CHANGSHOUHUA FOOD COMPANY LIMITED
長壽花食品股份有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1006)

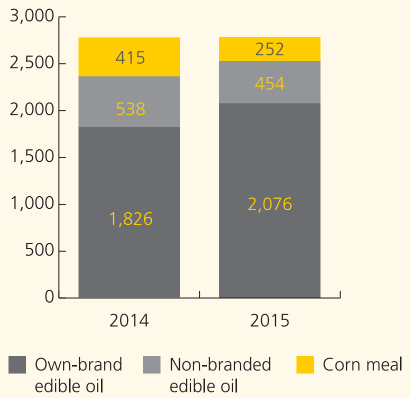
Annual Report
2015

Contents

Financial and Operating Highlights

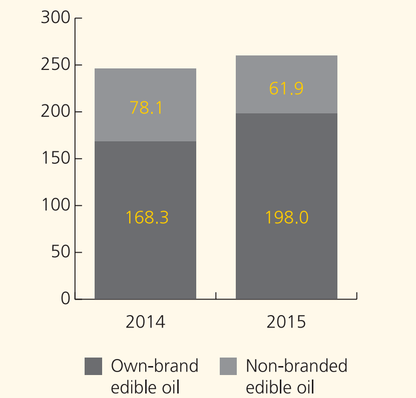
Revenue

Million (RMB)



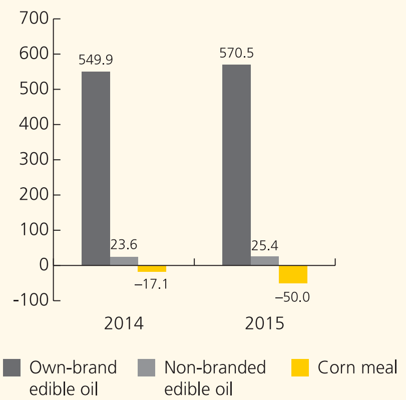
Sales volume of edible oils

Thousand tonnes

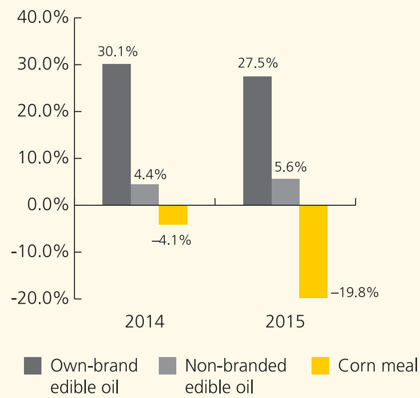


Gross profit

Million (RMB)

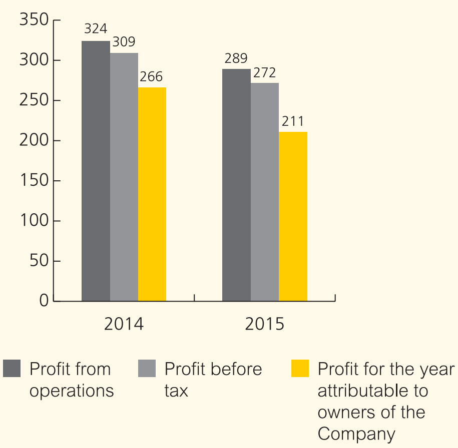


Gross profit margin



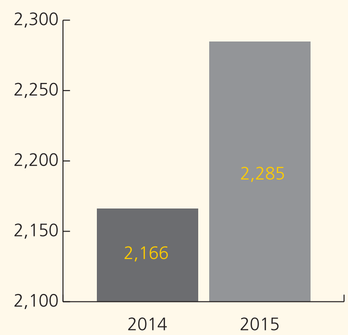
Profit from operations, Profit before tax and Profit for the year attributable to owners of the Company

Million (RMB)



Net assets

Million (RMB)



Corporate Information

Board of Directors

Executive Directors

Wang Mingxing *(Chairman)*
Wang Mingfeng
Wang Mingliang
Cheng Wenming
Sun Guohui
Huang Da

Independent Non-Executive Directors

Wang Aiguo
Liu Shusong
Wang Ruiyuan

Company Secretary

Chan Yuen Ying, Stella

Audit Committee

Wang Aiguo *(Committee Chairman)*
Wang Ruiyuan
Liu Shusong

Remuneration Committee

Wang Aiguo *(Committee Chairman)*
Wang Mingxing
Wang Ruiyuan
Liu Shusong

Nomination Committee

Wang Mingxing *(Committee Chairman)*
Wang Aiguo
Wang Ruiyuan
Liu Shusong

Corporate Governance Committee

Wang Mingliang *(Committee Chairman)*
Sun Guohui
Cheng Wenming

Auditor

BDO Limited

Principal Registrar

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Branch Registrar

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Bankers

Agricultural Bank of China, Zouping Sub-branch
Bank of China, Zouping Sub-branch
Industrial and Commercial Bank of China,
Zouping Sub-branch
Wing Lung Bank Limited

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

Room 1502, 15th Floor
The Chinese Bank Building
61–65 Des Voeux Road Central
Hong Kong

Stock Code

Hong Kong Stock Exchange: 1006

Website

http://www.chinacornoil.com/

Chairman's Statement

On behalf of the board of directors (the "Directors") (the "Board") of Changshouhua Food Company Limited (the "Company" or "Changshouhua Food"), I would like to present to the shareholders of the Company ("Shareholders") the annual results and the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2015.

Financial Performance

For the year ended 31 December 2015, the Group's revenue slightly increased by approximately 0.1% to approximately RMB2,782,400,000 (2014: approximately RMB2,778,900,000). Overall sales of edible oils increased by 5.5% to 259,892 tonnes. Despite the fact that the price of edible oils in the PRC remained in a downturn in the current financial year, the Group's overall sales volume for own-brand edible oil increased by approximately 17.6%, which was achieved through (i) gradually focusing on sales of own-brand edible oil only, (ii) brand product diversification and (iii) the expansion and improvement in sales network. The above efforts have substantially offset the adverse impact brought about by the declining price of China's edible oils market.

Final Dividend

The Board resolved to recommend to the Shareholders at the forthcoming annual general meeting of the Company to be held on Thursday, 26 May 2016 ("2016 AGM") a final dividend of HK cents 10 (2014: HK cents 20) per share for the year ended 31 December 2015 to be paid on Wednesday, 29 June 2016 to the shareholders whose names appear on the register of members of the Company on Wednesday, 8 June 2016.

Business Review

Since the establishment of the Company, Changshouhua Food is committed to products' research and development as well as innovation of its production technology and improvement of the production capacity. Since the establishment of the brand of "長壽花" (Longevity Flower), the Company has been developing and expanding its sales channels, and for many years, the sales volume of its products has been far higher than its competitors. Changshouhua's brand position as a pioneer and market leader in the PRC corn oil industry is deeply rooted. In recent years, the Group has been focusing on brand-building with an aim to increasing the proportion of sales of own-brand products and made active efforts in developing new edible oil products under the brand of "長壽花" (Longevity Flower). In spite of the weak performance of the overall edible oils market in the PRC in 2015, the brand of "長壽花" (Longevity Flower) managed to maintain a double-digit growth of sales volume under the efforts made last year.

In response to the dynamic industrial changes in edible oils market in the PRC, a five-year business development plan (2016–2020) was formulated in August 2015. The Company will proceed with the enhancement of the brand reputation of "長壽花" (Longevity Flower) as a young and healthy product in the medium and high-end markets through the following three major themes of the development plan: (i) introduction of a new spokesperson for the brand of "長壽花" (Longevity Flower), (ii) product diversification and (iii) expansion and optimization of sales network.

By the end of 2015, the Company accomplished the preliminary work of the five-year business development plan, including the introduction of the improved Changshouhua rice germ oil and Changshouhua rapeseed oil with two flavors, introduction of the spokesperson of the brand of "長壽花" (Longevity Flower), Ms. Fan Bingbing (范冰冰小姐), an international superstar, in December, further optimization of sales network and so on.

Appreciation

I would like to take this opportunity to express my sincere gratitude to the contributions by all of our Directors, the management team and all staff to the Group. Also thanks for the continuous support from our business partners, investors and Shareholders throughout all these years.

Wang Mingxing
Chairman

Hong Kong, 30 March 2016

Management Discussion and Analysis

Business Review

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Financial Review

For the year ended 31 December 2015, the Group recorded a slight increase in revenue of approximately 0.1% to approximately RMB2,782,400,000 (2014: approximately RMB2,778,900,000).

For the year ended 31 December 2015, the sales of (i) own-brand edible oil; (ii) non-branded edible oil in bulk; and (iii) corn meal amounted to approximately RMB2,075,700,000, RMB454,400,000 and RMB252,300,000 (2014: approximately RMB1,825,600,000, RMB538,400,000 and RMB415,000,000) respectively and accounted for approximately 74.6%, 16.3% and 9.1% (2014: approximately 65.7%, 19.4% and 14.9%) respectively of the Group's total revenue. For the year ended 31 December 2015, the revenue of the Group's products was only from the sales in the PRC (2014: revenue from the PRC and overseas countries accounted for approximately 99.9% and 0.1% of the Group's total sales respectively).

Revenue

For the year ended 31 December 2015, the Group's revenue was almost flat when compared with the corresponding period with a slight increase of approximately 0.1% (i.e. RMB3,478,000) to approximately RMB2,782,400,000. In spite of the weak performance of the average price of edible oils market in 2015, the Group's sales of branded edible oil could still maintain steady growth by the Group's efforts which was sufficient to offset against most of the adverse impacts of the decrease in overall average selling price.

The following table sets forth the breakdown of revenue by product categories:

	For the year ended 31 December 2015		For the year ended 31 December 2014	
	RMB'000	**%**	RMB'000	%
Own-brand edible oil	**2,075,672**	**74.6%**	1,825,568	65.7%
Non-branded edible oil	**454,407**	**16.3%**	538,353	19.4%
Corn meal	**252,347**	**9.1%**	415,027	14.9%
	2,782,426	**100%**	2,778,948	100%

Overall sales of edible oil increased by 5.5% to 259,892 tonnes.

The following table sets forth the breakdown of quantities sold by major product categories:

	For the year ended 31 December 2015		For the year ended 31 December 2014	
	Quantities (tonnes)	**Overall proportion %**	Quantities (tonnes)	Overall proportion %
Brand of 長壽花 (Longevity Flower)				
Corn oil	**172,837**	**66.5%**	154,095	62.5%
Other edible oil	**25,198**	**9.7%**	14,253	5.8%
	198,035	**76.2%**	168,348	68.3%
Non-branded				
Corn oil	**49,760**	**19.1%**	77,623	31.5%
Other edible oil	**12,097**	**4.7%**	443	0.2%
	61,857	**23.8%**	78,066	31.7%
Overall edible oil	**259,892**	**100%**	246,414	100%
Corn meal	**236,313**		230,291	

Sales of own-brand edible oil increased by approximately 13.7% (i.e. approximately RMB250,100,000) and sales of non-branded edible oil decreased by approximately 15.6% (i.e. approximately RMB83,900,000).

