revenue by segment	608,387	1,238,623	3,979	1,850,989
Inter-segment sales	(210,824)	—	—	(210,824)
Total revenue	397,563	1,238,623	3,979	1,640,165
Recurring EBITDA				
Depreciation and amortisation	4,522	33,249	19,251	57,022
	(8,538)	(13,319)	(19,064)	(40,921)
ORBIT	(4,016)	19,930	187	16,101
Finance cost	(1,459)	—	(7,783)	(9,242)
Share of profit of associate	—	—	(106)	(106)
Profit (loss) before income tax from continuing operations	(5,475)	19,930	(7,702)	6,753
Income tax expense				(1,494)
Profit from continuing operations				5,259

32. Financial information by operating segments (cont'd)**32B. Profit or loss from continuing operations and reconciliations (cont'd)**

	<u>Milk powder</u> RMB'000	<u>Liquid milk</u> RMB'000	<u>Unallocated</u> RMB'000	<u>Consolidated</u> RMB'000
Continuing Operations 2014				
Revenue by Segment				
Total revenue by segment	720,252	1,334,181	26,788	2,081,221
Inter-segment sales	(271,839)	—	—	(271,839)
Total revenue	448,413	1,334,181	26,788	1,809,382
Recurring EBITDA				
Depreciation and amortisation	12,232	49,684	15,742	77,658
	(8,039)	(18,885)	(15,798)	(42,722)
ORBIT	4,193	30,799	(56)	34,936
Finance cost	(17)	—	(9,296)	(9,313)
Share of profit of associate	—	—	817	817
Profit (loss) before income tax from continuing operations	4,176	30,799	(8,535)	26,440
Income tax expense				(4,541)
Profit from continuing operations				21,899

32C. Assets and reconciliations

	<u>Milk powder</u> RMB'000	<u>Liquid milk</u> RMB'000	<u>Unallocated</u> RMB'000	<u>Consolidated</u> RMB'000
2015				
Total assets for reportable segments	287,496	356,796	—	644,292
Unallocated:				
Property, plant and equipment	—	—	92,243	92,243
Investment property	—	—	2,900	2,900
Investment in associate	—	—	31,733	31,733
Deferred tax assets	—	—	11,137	11,137
Other assets, non-current	—	—	17,273	17,273
Inventories	—	—	12,915	12,915
Trade and other receivables, current	—	—	11,246	11,246
Other assets, current	—	—	16,421	16,421
Cash and cash equivalent	—	—	92,656	92,656
Total group assets	287,496	356,796	288,524	932,816

32. Financial information by operating segments (cont'd)**32C. Assets and reconciliations (cont'd)**

	<u>Milk powder</u> RMB'000	<u>Liquid milk</u> RMB'000	<u>Unallocated</u> RMB'000	<u>Consolidated</u> RMB'000
2014				
Total assets for reportable segments	342,548	328,701	–	671,249
Unallocated:				
Property, plant and equipment	–	–	82,191	82,191
Investment property	–	–	3,257	3,257
Investment in associate	–	–	31,839	31,839
Deferred tax assets	–	–	11,548	11,548
Other assets, non-current	–	–	17,374	17,374
Inventories	–	–	10,647	10,647
Trade and other receivables, current	–	–	3,231	3,231
Other financial assets, current	–	–	3,000	3,000
Other assets, current	–	–	11,924	11,924
Cash and cash equivalent	–	–	91,136	91,136
Total group assets	342,548	328,701	266,147	937,396

32D. Liabilities and reconciliations

	<u>Milk powder</u> RMB'000	<u>Liquid milk</u> RMB'000	<u>Unallocated</u> RMB'000	<u>Consolidated</u> RMB'000
2015				
Total liabilities for reportable segments	124,693	247,416	–	372,109
Unallocated:				
Trade and other payables	–	–	102,210	102,210
Other financial liabilities	–	–	110,000	110,000
Other liabilities, current	–	–	1,508	1,508
Total group liabilities	124,693	247,416	213,718	585,827