Own-brand edible oil

The Group continued to prioritize own brand development and gradually introduce different types of edible oil products under other brands of "長壽花" (Longevity Flower). Decent growth of sales is recorded for both own-brand corn oil and other edible oil during the year. For the year ended 31 December 2015, overall sales of own-brand edible oil increased by 17.6% to 198,035 tonnes, out of which the sales of own-brand corn oil and other edible oil products increased by 12.2% to approximately 172,837 tonnes and increased by 76.8% to approximately 25,198 tonnes, respectively. Among others, sales growths of own-brand peanut oil and own-brand sunflower seed oil were especially significant.

Non-branded edible oil

Since the brand-building of "長壽花" (Longevity Flower) is always the first priority of the development of the Group, therefore, the Group strategically reduced the reliance on sales of non-branded corn oil. For the year ended 31 December 2015, overall sales of non-branded edible oil decreased by 20.8% to approximately 61,857 tonnes, of which non-branded corn oil decreased by 35.9% to approximately 49,760 tonnes.

By-product — corn meal

For the year ended 31 December 2015, despite the fact that sales of corn meal increased by approximately 2.61% to 236,313 tonnes driven by the growth of main businesses, price of corn meal constantly fluctuated downward due to the decrease in the demand for corn meal of the PRC poultry farming industry in the past year. For the year ended 31 December 2015, revenue from corn meal decreased by 39.2% to RMB252,300,000.

Gross profit and gross profit margin

For the year ended 31 December 2015, gross profit decreased by approximately 1.9% to approximately RMB545,900,000 and the gross profit margin slightly decreased to approximately 19.6%.

The following table sets forth the breakdown of gross profit/(loss) by product categories:

	For the year ended 31 December 2015 RMB'000	For the year ended 31 December 2015 proportion of gross profit (loss) %	For the year ended 31 December 2014 RMB'000	For the year ended 31 December 2014 proportion of gross profit (loss) %
Brand of 長壽花 (Longevity Flower)				
Corn oil	479,325	87.8%	494,189	88.8%
Other edible oil	91,216	16.7%	55,706	10.0%
	570,541	104.5%	549,895	98.8%
Non-branded				
Corn oil	21,508	3.9%	23,446	4.2%
Other edible oil	3,894	0.7%	174	0.0%
	25,402	4.6%	23,620	4.2%
Corn meal	(50,004)	(9.1)%	(17,083)	(3.0)%
Overall gross profit	545,939	100%	556,432	100%

The following table sets forth the breakdown of gross profit (loss) margin by major product categories:

	For the year ended 31 December 2015 gross profit (loss) margin	For the year ended 31 December 2014 gross profit (loss) margin
Own-brand edible oil		
Corn oil	27.2%	30.2%
Other edible oil	29.0%	29.2%
	27.5%	30.1%
Non-branded edible oil		
Corn oil	5.8%	4.4%
Other edible oil	4.7%	5.9%
	5.6%	4.4%
Corn meal	(19.8%)	(4.1%)
Overall	19.6%	20.0%

The following table shows the fluctuation of average selling prices of the Group's edible oil products:

	For the year ended 31 December 2015		For the year ended 31 December 2014	
	Average selling price (RMB/ton)	**Average unit cost of sales (RMB/ton)**	Average selling price (RMB/ton)	Average unit cost of sales (RMB/ton)
Own-brand edible oil				
Corn oil	**10,192**	**7,419**	10,608	7,401
Other edible oil	**12,465**	**8,845**	13,398	9,490
Non-branded edible oil				
Corn oil	**7,479**	**7,046**	6,897	6,595
Other edible oil	**6,801**	**6,479**	9,074	8,542

Own-brand edible oil

For the year ended 31 December 2015, driven by the increase in sales of edible oil products with higher gross profit margin, overall gross profit of own-brand edible oil increased by approximately 3.8% to approximately RMB570,500,000. Among others, the increase in gross product of own-brand peanut oil and own-brand sunflower seed oil was particularly marked. However, overall gross profit margin decreased to 27.5%, mainly due to a decrease of 3.9% in the average selling price of corn oil, which is a major product of the Group.

Non-branded edible oil

For the year ended 31 December 2015, gross profit of non-branded edible oil increased by approximately 7.5% to approximately RMB25,400,000, mainly due to an increase of 8.4% in average selling price of non-branded corn oil products. Meanwhile, the increase in average selling price of non-branded edible oil also resulted in an increase in overall gross profit margin of non-branded edible oil to 5.6%.

By-product — corn meal

Price of corn meal constantly fluctuated downward due to sluggish performance of the PRC poultry farming industry in 2015. For the year ended 31 December 2015, gross loss of corn meal further increased to 19.8%.

Cost of sales

The cost of sales mainly included costs of raw materials, direct labour and manufacturing overhead. Direct labour costs include wages and other compensation paid to production workers. Manufacturing overhead includes depreciation, freight costs, electricity, steam power, indirect labour and packing expenses. For the year ended 31 December 2015, overall cost of sales remained similar with a slight increase of 0.63% to RMB2,236,500,000.

The costs of raw materials constituted the largest component of total cost of sales and accounted for approximately 89.8% of the total cost of sales for the year ended 31 December 2015 (2014: 89.9%).

Other Income

For the year ended 31 December 2015, other income decreased by approximately 6.2% to approximately RMB79.9 million (2014: RMB85.2 million), mainly due to a drastic decrease of price of scrap materials, resulting in a decrease in sales income of scrap materials.

Other income mainly comprised sales of scrap materials of approximately RMB29.2 million (2014: RMB39.9 million), bank interest income of approximately RMB36.9 million (2014: RMB26.3 million), compensation income from insurance company of approximately RMB35,000 (2014: RMB52,000) and government grants and subsidies of approximately RMB11.9 million (2014: RMB5.1 million).

Selling and Distribution Expenses

Selling and distribution expenses amounted to approximately RMB249.2 million for the year ended 31 December 2015 (2014: RMB251.2 million). Selling and distribution expenses mainly comprised transportation fees of approximately RMB31.8 million (2014: RMB40.1 million), advertising and promotion expenses of approximately RMB68.8 million (2014: RMB76.9 million), expenses of representative offices of approximately RMB68.4 million (2014: RMB40.7 million) and sales staff costs of approximately RMB66.4 million (2014: RMB77.2 million).

For the year ended 31 December 2015, the Group established new representative offices, expanded selling and distribution network in more cities in the PRC and increased the number of wholesale distributors to 1,457 (as at 31 December 2014: 1,397). Therefore, expenses of representative offices increased during the period.

The significant decrease in advertising and promotion expenses by approximately RMB8.1 million was mainly due to the fact that in view of the increasing reputation and awareness of the brand of "長壽花" (Longevity Flower) by the consumers, the Group has strategically reduced the expenses of advertising activities. During the year, as the Group optimized resource allocation, expenses of representative offices increased by approximately RMB27.7 million. The sales staff costs decreased by approximately RMB10.8 million, mainly due to the restructuring of marketing staff during the year, which reduced 536 salespersons and promotion staff in average in the current year.

Since the Group has invited Ms. Fan Bingbing (范冰冰小姐), an international superstar, to become the spokesperson of the brand of 長壽花 (Longevity Flower) in December 2015, the management of the Group will fully utilize her popularity and healthy image, put greater efforts into brand promotion and extensively expand selling and distribution network in the forthcoming year.

Administrative expenses

For the year ended 31 December 2015, administrative expenses increased by approximately 33.3% to approximately RMB87.7 million (2014: RMB65.8 million), due to the additional realised exchange loss arising from repayment of loans of approximately RMB12.2 million during the year.

Other administrative expenses mainly comprised: (i) administrative staff costs of approximately RMB21.3 million (2014: RMB16.9 million); (ii) depreciation and amortization expenses of approximately RMB10.6 million (2014: RMB14.0 million); (iii) other taxes of approximately RMB14.5 million (2014: RMB11.0 million); and (iv) legal and professional fees of approximately RMB4.1 million (2014: RMB3.9 million).

The increase in other administrative staff costs was mainly due to the increase in the number of administrative staff and training expenses to cope with the continuous expansion of the Group's business. To a lesser extent, the Group also held more activities such as merchants sales conventions and new conferences.

Profit before Income Tax and Profit Attributable to Owners of the Company

The Group recorded profit before income tax of approximately RMB271.5 million for the year ended 31 December 2015 (2014: RMB309.3 million), representing a decrease of approximately 12.2% (i.e. RMB37.8 million) as compared with the year ended 31 December 2014. The decrease in profit before income tax was mainly due to the realised exchange loss arising from repayment of loans of approximately RMB12.2 million, and to a lesser extent, a decrease in other income of approximately RMB5.3 million and an increase in other administrative expenses (excluding the exchange loss mentioned above) of approximately RMB9.7 million.

The Group's profit attributable to owners of the Company decreased by approximately 20.8% from approximately RMB266.3 million for the year ended 31 December 2014 to approximately RMB210.8 million for the year ended 31 December 2015, mainly due to an increase of approximately RMB17.7 million in enterprise income tax as a result of an increase in distribution of dividends and no utilisation of previous tax losses to offset against the income tax expenses in 2015.

The Group's net profit margin for the year ended 31 December 2015 was approximately 7.6% (31 December 2014: 9.6%). The basic earnings per share attributable to owners of the Company amounted to approximately RMB36.8 cents for the year ended 31 December 2015 (approximately RMB46.4 cents for the year ended 31 December 2014).

Acquisition of Property, Plant and Equipment

As at 31 December 2015, deposits paid for the Group's construction or acquisition of production plant, equipment and land use rights amounted to approximately RMB13.5 million (2014: RMB53.9 million). The new corn oil plant which the Group planned to build in Guangzhou will commence construction in 2016.

Trade Receivables

As at 31 December 2015, trade receivables increased by approximately 15.4% to approximately RMB469.7 million (2014: RMB407.1 million). The increase in trade receivables is mainly due to the increase in sales in the 4th quarter of the current financial year as compared with the corresponding period in 2014, resulting from the Group's new branding strategy and increase in the sales volume in direct retail chain.

Prepayments, Deposits and Other Receivables

As at 31 December 2015, prepayments, deposits and other receivables amounted to approximately RMB134.7 million (2014: RMB80.2 million), which mainly comprised (i) deposits paid for purchase of raw materials of approximately RMB76.7 million (2014: RMB31.5 million); and (ii) other receivables of approximately RMB32.0 million (2014: RMB45.6 million). These were mainly due to increased procurement of sunflower seed crude oil at the end of the year as a result of the significant increase in sales volume of own-brand sunflower seed oil in 2015.

Five-Year Business Development Plan (2016–2020)

In response to the China's ever changing edible oils industry, the Group announced that it had formulated a five-year business development plan in the 2015 interim results announcement in last August in order for our business model to better cope with future challenges. With the efforts made in the past few months, we gradually completed the preliminary work of the three major themes of the five-year business development plan:

1. Brand upgrading

The brand image of "長壽花" (Longevity Flower) as a healthy product in medium and high-end markets is further enhanced through the concept of Changshouhua corn oil as healthy edible oil:

Introduction of new spokesperson in line with future promotions of new products

In December 2015, the Group invited Ms. Fan Bingbing, an international superstar, to become the new spokesperson of the brand of "長壽花" (Longevity Flower). Through Ms. Fan Bingbing's trustworthy and healthy image, a series of new products under the brand of "長壽花" (Longevity Flower) will be launched; such products will target the medium and high-end consumer groups, including young families and those who pursue high-quality lifestyle.

Revamp of the brand image of 長壽花 (Longevity Flower)

After the introduction of the new spokesperson, the brand-new commercials and slogans of Changshouhua golden embryo corn oil had been launched before the Lunar New Year.

Reviewing and changing packaging on a regular basis

Package of Changshouhua golden embryo corn oil has been replaced by the new package of Fan Bingbing version in sales channels across the country. Meanwhile, packaging with different appearances and capacities are designed for different branded products of 長壽花 (Longevity Flower). The packaging are reviewed and changed on a regular basis to refresh the shopping experience for the consumers. We hope that the brand image of 長壽花 (Longevity Flower) remains young and vibrant.

Organising marketing events in major annual festivals

Except for proactively organizing marketing events in major annual festivals (such as Lunar New Year, Mother's Day, Father's Day, Mid-Autumn Festival, etc.) to increase turnover, the Group also promotes new products through organising various marketing events, at the same time educates and enhances consumers' good impression about Changshouhua's brand image as a healthy product.

Strengthening efforts on advertising campaigns

In line with the introduction of Ms. Fan Bingbing as the new spokesperson of the brand, new advertising campaigns have been extensively promoted in different areas and through different media channels, including online video advertising (including film, television, network, etc.), outdoor media advertising (including station signs for public transports, public transport vehicles, billboards, etc.), newspaper, radio and other forms of advertising campaign (such as Changshouhua's public relations events).

2. Product diversification

The Group has introduced two types of healthy edible oil (Changshouhua rice germ oil and Changshouhua rapeseed oil) in 2015 to further diversify the product categories and attract more potential consumers:

Changshouhua rice germ oil

Rice germ oil is one of the healthy edible oils on which the Group will focus its development efforts. Being culled from rice of excellent quality produced in mainland China and refined by physical refining process, the Group's rice germ oil is rich in vitamin E, phytocholesterols and contains 13,800 ppm of oryzanol, which is the highest among the industry. The new version of rice germ oil has replaced the old version which contains 8,000 ppm oryzanol and has been launched directly to all first and second-tier cities since the fourth quarter of 2015. The new product is now being gradually introduced to wholesale distributor network.

Changshouhua rapeseed oil

Rapeseed oil is very popular in mainland China with huge market opportunities. The Group has introduced two distinctive rapeseed oil products, special flavoured rapeseed oil and pure flavoured rapeseed oil, and started the sales through distributors in Yangtze River basin region in the fourth quarter of 2015.

Changshouhua peanut oil/olive oil/sunflower seed oil

The Group continued to enrich consumer's choice by introducing healthy oil products such as peanut oil, sunflower seed oil and olive oil, to complement with the edible oil products under the brand of 長壽花 (Longevity Flower).

Food products under the Changshouhua Kitchen series

Chinese Society says, the "開門七件事" in Chinese (i.e. seven necessities) which are firewood, rice, oil, salt, sauce, vinegar and tea, respectively. The Group has introduced grains such as small size packing millet, Northeast rice and mung beans and carried out trial sale at Changshouhua Kitchen experience stores in the first quarter of 2016. The Group plans to establish a series of food products known as "Changshouhua Kitchen" to enrich product category for consumers' choices.

3. Expanding and optimising sales network

For the year ended 31 December 2015, the Group's distribution network consists of 1,457 wholesale distributors and 157 retailers, covering all provincial level administrative regions in mainland China (except Tibet) with approximately 170,000 domestic sales locations. The Group's future objective is to gradually expand its distribution network toward all counties, townships and communities in the PRC.

Expansion in sales channel cooperation

In addition to the continuous close cooperation with retailers and the promotion of a cooperative alliance model, the Group also reviews and optimises the layout of traditional sales channel on a regular basis, such as extending its cooperation with small and medium sized supermarket stores, reviewing the list of partner dealers regularly, introducing new cooperative dealers and improving the coverage rate in sales terminals.

To keep up with the major future trend of combing e-commerce with the Internet, the Group has established an e-commerce department in the third quarter of 2015 to develop online sales channel.

In addition, the Group gradually set up Changshouhua Kitchen experience stores in order to complement with a series of "Changshouhua Kitchen" products in the future and provide consumers with a one-stop shopping experience of healthy kitchen supplies.

Sales network layout and expansion in specific regions

The Group aims to unleash the potential of third and fourth-tier Chinese cities in the next three years and build on an extensive wholesale distribution network which almost covers all county-level cities across the country to further its network expansion as well as making improvement in coverage rate.

The Group generates sales revenue from seven major regions including Zhejiang Province, Shandong Province, Beijing and Tianjin area, Guangdong Province, Hubei Province, Chongqing and the three provinces in Northeast China, and enjoys a dominant leading position in the corn edible oil market in terms of market share. In the future, the Group will allocate its resources to brand development and cooperation with direct retail stores such as supermarkets and hypermarkets, thus solidifying its leading position.

On the other hand, Henan Province, Hebei Province, Jiangsu Province, Shanxi Province and Sichuan Province are the five key development and promotional regions for the Group in the next five years. In these markets, with wholesales distributors taking on a leading role, the Group will be able to ensure a more effective and extensive sales network, while guaranteeing that products can be delivered to target consumers.

Capital Structure

The Company's issued share capital as at 31 December 2015 is HK$57,356,000, divided into 573,560,000 shares of HK$0.1 each.

As at 31 December 2015, the Group's borrowings are approximately RMB207.6 million (2014: RMB531.2 million). As the Group repaid the loans denominated in Hong Kong Dollars and US Dollars in the second half of 2015, gearing ratio (calculated as total borrowings divided by the amount of shareholders' equity) as at 31 December 2015 decreased drastically to 9.1% (2014: 24.5%). As a result, the current ratio (calculated as current assets divided by current liabilities) as at 31 December 2015 increased significantly to 3.4 times (31 December 2014: 2.3 times). The Group continues to adopt stringent debt collection policy so as to minimise the risks of sales on credit and to ensure that funds are timely collected.

Liquidity and Financial Resources

As at 31 December 2015, the Group's borrowings amounted to approximately RMB207.6 million (31 December 2014: RMB531.2 million) and cash and bank balances and pledged bank deposits amounted to RMB948.7 million (31 December 2014: RMB1,242.9 million). The decrease in cash and bank balances and pledged bank deposits was mainly due to the repayment of bank borrowings denominated in Hong Kong Dollars and US Dollars.

Material Acquisition and Disposal

The Company did not have any material acquisition or disposal during the year ended 31 December 2015.

Exposure to Fluctuations in Exchange Rates and Related Hedge

Most transactions of the Group are settled in Renminbi ("RMB") since the operations of the Group are mainly carried out in the PRC, and the major subsidiaries of the Group are operating under an RMB environment and the functional currency of the major subsidiaries is RMB. The reporting currency of the Group is RMB. The Group's cash and bank deposits are predominantly in RMB. The Group's interest-bearing bank borrowings are denominated in Hong Kong Dollars and US Dollars. The Company will pay dividends in Hong Kong Dollars if dividends are declared. As RMB continued to depreciate in 2015, the Directors are of the view that the exchange rates of RMB against other currencies will be uncertain in the coming year and repaid the bank borrowings denominated in Hong Kong Dollars and US Dollars in the fourth quarter of 2015. The Group recorded an additional realised exchange loss arising from the repayment of loans due to the depreciation of Renminbi amounted to approximately RMB12.2 million during the year.

Currently, RMB is not freely convertible. Part of the Group's income and profit in RMB can be converted to other currencies in order to fulfil the Group's foreign exchange liabilities such as distribution of dividends (if any).

Pledge on Group Assets

As at 31 December 2015, none of the assets of the Group was pledged (2014: pledged bank deposits amounted to approximately RMB45.0 million).

Capital Commitments and Operating Lease Commitments

The Group had capital commitment of approximately RMB10.4 million as at 31 December 2015 (31 December 2014: RMB27.8 million), which mainly represented commitments made for purchase of fixed assets. The Group had operating lease commitments of approximately RMB2.3 million in respect of leased properties as at 31 December 2015 (31 December 2014: RMB3.0 million).

Employee Benefits and Remuneration Policies

As at 31 December 2015, the Group had a total of 4,635 employees (31 December 2014: 4,472). The employees of the Group were remunerated based on their experience, qualifications, the Group's results and the market condition. During the year, staff costs (including Directors' remunerations) amounted to approximately RMB112.2 million (31 December 2014: RMB116.9 million).

Moreover, a share option scheme (the "Scheme") was adopted on 23 November 2009 to retain staff members who have made contributions to the success of the Group. On 14 May 2010, options in an aggregate of 25,000,000 shares were granted to 6 executive Directors and 26 employees of the Group. During the year, no share options were granted under the Scheme and no share options were exercised.

As required by the PRC regulations on social insurance, the Group participates in social insurance schemes operated by the relevant local government authorities which include retirement pension, medical insurance, unemployment insurance, industrial injuries insurance and maternity insurance.

Directors' Right to Acquire Shares or Debentures

Save for the share options granted to the Directors under the Scheme, at no time during the year ended 31 December 2015 was the Company, or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of buying shares in, or debt securities, including debentures, of the Company or any other body corporate.

Significant Investments Held

There were no significant investments held by the Group as at 31 December 2015.

Contingent Liabilities

As at 31 December 2015, the Group has no material contingent liabilities.

Final Dividend

The Board resolved to recommend to the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on Thursday, 26 May 2016 ("2016 AGM") a final dividend of HK cents 10 (2014: HK cents 20) per share for the year ended 31 December 2015 to be paid on Wednesday, 29 June 2016 to the shareholders whose names appear on the register of members of the Company on Wednesday, 8 June 2016.

Corporate Governance Report

The Company is committed to maintaining good corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure in order to enhance the shareholders' value.

Corporate Governance Practices

The Company has adopted the code provisions set out in the Corporate Governance Code ("CG Code") in Appendix 14 to the Listing Rules as its own code of corporate governance.

During the year ended 31 December 2015, the Company was in compliance with the relevant code provisions set out in the CG Code except for the deviation explained below.

Code provision A.2.1 of the CG Code requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Wang Mingxing, the Chairman of the Company, was also acting as the chief executive officer of the Company. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by current Board which comprises experienced and high calibre individuals with sufficient number thereof being independent non-executive Directors.

Save as the aforesaid and in the opinion of the Directors, the Company had met the relevant code provisions set out in the CG Code during the year ended 31 December 2015.

Directors' Securities Transactions

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Company confirmed that all Directors had complied with the required standard set out in the Model Code throughout the year.

Board of Directors

The Board is responsible for the leadership and control of the Company, and is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Group. The Board reserved for its decision or consideration matters covering overall Group strategy, major acquisitions and disposals, annual budgets, annual and interim results, recommendations on Directors' appointment or re-appointment, approval of major capital transactions and other significant operational and financial matters. The management was delegated the authority and responsibility by the Board for the daily management of the Group. In addition, the Board has also delegated various responsibilities to the Board committees. Further details of these committees are set out in this report.