	<u>Milk powder</u> RMB'000	<u>Liquid milk</u> RMB'000	<u>Unallocated</u> RMB'000	<u>Consolidated</u> RMB'000
2014				
Total liabilities for reportable segments	90,046	211,875	–	301,921
Unallocated:				
Trade and other payables	–	–	141,570	141,570
Other financial liabilities	–	–	150,000	150,000
Other liabilities, current	–	–	540	540
Total group liabilities	90,046	211,875	292,110	594,031

32E. Other material items and reconciliations

	<u>Milk powder</u> RMB'000	<u>Liquid milk</u> RMB'000	<u>Unallocated</u> RMB'000	<u>Consolidated</u> RMB'000
Expenditures for non-current assets				
2015	815	6,120	45,216	52,151
2014	14,802	27,495	25,726	68,023

32. Financial information by operating segments (cont'd)

32F. Geographical information

The group only operates in one geographical segment, which is the People's Republic of China.

32G. Information about major customers

There are no customers with revenue transactions of over 10% of the group revenue.

33. Changes and adoption of financial reporting standards

For the current reporting year new or revised Singapore Financial Reporting Standards and the related Interpretations to FRS ("INT FRS") were issued by the Singapore Accounting Standards Council. Those applicable to the reporting entity are listed below. These applicable new or revised standards did not require any material modification of the measurement methods or the presentation in the financial statements.

<u>FRS No.</u>	<u>Title</u>
FRS 19	Amendments To FRS 19: Defined Benefit Plans: Employee Contributions
Various	Improvements to FRSs (Issued in January 2014). Relating to
	FRS 103 Business Combinations
	FRS 108 Operating Segments
	FRS 113 Fair Value Measurement
	FRS 16 Property, Plant and Equipment
	FRS 24 Related Party Disclosures
Various	Improvements to FRSs (Issued in February 2014). Relating to
	FRS 103 Business Combinations
	FRS 113 Fair Value Measurement
	FRS 40 Investment Property

34. New or amended standards in issue but not yet effective

For the future reporting years new or revised Singapore Financial Reporting Standards and the related Interpretations to FRS ("INT FRS") were issued by the Singapore Accounting Standards Council and these will only be effective for future reporting years. Those applicable to the reporting entity for future reporting years are listed below. The transfer to the applicable new or revised standards from the effective dates is not expected to result in material adjustments to the financial position, results of operations, or cash flows for the following year.

<u>FRS No.</u>	<u>Title</u>	<u>Effective date for periods beginning on or after</u>
FRS 1	Amendments to FRS 1: Disclosure Initiative	1 January 2016
FRS 16 & 38	Amendments to FRS 16 and FRS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
FRS 16 & 41	Amendments to FRS 16 and FRS 41: Agriculture: Bearer Plants	1 January 2016
FRS 27	Amendments to FRS 27: Equity Method in Separate Financial Statements	1 January 2016
FRS 110 & 28	Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Various	Improvements to FRSs (Issued in November 2014)	1 January 2016
	FRS 105 Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal	
	FRS 107 Financial Instruments: Disclosures - Servicing contracts	
FRS 115	Revenue from Contracts with Customers	1 January 2018
FRS 109	Financial Instruments	1 January 2018

35. Proposed voluntary delisting

During the reporting year, the directors of company received a formal proposal (the "Delisting Proposal") from Winner International Investments Limited to seek voluntary delisting of the company (the "Delisting") from the Official List of the main board of the Singapore Exchange Securities Trading Limited ("SGX-ST") pursuant to Rules 1307 and 1309 of the Listing Manual of the SGX-ST.

Under the Delisting Proposal, Winner International Investments Limited made an exit offer ("Exit Offer") in cash, conditional on the approval of shareholders of the company ("Shareholders") for the delisting being obtained and acquired all the issued ordinary shares in the capital of the company ("Shares") held by all the Shareholders, other than those Shares already owned, controlled or agreed to be acquired by Winner International Investments Limited.

The offer price for each offer share tendered in acceptance of the Exit Offer is S\$0.195 in cash.

The directors have reviewed the Delisting Proposal and have resolved to convene an extraordinary general meeting of the company on 4 May 2016 to seek shareholders' approval for the Proposed Delisting and make an application to the SGX-ST for approval of the Proposed Delisting.