The Board currently consists of nine Directors including six executive Directors and three independent non-executive Directors:

Executive Directors

Mr. Wang Mingxing *(Chairman and Chief Executive Officer)*
Mr. Wang Mingfeng
Mr. Wang Mingliang
Mr. Cheng Wenming
Mr. Sun Guohui
Mr. Huang Da

Independent non-executive Directors

Mr. Wang Aiguo
Mr. Liu Shusong
Mr. Wang Ruiyuan

Mr. Wang Mingxing is the younger brother of Mr. Wang Mingfeng and the elder brother of Mr. Wang Mingliang, and all three of them are shareholders of Shandong Sanxing Group Company Limited ("Shandong Sanxing") which wholly and beneficially owns Zouping Sanxing Grease Industry Company Limited ("Sanxing Grease"), the controlling Shareholder.

Save as aforesaid, the Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced board composition is formed to ensure strong independence exists across the Board. The composition of the Board reflects the balanced skills and experience for effective leadership. The biographical information of the Directors are set out on pages 44 to 47 under the section headed "Biographical Details of Directors and Senior Management".

The Board decides on corporate strategies, approves overall business plans and evaluates the Group's financial performance and management. Specific tasks that the Board delegates to the Group's management include the implementation of strategies approved by the Board, the monitoring of operating budgets, the implementation of internal control procedures, and the ensuring of compliance with relevant statutory requirements and other rules and regulations.

Board Meetings

The Board has four scheduled meetings a year at approximately quarterly interval and additional meetings will be held as and when required. The four scheduled Board meetings for a year are planned in advance. During the regular meetings of the Board for the year, the Board reviewed the operation and financial performance of the Group, and also reviewed and approved the annual and interim results of the Company.

During the year ended 31 December 2015, the Board held four meetings. All Directors were given an opportunity to include any matters in the agenda for regular Board meetings, and were also given sufficient time to review documents and information relating to matters to be discussed in Board meetings in advance.

Name of Director	Number of attendance
Mr. Wang Mingxing	4/4
Mr. Wang Mingfeng	4/4
Mr. Wang Mingliang	4/4
Mr. Cheng Wenming	4/4
Mr. Sun Guohui	4/4
Mr. Huang Da	4/4
Mr. Wang Aiguo	4/4
Mr. Liu Shusong	4/4
Mr. Wang Ruiyuan	4/4

Board minutes are kept by the Company Secretary and are open for inspection by the Directors. Every Board member is entitled to have access to Board papers and related materials, and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required.

General Meetings

During the year ended 31 December 2015, the annual general meeting ("2015 AGM") and an extraordinary general meeting of the Company were held on 29 May 2015.

Name of Director	Number of attendance
Mr. Wang Mingxing	2/2
Mr. Wang Mingfeng	2/2
Mr. Wang Mingliang	2/2
Mr. Cheng Wenming	2/2
Mr. Sun Guohui	2/2
Mr. Huang Da	2/2
Mr. Wang Aiguo	0/2
Mr. Liu Shusong	2/2
Mr. Wang Ruiyuan	0/2

The Board is responsible for maintaining an on-going dialogue with Shareholders and in particular, uses annual general meetings or other general meetings to communicate with them and encourage their participation.

Directors' Training

According to the code provision A.6.5 of the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant.

All Directors have participated in continuous professional development by way of receiving in-house briefing, taking part in business-related training/activities and attending seminars relating to their role as a Director of the Company. Each of the Directors has provided a record of training they received for the year ended 31 December 2015 to the Company.

The following table sets forth the summary of particular training that each Director received for the year ended 31 December 2015:

Name of Director	Attending or participating in seminars/in-house briefing or reading materials relevant to the Group's business/director's duties
Mr. Wang Mingxing	✓
Mr. Wang Mingfeng	✓
Mr. Wang Mingliang	✓
Mr. Cheng Wenming	✓
Mr. Sun Guohui	✓
Mr. Huang Da	✓
Mr. Wang Aiguo	✓
Mr. Liu Shusong	✓
Mr. Wang Ruiyuan	✓

Chairman and Chief Executive Officer

Mr. Wang Mingxing, the Chairman of the Company, was also appointed as the chief executive officer of the Company. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by current Board which comprises experienced and high calibre individuals with sufficient number thereof being independent non-executive Directors.

Independent Non-executive Directors

The three independent non-executive Directors are persons of high calibre, with academic and professional qualifications in the fields of accounting, laws or oil industry. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each independent non-executive Director gives an annual confirmation of his independence to the Company, and the Company considers each of them to be independent under Rule 3.13 of the Listing Rules.

The independent non-executive Directors are currently appointed for a term of three years and are subject to retirement by rotation in accordance with the Articles of Association of the Company (the "Articles").

Nomination Committee

The Company established the Nomination Committee on 23 November 2009 with written terms of reference, which was revised on 21 December 2011 and 22 August 2013 respectively to comply with the code provisions under the CG Code. The revised terms of reference of the Nomination Committee is currently made available on the Stock Exchange's website and the Company's website.

The Nomination Committee consists of one executive Director, namely Mr. Wang Mingxing (as chairman) and three independent non-executive Directors, namely Mr. Wang Aiguo, Mr. Liu Shusong and Mr. Wang Ruiyuan.

The functions of the Nomination Committee are to review and monitor the structure, size and composition of the Board and make recommendations on any proposed changes to the Board to complement the Group's strategy; to identifying qualified individuals to become members of the Board; to assess the independence of independent non-executive Directors; and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the chief executive officer.

The Board adopted on 22 August 2013 a board diversity policy (the "Board Diversity Policy") and delegated certain duties under the Policy to the Nomination Committee. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company will also take into consideration its own business model and specific needs from time to time in determining the optimum composition of the Board.

The Nomination Committee will discuss and review the measurable objectives for implementing the Board Diversity Policy from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained.

During the year ended 31 December 2015, the Nomination Committee held only one meeting and reviewed the structure, size and diversity of the Board, assessed the independence of the independent non-executive Directors and considered the re-election of Directors.

Name of Director	**Number of attendance**
Mr. Wang Mingxing *(chairman)*	1/1
Mr. Wang Aiguo	1/1
Mr. Liu Shusong	1/1
Mr. Wang Ruiyuan	1/1

Remuneration Committee

The Company established the Remuneration Committee on 23 November 2009 with written terms of reference, which was revised on 21 December 2011 to comply with the code provisions under the CG Code. The revised terms of reference of the Remuneration Committee is currently made available on the Stock Exchange's website and the Company's website.

The Remuneration Committee consists of one executive Director, namely Mr. Wang Mingxing, and three independent non-executive Directors, namely Mr. Wang Aiguo (as chairman), Mr. Liu Shusong and Mr. Wang Ruiyuan.

The functions of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure on the remuneration packages for all Directors' and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy. The model of Remuneration Committee described in code provision B.1.2(c)(ii) of the CG Code has been adopted by the Remuneration Committee.

During the year ended 31 December 2015, the Remuneration Committee held only one meeting and reviewed the remuneration policy and structure for the Directors and senior management.

Name of Director	**Number of attendance**
Mr. Wang Aiguo *(chairman)*	1/1
Mr. Wang Mingxing	1/1
Mr. Liu Shusong	1/1
Mr. Wang Ruiyuan	1/1

The Company has adopted a share option scheme on 23 November 2009. The purpose of the share option scheme is to enable the Board to grant options to selected eligible participants to motivate them and to optimize their performance and efficiency for the benefit of the Group. Details of the share option scheme are set out in the Directors' Report.

The emolument payable to Directors will depend on their respective contractual terms under employment contracts or service contracts, if any, and will be fixed by the Board with recommendation of the Remuneration Committee, the performance of the Group and the prevailing marketing conditions. Details of the Directors' remuneration and senior management for the year ended 31 December 2015 are set out in notes 13(a) and 29(b), respectively, to the financial statements.

Senior Management's Remuneration

Senior Management's remuneration payment of the Group for the year ended 31 December 2015 falls within the following bands:

	Number of individuals
RMB200,001 to RMB300,000	1
RMB300,001 to RMB400,000	1
RMB400,001 to RMB500,000	1

Audit Committee

The Company established the Audit Committee on 23 November 2009 with written terms of reference, which was revised on 21 December 2011 and further revised on 16 December 2015 to comply with the code provisions under the CG Code. The terms of reference of the Audit Committee is currently made available on the Stock Exchange's website and the Company's website.

The Audit Committee is mainly responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of such auditor; reviewing the interim and annual reports and accounts of the Group; and overseeing the Company's financial reporting system (including the adequacy of resources, qualifications and experience of staff in charge of the Company's financial reporting function and their training arrangement and budget), and to review the risk management and internal control systems.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Wang Aiguo (as chairman), Mr. Wang Ruiyuan and Mr. Liu Shusong. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2015.

During the year ended 31 December 2015, the Audit Committee held two meetings.

Name of Director	**Number of attendance**
Mr. Wang Aiguo *(chairman)*	2/2
Mr. Liu Shusong	2/2
Mr. Wang Ruiyuan	2/2

During the year ended 31 December 2015, the Audit Committee reviewed the annual and interim results of the Group, which were in the opinion of the Audit Committee that the preparation of such results complied with the applicable accounting standards and the Listing Rules.

The Audit Committee noted the existing internal control system of the Group and also noted that review of the same shall be carried out on an on-going basis.

Corporate Governance Committee

The Company established the corporate governance committee (the "CG Committee") on 27 March 2012 with written terms of reference, which is aligned with the code provisions set out in the CG Code. The CG Committee comprises three executive Directors, namely Mr. Wang Mingliang (as chairman), Mr. Cheng Wenming and Mr. Sun Guohui.

The functions of the CG Committee are to develop and review the Company's policies and practices on corporate governance to comply with the CG Code and other legal or regulatory requirements and make recommendations to the Board; to oversee the Company's orientation program for new Director; to review and monitor the training and continuous professional development of Directors and senior management; to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and to review the Company's disclosure in the Corporate Governance Report.

During the year ended 31 December 2015, the CG Committee held only one meeting and reviewed the training and continuous professional development of Directors and senior management; and reviewed the Company's compliance with the CG Code for the year ended 31 December 2013.

Auditor's Remuneration

For the year ended 31 December 2015, the remuneration paid/payable to the Company's auditor, BDO Limited ("BDO"), is as follows:

	HK$'000
Services rendered	
Audit services *(Note 1)*	1,600
Non-audit services *(Note 2)*	370
	1,970

Notes:

1. Services were rendered by BDO in respect of the audit of the consolidated financial statements of the Group for the year ended 31 December 2015.

2. Services were rendered by BDO in respect of the review of the interim financial information of the Group for the six months ended 30 June 2015 and the report on the continuing connected transactions of the Group for the year ended 31 December 2015.

Company Secretary

The Company engaged an external professional company secretarial services provider, Uni-1 Corporate Services Limited ("Uni-1"), to provide compliance and full range of company secretarial services to the Group in order to assist the Group to cope with the changing regulatory environment and to suit different commercial needs. Ms. Chan Yuen Ying, Stella ("Ms. Chan"), the representative of Uni-1, was appointed as the named Company Secretary of the Company. Mr. Wang Baogang, the director of Investor Relations of the Company, is the primary corporate contact person at the Company for the Company Secretary. According to the requirements of Rule 3.29 of the Listing Rules, Ms. Chan had taken no less than 15 hours of relevant professional training for the year ended 31 December 2015.

Shareholders' Rights

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

Shareholders to convene an extraordinary general meeting

Shareholders may convene an extraordinary general meeting of the Company according to the provisions as set out in the Articles and the Companies Law (2011 Revision) of the Cayman Islands. The procedures Shareholders can use to convene an extraordinary general meeting are set out in the document entitled "Procedures for a Shareholder to Propose a Person for Election as a Director", which is currently available on the Company's website.

Putting enquiries by shareholders to the Board

Shareholders may send written enquiries to the Company for the attention of the Company Secretary at the Company's principal place of business in Hong Kong.

Procedures for putting forward proposals by shareholders at shareholders' meetings

Shareholders should follow the procedures set out in the sub-section headed "Shareholders to convene an extraordinary general meeting" above for putting forward proposals for discussion at general meetings.

Voting by Poll

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all the resolutions to be set out in the notice of 2016 AGM will be voted by poll.

Investor Relations

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its shareholders.

Information of the Company is disseminated to the Shareholders in the following manner:

- Delivery of annual and interim results and reports to all shareholders;
- Publication of announcements on the annual and interim results on the Stock Exchange website, and issue of other announcements and shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and
- The general meeting of the Company is also an effective communication channel between the Board and shareholders.

Mr. Wang Mingxing, being the Chairman of the Board, the chairman of the Nomination Committee, attended the 2015 AGM to answer questions and collect views of Shareholders. Mr. Wang Aiguo, being the chairman of the Audit Committee and the Remuneration Committee, did not attend the 2015 AGM due to his engagement in his own official business.

Directors' Responsibilities for the Financial Statements

The Board acknowledges its responsibility to prepare the Company's consolidated financial statements for each financial year which give a true and fair view of the financial position of the Group and the Company and of the Group's financial performance and cash flows of the Group for that year. In preparing the consolidated financial statements for the year ended 31 December 2015, the Board has selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

Internal Control

Management had implemented a system of internal control to provide reasonable assurance that the Group's assets are safeguarded, proper accounting records are maintained, appropriate legislation and regulations are complied with, reliable financial information are provided for management and publication purpose and investment and business risks affecting the Group are identified and managed.

During the year ended 31 December 2015, the Board has conducted a review of the system of internal control to ensure the effectiveness and adequacy of the system. The Board shall conduct such review on an ongoing basis.

Report of the Directors

The Directors of the Company are pleased to submit their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2015.

Principal Activities

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 35(a) to the financial statements.

Results and Appropriations

The Group's profit for the year ended 31 December 2015 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 50 to 109.

The Board resolved to recommend to the Shareholders at the 2016 AGM to be held on Thursday, 26 May 2016 a final dividend of HK cents 10 (2014: HK cents 20) per Share for the year ended 31 December 2015 to be paid on Wednesday, 29 June 2016 to the Shareholders whose names appear on the register of members of the Company on Wednesday, 8 June 2016.

Closure of Register of Members

For determining the identity of the shareholders to attend and vote at the 2016 AGM, the register of members of the Company will be closed from Wednesday, 25 May 2016 to Thursday, 26 May 2016, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2016 AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 24 May 2016.

For determining the entitlement of the shareholders to the proposed final dividend, the register of members of the Company will be closed from Tuesday, 7 June 2016 to Wednesday, 8 June 2016, both days inclusive, during which period no transfers of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited for registration not later than 4:30 p.m. on Monday, 6 June 2016.

Business Review

Company's Business

The business review of the Group for the year ended 31 December 2015 is set out in the section headed "Chairman's Statement" and "Management Discussion and Analysis" of this report.

Principal Risks and Uncertainties Facing the Company

The Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. The followings are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Market Risk

Market risk is the risk that deteriorates profitability or affects ability to meet business objectives arising from the movement in market prices. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign exchange risk

The Group's principal business is located in the PRC and its major transactions are conducted in Renminbi.

The Renminbi is not freely convertible. There is a risk that the Chinese government may take actions affecting exchange rates which may have a material adverse effect on the Group's net assets, earnings and any dividends it declares if such dividend is to be exchanged or converted into foreign exchange. The Group has not entered into any hedging transactions to manage the potential fluctuation in foreign currencies.

Liquidity Risk

Liquidity risk is the potential that the Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding or liquidate assets. In managing liquidity risk, the Group monitors cash flows and maintains an adequate level of cash and cash equivalent to ensure the ability to finance the Group's operations and reduce the effects of fluctuation in cash flows.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks basically rests with every function at divisional and departmental levels.

Key functions in the Group are guided by their standard operating procedures, limits of authority and reporting framework. The management will identify and assess key operational exposures regularly so that appropriate risk response can be taken.

Important Events Since the End of the Financial Year

There has been no material event since the end of the financial year.

Future Development in the Company's Business

The future development in the company's business is set out in the "Five-Year Business Development Plan (2016–2020)" under section headed "Management Discussion and Analysis" of this report.

Analysis Using Financial Key Performance Indicators

For the analysis using financial key performance indicators, please refer to the sections headed "Financial and Operating Highlights" and "Management Discussion and Analysis" of this report.

Environmental Policies and Performance

With increasing concerns of environmental issues, both in governmental and civilian sectors become hypersensitive, despite certain expensive environment-friendly measures have been planned and will be implemented, we still concern that some more strict requirements could be put into practice.

Compliance with the Relevant Laws and Regulations

The Company was incorporated in the Cayman Islands and therefore the Company is subject to The Companies Law (2013 Revision) of the Cayman Islands. In addition, the Company is registered as a non-Hong Kong Company under Part 16 of the Company (Chapter 622, Laws of Hong Kong) (the "Companies Ordinance") and therefore is subject to the relevant provisions under the Companies Ordinance.

The Company is listed on the Stock Exchange and therefore the Company is subject to the governance of the Listing Rules including the disclosure requirements and corporate governance provisions therein. Under the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the "SFO"), the Company is required to maintain a register of interests in shares and short positions and a register of directors' and chief executives' interests and short positions and is obliged to disclose price sensitive or inside information.

The principal activities of the Company's subsidiaries are production and sale of (i) Corn oil, including non-branded corn oil and own-brand corn oil; (ii) Other oil, mainly refined edible sunflower seed oil, olive oil, peanut oil and rice germ oil; and (iii) Corn meal in the PRC. Therefore, the Group is subject to the relevant laws and regulations in the PRC.

Key Relationships with Employees, Customers and Suppliers

The Company recognizes that employees are our valuable assets. Thus the Group provides competitive remuneration package to attract and motivate the employees. The Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard.

The Group also understands that it is important to maintain good relationship with business partners, including customers and suppliers, and bank enterprises to achieve its long-term goals. Accordingly, the management have kept good communication, promptly exchanged ideas and shared business update with them when appropriate. During the year under review, there was no material and significant dispute between the Group and its business partners or bank enterprises.

Share Capital

Details of movements in the Company's share capital for the year ended 31 December 2015 are set out in note 25 to the financial statements.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

Purchase, Redemption or Sale of Listed Securities of the Company

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

Distributable Reserves

As at 31 December 2015, the Company's reserves available for distribution to the Shareholders amounted to approximately RMB721,295,000 (2014: RMB648,373,000).

Charitable Donations

During the year, the Group did not have charitable donation (2014: Nil).

Directors

The Directors of the Company during the year and up to the date of this report are as follows:

Executive Directors

Mr. Wang Mingxing
Mr. Wang Mingfeng
Mr. Wang Mingliang
Mr. Cheng Wenming
Mr. Sun Guohui
Mr. Huang Da

Independent Non-executive Directors

Mr. Wang Aiguo
Mr. Liu Shusong
Mr. Wang Ruiyuan

In accordance with Article 84(1) of the Articles, Mr. Cheng Wenming, Mr. Sun Guohui and Mr. Wang Ruiyuan shall retire by rotation at the 2016 AGM. Mr. Cheng Wenning and Mr. Wang Ruiyuan, being eligible, offer themselves for re-election. Mr. Sun Guohui confirmed that he will not offer himself for re-election at the AGM as he would like to spend more time pursuing his own business.

Independence Confirmation

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors are independent.

Share Option Scheme

The Company adopted a share option scheme (the "Scheme") which was approved by a resolution of the then sole shareholder of the Company passed on 23 November 2009 and adopted by a resolution of the Board on 23 November 2009. The purpose of the Scheme is to provide incentives to Participants (as defined in the prospectus of the Company dated 8 December 2009 (the "Prospectus")) to contribute to the Group by providing the Participants the opportunity to acquire the proprietary interest in the Company and to encourage the Participants to work towards enhancing the value of the Company as well as to enable the Group to recruit high-calibre employees and/or attract human resources that are valuable to the Group.

The principal terms of the Scheme are summarised as follows:

(1) The limit on the total number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other scheme(s) of any member of the Group must not exceed 10% of the nominal amount of all the issued share capital of the Company as at the date of commencement of the listing of the shares on the Stock Exchange, i.e. 18 December 2009 (the "Listing Date") (which is 50,000,000 shares) unless Shareholders' approval has been obtained, and which must not in aggregate exceed 30% of the shares in issue from time to time.

(2) The total number of shares issued and which may be issued upon exercise of all options (whether exercised, cancelled or outstanding) granted to any Participant in any 12-month period shall not exceed 1% of the issued shares as of the proposed grant date.

(3) The subscription price for the shares under the options to be granted under the Scheme will be a price determined by the Board at the time of grant of the options, and will be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant (subject to acceptance) of the options, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares.

(4) An option may be exercised in accordance with the terms of the Scheme at any time during a period to be notified by the Board to each Participant who accepts the grant of any options, which must not be more than 10 years from the date of the grant (subject to acceptance) of the option.

(5) HK$1.00 is payable by the participant who accepts the grant of an option in accordance with the terms of the Scheme on acceptance of the grant of an option.

(6) The Scheme shall be valid and effective for a period of ten years commencing on the Listing Date, i.e. 18 December 2009.

Other details of the Scheme are set out in the Prospectus.

Details of movements in the Company's share options during the year ended 31 December 2015 are set out below:

Grantee	Date of grant of share options	Vesting period	Exercise period	Exercise price of share options (HK$)	Balance at 1 January 2015	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2015
Directors								
Mr. Wang Mingxing	14 May 2010	14 May 2010 to 13 May 2011	14 May 2011 to 13 May 2015	5.4	400,000	—	(400,000)	—
		14 May 2011 to 13 May 2012	14 May 2012 to 13 May 2015	5.4	400,000	—	(400,000)	—
Mr. Wang Mingfeng	14 May 2010	14 May 2010 to 13 May 2011	14 May 2011 to 13 May 2015	5.4	400,000	—	(400,000)	—
		14 May 2011 to 13 May 2012	14 May 2012 to 13 May 2015	5.4	400,000	—	(400,000)	—
Mr. Wang Mingliang	14 May 2010	14 May 2010 to 13 May 2011	14 May 2011 to 13 May 2015	5.4	400,000	—	(400,000)	—
		14 May 2011 to 13 May 2012	14 May 2012 to 13 May 2015	5.4	400,000	—	(400,000)	—
Mr. Sun Guohui	14 May 2010	14 May 2010 to 13 May 2011	14 May 2011 to 13 May 2015	5.4	400,000	—	(400,000)	—
		14 May 2011 to 13 May 2012	14 May 2012 to 13 May 2015	5.4	400,000	—	(400,000)	—
Mr. Huang Da	14 May 2010	14 May 2010 to 13 May 2011	14 May 2011 to 13 May 2015	5.4	400,000	—	(400,000)	—
		14 May 2011 to 13 May 2012	14 May 2012 to 13 May 2015	5.4	400,000	—	(400,000)	—
Total					4,000,000	—	(4,000,000)	—

Notes:

1. The options will lapse in 1 month after the resignation of the grantee.

2. The closing price of the shares of the Company on 13 May 2010, i.e. the date immediately preceding the date of grant of the share options on 14 May 2010, was HK$5.41.

3. The exercise price of the share options is subject to adjustment in the case of rights or bonus issue, or other similar changes in the Company's share capital.

During the year ended 31 December 2015, the grantees did not exercise the share options within the exercise period. Therefore, 4,000,000 share options were lapsed during the year.

Equity-linked Agreements

Save for the share option schemes of the Group as set out above, no equity-linked agreements were entered into by the Group, during the year or subsisting at the end of the year.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.

Directors' Service Contracts

During the year, the service agreement for each of Mr. Wang Mingxing, Mr. Wang Mingfeng, Mr. Wang Mingliang, Mr. Sun Guohui and Mr. Huang Da expired and each of them has entered into a service agreement with the Company for a term of three years commencing from 18 December 2015 and until terminated by not less than three months' notice in writing served by either party on the other or in accordance with the provisions set out in the respective service agreement. Each of them may receive a discretionary bonus, the amount of which will be determined by reference to the recommendations of the Remuneration Committee.

Mr. Cheng Wenming entered into a service agreement with the Company on 22 May 2013 for a fixed term of three years commencing from 22 May 2013 unless terminated by not less than three months' notice in writing served by either party to the other.

During the year, the term of the independent non-executive Directors expired and each of them has signed a letter of appointment issued by the Company for a term of three years commencing on 18 December 2015 unless terminated by not less than three months' notice in writing served by either party to the other.

None of the Directors who are proposed for re-election at the 2016 AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Contracts

Save as those disclosed in the section headed "Connected Transactions", none of the Directors had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Permitted Indemnity Provision

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance when the Report of the Board of the Directors prepared by the Directors is approved in accordance with section 391(1)(a) of the Companies Ordinance.

The Company has taken out and maintained directors' and officers' liability insurance throughout the year, which provides appropriate cover the certain legal actions brought against its directors and officers.

Directors' Interests in Shares

As at 31 December 2015, the interest or short positions of the directors or chief executives in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance ("SFO") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, are set out below:

1. Interests in shares, underlying shares of the Company

Name of Director	Nature of Interest	Long Position/ Short Position	Number of ordinary shares/ underlying shares	Approximate percentage of shareholding in the Company
Mr. Wang Mingxing	Interest of controlled corporations	Long position	299,037,249 *(Note)*	52.14%
	Beneficial owner	Long position	5,996,000	1.05%
Mr. Wang Mingfeng	Interest of controlled corporations	Long position	299,037,249 *(Note)*	52.14%
Mr. Wang Mingliang	Interest of controlled corporations	Long position	299,037,249 *(Note)*	52.14%

Notes: Mr. Wang Mingxing, Mr. Wang Mingfeng and Mr. Wang Mingliang are deemed to be interested in 274,037,249 shares and 25,000,000 derivative shares held by SanXing Trade Co., Ltd. ("Sanxing Trade"), whereby Sanxing Trade is wholly-owned by Sanxing Grease, which is wholly-owned by Shandong Sanxing, which in turn is owned as to 24.4% by Mr. Wang Mingxing, 24.8% by Mr. Wang Mingfeng, 24.4% by Mr. Wang Mingliang. The 25,000,000 derivative shares were derived from the two sets of zero coupon secured exchangeable bond due 2018 ("Exchangeable Bonds") pursuant to the subscription agreements dated 30 April 2015. The relevant details are set out in the announcement made by the Company dated 30 April 2015.

2. Interests in associated corporations

Name of Director	Name of associated corporation	Nature of interest	Long position/ Short position	Approximate percentage of shareholding in the Company
Mr. Wang Mingxing	Shandong Sanxing	Beneficial owner	Long position	24.4%
	Sanxing Grease	Interest of controlled corporations	Long position	24.4%
	Sanxing Trade	Interest of controlled corporations	Long position	24.4%
Mr. Wang Mingfeng	Shandong Sanxing	Beneficial owner	Long position	24.8%
	Sanxing Grease	Interest of controlled corporations	Long position	24.8%
	Sanxing Trade	Interest of controlled corporations	Long position	24.8%
Mr. Wang Mingliang	Shandong Sanxing	Beneficial owner	Long position	24.4%
	Sanxing Grease	Interest of controlled corporations	Long position	24.4%
	Sanxing Trade	Interest of controlled corporations	Long position	24.4%

Save as disclosed above, none of the Directors or chief executive of the Company or their respective associates, had any interest in short position in the shares, underlying shares or debentures of the Company or its associated corporations which were recorded in the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 December 2015.

Substantial Shareholders

As at 31 December 2015, the interests or short positions of every person, other than Directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, are set out as follows:

Name of Shareholder	Nature of Interest	Long position/ Short position	Number of ordinary shares/ underlying shares	Approximate percentage of shareholding in the Company
Sanxing Trade *(Note 1)*	Beneficial owner	Long position	299,037,249	52.14%
Sanxing Grease *(Note 1)*	Interest of controlled corporations	Long position	299,037,249	52.14%
Shandong Sanxing *(Note 1)*	Interest of controlled corporations	Long position	299,037,249	52.14%
Koo Yuen Kim	Beneficial owner	Long position	64,168,881	11.19%
Munsun Assets Management Ltd *(Note 2)*	Interest of controlled corporations	Long position	45,543,119	7.94%
		Short position	30,000,000	4.36%

Notes:

1. 299,037,249 shares were held by Sanxing Trade of which 25,000,000 shares were derived from the Exchangeable Bonds. SanXing Trade is wholly owned by Sanxing Grease, which in turn is wholly-owned by Shandong Sanxing, and therefore, Sanxing Grease and Shandong Sanxing are deemed to be interested in these 299,037,249 ordinary shares pursuant to the SFO.

2. 45,543,119 ordinary shares and 30,000,000 short options were held by Munsun Financial Investment Fund LP, 1,088,000 ordinary shares were held by Munsun Umbrella Trust-Munsun Financial II Fund, 3,082,000 ordinary shares were held by Munsun China Growth Fund, 1,113,119 ordinary shares were held by Munsun China Opportunity Investment Fund and 20,365,000 ordinary shares and 10,105,000 short positions were held by Munsun Absolute Fund, all of the above mentioned fund companies are wholly owned by Munsun Assets Management (Asia) Ltd ("Munsun Asia"), whereas Munsun Asia is wholly owned by Munsun Assets Management Ltd ("Munsun Management"), and therefore Munsun Management is deemed to be interested in these 45,543,119 ordinary shares and deemed to hold the 30,000,000 short positions pursuant to the SFO.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31 December 2015.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors had complied with the required standard set out in the Model Code throughout the year.

Connected Transactions

The Group has entered into a number of transactions with entities which are connected persons (as defined in Chapter 14A of the Listing Rules) of the Company, and such transactions constitute connected transactions and continuing connected transactions of the Company under Chapter 14A of the Listing Rules. These relevant entities include:

(1) 山東三星集團有限公司 (Shandong Sanxing Group Company Limited) ("Shandong Sanxing"), a company owned as to 24.4% by Mr. Wang Mingxing, 24.8% By Mr. Wang Mingfeng and 24.4% by Mr. Wang Mingliang, all being executive Directors of the Company, which is therefore a connected person of the Company;

(2) 鄒平三星油脂工業有限公司 (Zouping Sanxing Grease Industry Company Limited) ("Sanxing Grease"), the sole shareholder of SanXing Trade Co., Ltd., the controlling shareholder of the Company holding approximately 46.91% of the issued share capital of the Company, which is therefore a connected person of the Company; and

(3) 山東明達熱電有限公司 (Shandong Mingda Heat and Electricity Company Limited) ("Shandong Mingda"), a company wholly-owned by Shandong Sanxing, which is therefore an associate of Shandong Sanxing and a connected person of the Company.

Exempt Continuing Connected Transactions

The following continuing connected transactions (as defined in the Listing Rules) constitute exempt continuing connected transactions for the Company under Rule 14A.76(1) of the Listing Rules and are fully exempted from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules:

Trademark Licence Agreements

Sanxing Grease and 山東三星玉米產業科技有限公司 (Shandong Sanxing Corn Industry Technology Company Limited) ("Corn Industry"), an indirectly wholly-owned subsidiary of the Company, entered into two trademark licence agreements ("Trademark Licence Agreements") dated 16 November 2009, pursuant to which Sanxing Grease agreed to grant a licence to Corn Industry to use the registered trademarks 長壽花 (Longevity Flower) and 金銀花 (Gold & Silver Flower) on an exclusive, sole and royalty-free basis for a term of 10 years commencing from 16 November 2009, which is automatically renewable on a 10-year term upon expiry of the then current term, unless Corn Industry terminates the agreements by written notice prior to the expiry of the term of the agreements. According to the Trademark License Agreements, Corn Industry has options to acquire the registered trademarks 長壽花 (Longevity Flower) and 金銀花 (Gold & Silver Flower) at any time during the term of the agreements for a nominal consideration of RMB10 for each registered trademark.

Non-exempt Continuing Connected Transactions

The following continuing connected transactions constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules:

1. Corn Industry and Shandong Mingda entered into a master supply agreement (the "Master Supply Agreement") dated 30 March 2015, pursuant to which Shandong Mingda agreed to supply steam and/or electricity to Corn Industry for a term up to 31 December 2017.

   The cap for the annual transaction amount for the procurement of steam and/or electricity under the Master Supply Agreement for the year ended 31 December 2015 is RMB55.7 million.

   The actual transaction amount for the procurement of steam and/or electricity pursuant to the Master Supply Agreement for the year ended 31 December 2015 amounted to approximately RMB50,561,015.

2. Corn Industry and Sanxing Grease entered into a sale and purchase agreement (the "Sale and Purchase Agreement") dated 30 March 2015, pursuant to which Sanxing Grease agreed to supply crude corn oil to Corn Industry for a term up to 31 December 2017.

   The cap for the annual purchase fee for the procurement of crude corn oil under the Sale and Purchase Agreement for the year ended 31 December 2015 is RMB420.0 million.

   The actual purchase fee for the procurement of crude corn oil pursuant to the Sale and Purchase Agreement for the year ended 31 December 2015 amounted to approximately RMB350,786,686.

The independent non-executive Directors have reviewed the above non-exempt continuing connected transactions and confirmed that the transactions have been entered into:

1. in the ordinary and usual course of the Group's business;

2. on normal commercial terms which are no less favourable to the Company than terms available to independent third parties; and

3. in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

BDO Limited, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions in accordance with the Rule 14A.56 of the Listing Rules.

Save as disclosed above, other related party transactions entered into by the Group which also constitute connected transactions (including continuing connected transactions), but are exempted from disclosure requirement under Chapter 14A of the Listing Rules, are set out in note 29 to the financial statements.

Major Customers and Suppliers

During the year ended 31 December 2015, approximately 14.7% of the Group's turnover and approximately 38.2% of the Group's purchases were attributable to the Group's five largest customers and five largest suppliers, respectively. Approximately 17.8% of the Group's purchases were attributable to the Group's largest supplier. To the best knowledge of the Directors, none of the Directors or chief executive of the Company or any shareholder owning more than 5% of the Company's share capital or their respective associates, had any interest in the Group's five largest suppliers.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules during the year ended 31 December 2015 and up to the date of this report.

Audit Committee

The Company established the Audit Committee on 23 November 2009 with written terms of reference in compliance with the CG Code. The terms of reference of the Audit Committee has been revised on 16 December 2015 to be in line with the revised CG Code effective for the financial year started from 1 January 2016.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Wang Aiguo (as chairman), Mr. Wang Ruiyuan and Mr. Liu Shusong. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2012.

During the year ended 31 December 2015, the Audit Committee reviewed the annual and interim results of the Group, which were in the opinion of the Audit Committee that the preparation of such results complied with the applicable accounting standards and the Listing Rules.

Corporate Governance

A report on the principal corporate governance practices adopted by the Company is set out on pages 18 to 28 of the 2015 Annual Report.

Auditor

The Company has not changed its external auditor during the past three years.

A resolution will be submitted to the 2016 AGM to re-appoint BDO Limited as auditor of the Company.

On behalf of the Board
Changshouhua Food Company Limited

Wang Mingxing
Chairman

Hong Kong, 30 March 2016

Biographical Details of Directors and Senior Management

Executive Directors

Mr. Wang Mingxing ("Mr. Wang MX")

Mr. Wang MX, aged 52, is one of the co-founders of the Group. He was appointed as an executive Director of the Company on 9 September 2009. He is the Chairman of the Board and the chief executive officer of the Company. He is also the chairman of the nomination committee of the Company ("Nomination Committee") and a member of the remuneration committee of the Company ("Remuneration Committee"). Mr. Wang MX is the sole director of SanXing Trade Co., Ltd. ("Sanxing Trade") and an executive director of Sanxing Grease, both of which are the controlling shareholders of the Company. He is also a director of each of Shandong Sanxing Corn Industry Technology Company Limited ("Corn Industry") and Corn Industry Investment Co., Ltd., both of which are the subsidiaries of the Company. He is responsible for the overall strategic planning and management of the Group. Mr. Wang MX has extensive experience in the corn products industry, and has been engaged in the edible corn oil products business for over eleven years. Mr. Wang MX obtained a bachelor degree in Mechanical Engineering from Shandong University of Technology (山東工業大學) in 1985 and was qualified as a Chinese Career Manager in 2005 by Chinese Career Manager Coalition. He received a number of awards during the recent years. Among others, he was awarded as The Fifth National Rural Entrepreneur (第五屆全國鄉鎮企業家) by the Ministry of Agriculture of the PRC in 2004. In 2006, He was also awarded as The Fourth Entrepreneur of Edible Oil in Shandong (第四屆"山東省糧油企業家") by The Grain and Food Association of Shandong Province (山東省糧食行業協會). He was further elected by The China Food Safety Annual Conference (中國食品安全年會組委會) as the Outstanding Managing Entrepreneur of the China Food Safety Annual Conference in 2007 (2007年度中國食品安全年會優秀管理企業家) and admitted as a member of China Association for Quality Inspection in 2007.

Mr. Wang Mingfeng ("Mr. Wang MF")

Mr. Wang MF, aged 57, is one of the co-founders of the Group. He was appointed as an executive Director of the Company on 23 November 2009. He is also a director of Corn Industry. He is responsible for monitoring the internal control system of the Group and leads an internal audit team of the Group. He has been engaged in the edible corn oil product business for over ten years. Mr. Wang MF obtained a bachelor degree in Business Administration from Hebei Radio & TV University (河北廣播電視大學) in 1983. He was awarded as Vice President of The Eighth Industrial and Commercial Joint Association in Zouping (鄒平縣第八屆工商業聯合會副會長) by Chinese Communist Zouping County Committee (中共鄒平縣委員會) in 2006. He was also awarded as The Outstanding Business Management Expert of Binzhou City (濱州市"優秀企業經營管理人才") by Chinese Communist Binzhou City Committee (中共濱州市委) and the People's Government of Binzhou City (濱州市人民政府) in 2007. He became The First Vice President of Binzhou Municipal Association of Grain Sector (濱州市糧食行業協會第一屆理事會副會長) in June 2007.

Mr. Wang Mingliang ("Mr. Wang ML")

Mr. Wang ML, aged 44, is one of the co-founders of the Group. He was appointed as an executive Director on 23 November 2009. He is also the chairman of the corporate governance committee of the Company ("CG Committee"). He is a director of Corn Industry. He is responsible for handling customer relationships. He has been engaged in the edible corn oil product business for over ten years. Mr. Wang ML obtained a bachelor degree in Mechanical Engineering from Harbin University of Science and Technology (哈爾濱科學技術大學) in 1994 and was qualified as an Internal Inspector of Quality System in 2001 by Beijing Oxford and Cambridge Senior Training Center (北京牛津—劍橋高級培訓中心). He further completed the Tsinghua University Chief Executives' Leadership and Commercial Strategy Class (清華大學領導商略總裁高級研修班) in 2006. He was awarded as The Top 10 Factory Manager of Zouping (鄒平縣"十佳廠長") by Chinese Communist Zouping County Committee (中共鄒平縣委員會) and the People's Government of Zouping County (鄒平縣人民政府) in 2004.

Mr. Sun Guohui ("Mr. Sun")

Mr. Sun, aged 38, is the executive sales manager of the Company. He was appointed as an executive Director of the Company on 23 November 2009. He is also a member of the CG Committee. Mr. Sun worked at Zouping Vehicle Standard Parts Factory (鄒平汽車標準件廠) from 1996 to 2000 and joined the Hainan office of such factory in 1999. Mr. Sun joined the Group in 2000. He is responsible for the sales and marketing of the Group's products. Mr. Sun is familiar with the edible oil industry and is experienced in the sales and marketing affairs. Mr. Sun graduated from Shandong Province Binzhou Agriculture Secondary School (山東省濱州農業學校) in 1994. He further completed the Tsinghua University Chief Executives' Leadership and Commercial Strategy Class (清華大學領導商略總裁高級研修班) in 2006. In 2005 and 2006, Mr. Sun was awarded as an Outstanding Manager by Sanxing Group. He was awarded as Safe Manufacturing Advanced Individual (安全生產先進個人) by Chinese Communist Zouping County Committee (中共鄒平縣委員會) and the People's Government of Zouping County (鄒平縣人民政府) in 2006. He was also awarded as The Top 10 Outstanding Youth (十佳青年) by Chinese Communist Handian Town Committee of the People's Government of Handian Town (韓店鎮人民政府中共韓店鎮委員會) in 2008.

Mr. Huang Da ("Mr. Huang")

Mr. Huang, aged 33, was appointed as an executive Director of the Company on 23 November 2009. Mr. Huang joined the Group in 2008. He is responsible for corporate affairs and investor relations. He obtained a master degree in Western Economics from Fudan University (復旦大學) in 2008.

Mr. Cheng Wenming ("Mr. Cheng")

Mr. Cheng, aged 51, was appointed as an executive Director of the Company on 22 May 2013. He is also a member of the corporate governance committee of the Company. He majored in finance in Shandong TV University from September 1993 to July 1995, and studied in the Capital Strategy Training Class for Chairmen organized by the Vocational Training Centre for Managers at Tsinghua University in 2009 to 2010. Since August 2003, he has served as the Deputy General Manager of Shandong Sanxing Group Company Limited ("Shandong Sanxing"), one of the controlling shareholders of the Company, and he is mainly responsible for the capital financing affairs of Shandong Sanxing. He obtained the Assistant Accountant qualification awarded by the Ministry of Finance of the People's Republic of China in October 1994.

Independent Non-executive Directors

Mr. Wang Aiguo ("Mr. Wang AG")

Mr. Wang AG, aged 51, was appointed as an independent non-executive Director of the Company on 23 November 2009. He is also the chairman of each of the audit committee of the Company and the Remuneration Committee, and a member of the Nomination Committee. Mr. Wang AG is currently the Dean of the School of Accounting of Shandong University of Finance and Economics (山東財經大學) and a member of the council of the Accounting Society of China (中國會計學會). He obtained a doctorial degree in Management Science and Engineering from Tianjin University (天津大學) in 2006. Mr. Wang AG engages in researches in the area of accounting and auditing. His publications include Accounting Theory Research — building up an accounting theory model with Chinese feature (會計理論研究—構建中國特色的會計理論體系) published by Nanhai Publishing Company (南海出版公司) in 1995, Cost Accounting Theory (成本會計理論) published by Inner Mongolia University Press (內蒙古大學出版社) in 1999, and Innovative Research on the Strategic Management Mode of HighTechnique Enterprise (高技術企業戰略管理模式的創新研究) published by Shandong People's Publishing House (山東人民出版社) in 2009. His research papers were also published in various finance and accounting journals. He also serves as an independent non-executive director of Hisense Kelon Electrical Holdings Co. Ltd. (stock code: 921) and Shandong Chenming Paper Holdings Limited (stock code: 1812), companies listed on the Stock Exchange. He previously served as the executive director of Trauson Holdings Company Limited (a company delisted from the main board of the Stock Exchange, stock code: 325) from March 2013 to July 2013, and as an independent non-executive director of Laiwu Steel Corporation (a company delisted from the Shanghai Stock Exchange, stock code: 600102) from June 2008 to February 2012.

Mr. Liu Shusong ("Mr. Liu")

Mr. Liu, aged 50, was appointed as an independent non-executive Director of the Company on 23 November 2009. He is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Liu obtained a master degree in Laws from China University of Political Science and Law (中國政法大學) in 2001. He was jointly accredited as The Top 10 Lawyer in the City ("全市十佳律師") by Binzhou Judiciary (濱州市司法局) and Binzhou Law Society (濱州市律師協會) in 2004. In the same year, Mr. Liu was recognised as Shandong Province Outstanding Member of China Democratic League (中國民主同盟山東省優秀盟員). Mr. Liu was also awarded as The Seventh "Top 10 Outstanding Youngsters in Binzhou" (第七屆"濱州十大傑出青年") in August 2005. Mr. Liu was a committee member of The Ninth Binzhou City Chinese People's Political Consultative Conference Committee (中國人民政治協商會議第九屆濱州市委員會) in 2008.

Mr. Wang Ruiyuan ("Mr. Wang RY")

Mr. Wang RY, aged 77, was appointed as an independent non-executive Director of the Company on 23 November 2009. He is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Wang is currently the vice president of Chinese Cereals and Oils Association. He obtained a bachelor degree in Food Engineering from Jiangnan University (江南大學) (formerly known as 'Wuxi Light Industry Institute (無錫輕工業學院)') in 1964. He is the chief editor of various publications in the area of oil and grease including Vegetable Oil Processing Industry (植物油料加工產業學) and The History of Development in the Oil and Grease Industry in China (中國油脂工業發展史), both of which were published by Chemical Industry Press (化學工業出版社), and Food and Medicine Confidence Project Science Popularisation Series — Food and Oil (食品藥品放心工程科普叢書—糧油食品) published by State Food and Drug Administration (國家食品藥品監督管理局) and China National Association of Grain Sector (中國糧食行業協會). Mr. Wang was awarded the Government special subsidy (政府特殊津貼) by the State Council of the PRC (中國國務院) in 1996 in respect of his contribution in the engineering technology for the PRC. Mr. Wang RY did not hold any directorship in other listed companies in the past three years.

Senior Management

Ms. An Xiuping ("Ms. An"), aged 41, is a director of Corn Industry and Corn Oil Luxembourg. Ms. An joined the Group in 1999 as the finance manager of Sanxing Grease. She is now a senior finance manager of the Group. Ms. An graduated from 山東濱州職業專修學院 (Shandong Binzhou Vocational Technical School) majoring in Computer Information Management in 2006.

Mr. Ren Zaishun ("Mr. Ren"), aged 39, joined the Group in 2003 responsible for corn oil sales and promotion, and had been the manager of sales department in 2008. He is currently the sales director of the Group.

Mr. Tsang Chiu Ping ("Mr. Tsang"), aged 32, joined the Company in 2015 as the Head of Investor Relations responsible for corporate affairs in capital market and investor relations in Hong Kong. Mr. Tsang has over 8 years working experience in financial industry and worked in an international financial institution and local corporate finance house before joining the Company. He graduated from University College London (UCL), England and obtained a Bachelor (Honour) Degree of Science.

Company Secretary

Ms. Chan Yuen Ying, Stella ("Ms. Chan"), aged 44, was appointed as the company secretary of the Company on 23 November 2009. Ms. Chan is a fellow member of the Institute of Chartered Secretaries and Administrators and a fellow member of the Hong Kong Institute of Chartered Secretaries. She is also a member of the Hong Kong Institute of Directors. Ms. Chan has over 15 years' experience in handling listed company secretarial matters.

Independent Auditor's Report

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TO THE SHAREHOLDERS OF CHANGSHOUHUA FOOD COMPANY LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Changshouhua Food Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 50 to 109, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International 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 consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Lo Ngai Hang
Practising Certificate Number P04743

Hong Kong, 30 March 2016

Consolidated Income Statement

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Revenue	*7*	**2,782,426**	2,778,948
Cost of sales		**(2,236,487)**	(2,222,516)
Gross profit		**545,939**	556,432
Other income	*7*	**79,893**	85,180
Selling and distribution costs		**(249,158)**	(251,204)
Administrative expenses		**(87,689)**	(65,789)
Other operating expenses		**(367)**	(387)
Profit from operations	*8*	**288,618**	324,232
Finance costs	*9*	**(17,095)**	(14,897)
Profit before income tax		**271,523**	309,335
Income tax expense	*10*	**(60,752)**	(43,056)
Profit for the year attributable to owners of the Company		**210,771**	266,279
Earnings per share attributable to owners of the Company	*12*		
Basic (RMB cents)		**36.75**	46.43
Diluted (RMB cents)		**N/A**	46.34

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
Profit for the year	**210,771**	266,279
Other comprehensive income that may be reclassified subsequently to profit or loss		
Exchange differences arising on translation of foreign operations	**(1,610)**	38
Other comprehensive income for the year, net of tax	**(1,610)**	38
Total comprehensive income attributable to owners of the Company	**209,161**	266,317

Consolidated Statement of Financial Position

As at 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*14*	**795,875**	793,338
Land use rights	*15*	**169,720**	139,102
Goodwill	*16*	**62,762**	62,762
Pledged bank deposits	*21*	**–**	45,000
Deposits paid for acquisition of capital assets and land use rights	*19*	**13,530**	53,895
		1,041,887	1,094,097
Current assets			
Inventories	*17*	**198,492**	206,480
Trade and notes receivables	*18*	**469,705**	407,131
Prepayments, deposits and other receivables	*19*	**134,683**	80,243
Amounts due from related companies	*20*	**2,985**	3,651
Cash and bank balances	*21*	**948,727**	1,197,903
		1,754,592	1,895,408
Current liabilities			
Trade payables	*22*	**87,864**	58,188
Accrued liabilities, other payables and deposits received	*23*	**174,586**	205,310
Dividend payable		**18,768**	17,689
Amounts due to related companies	*20*	**6,776**	6,203
Borrowings	*24*	**207,569**	531,173
Tax payable		**16,031**	4,452
		511,594	823,015
Net current assets		**1,242,998**	1,072,393
Net assets		**2,284,885**	2,166,490
EQUITY			
Equity attributable to owners of the Company			
Share capital	*25*	**50,109**	50,109
Reserves	*26*	**2,234,776**	2,116,381
Total equity		**2,284,885**	2,166,490

On behalf of the Board

Wang Mingxing
Director

Cheng Wenming
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Share capital RMB'000	Share premium* RMB'000	Share option reserve* RMB'000	Other reserves* RMB'000 (note 26(i))	Capital reserve* RMB'000 (note 26(ii))	Merger reserve* RMB'000 (note 26(iii))	Translation reserve* RMB'000	Proposed final dividend* RMB'000	Retained profits* RMB'000	Total RMB'000
At 1 January 2014	50,109	621,583	6,064	126,779	53,941	69,131	1,771	67,790	970,795	1,967,963
2013 final dividend declared	–	–	–	–	–	–	–	(67,790)	–	(67,790)
2014 final dividend proposed	–	(90,766)	–	–	–	–	–	90,766	–	–
Transactions with owners	–	(90,766)	–	–	–	–	–	22,976	–	(67,790)
Profit for the year	–	–	–	–	–	–	–	–	266,279	266,279
Other comprehensive income	–	–	–	–	–	–	38	–	–	38
Total comprehensive income for the year	–	–	–	–	–	–	38	–	266,279	266,317
Transfer to statutory reserves	–	–	–	32,200	–	–	–	–	(32,200)	–
At 31 December 2014 and 1 January 2015	**50,109**	**530,817**	**6,064**	**158,979**	**53,941**	**69,131**	**1,809**	**90,766**	**1,204,874**	**2,166,490**
2014 final dividend declared	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(90,766)**	**–**	**(90,766)**
2015 final dividend proposed	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**48,024**	**(48,024)**	**–**
Transactions with owners	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(42,742)**	**(48,024)**	**(90,766)**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**210,771**	**210,771**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**(1,610)**	**–**	**–**	**(1,610)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(1,610)**	**–**	**210,771**	**209,161**
Lapse of share options	**–**	**–**	**(6,064)**	**–**	**–**	**–**	**–**	**–**	**6,064**	**–**
Transfer to statutory reserves	**–**	**–**	**–**	**28,845**	**–**	**–**	**–**	**–**	**(28,845)**	**–**
At 31 December 2015	**50,109**	**530,817**	**–**	**187,824**	**53,941**	**69,131**	**199**	**48,024**	**1,344,840**	**2,284,885**

* The consolidated reserves of the Group of approximately RMB2,234,776,000 (2014: RMB2,116,381,000) as at 31 December 2015 as presented in the consolidated statement of financial position comprised these reserve accounts.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Cash flows from operating activities			
Profit before income tax		271,523	309,335
Adjustments for:			
Interest income	7	(36,927)	(26,291)
Interest expenses	9	17,095	14,897
Depreciation of property, plant and equipment	8	70,657	71,650
Amortisation of land use rights	8	3,372	2,644
Loss on disposal of property, plant and equipment	8	224	–
Unrealised foreign exchange loss		10,289	–
Operating profit before working capital changes		336,233	372,235
Decrease in inventories		7,988	111,040
Increase in trade and notes receivables		(62,574)	(103,847)
(Increase)/decrease in prepayments, deposits and other receivables		(46,497)	49,507
Increase in trade payables		29,676	26,521
(Decrease)/increase in accrued liabilities, other payables and deposits received		(30,724)	13,630
Cash generated from operations		234,102	469,086
Income taxes paid		(49,173)	(50,215)
Net cash generated from operating activities		184,929	418,871
Cash flows from investing activities			
Interest received		28,984	17,954
Acquisition of subsidiaries, net	30	–	(82,684)
Purchases of property, plant and equipment	34	(59,464)	(108,836)
Decrease/(increase) in pledged bank deposits		45,000	(2,800)
Increase in short-term bank deposits		(200,000)	–
Additions to land use rights	34	–	(15,171)
Decrease/(increase) in amounts due from related companies		666	(3,296)
Deposits paid for acquisition of capital assets and land use rights	34	(7,592)	(11,729)
Proceeds from disposal of property, plant and equipment		13	–
Net cash used in investing activities		(192,393)	(206,562)

	Notes	2015 RMB'000	2014 RMB'000
Cash flows from financing activities			
Interest paid		**(17,095)**	(14,897)
Increase/(decrease) in amounts due to related companies		**573**	(4,626)
Proceeds from borrowings		**40,109**	531,173
Repayment of borrowings		**(372,923)**	(41,466)
Dividend paid		**(90,766)**	(50,101)
Net cash (used in)/generated from financing activities		**(440,102)**	420,083
Net (decrease)/increase in cash and cash equivalents		**(447,566)**	632,392
Cash and cash equivalents at 1 January		**1,197,903**	565,473
Effect of foreign exchange rates, net		**(1,610)**	38
Cash and cash equivalents at 31 December	*21*	**748,727**	1,197,903

Notes to the Financial Statements

For the year ended 31 December 2015

1. Corporate Information

Changshouhua Food Company Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands on 9 September 2009.

The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company and its subsidiaries (the "Group") is located at Handian Industrial Park, Zouping County, Shandong Province, the People's Republic of China (the "PRC"). The Company's shares have been listed on the Mainboard of The Stock Exchange of Hong Kong Limited (the "HKEX") since 18 December 2009.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 35(a) to the financial statements.

In the opinion of the directors, the ultimate parent of the Company is 山東三星集團有限公司 ("Shandong Sanxing"), which is established in the PRC.

The financial statements for the year ended 31 December 2015 were approved by the board of directors on 30 March 2016.

2. Adoption of New and Revised Standards

2.1 New and revised standards adopted by the Group

In the current year, the Group has applied for the first time the following new and revised International Financial Reporting Standards ("IFRSs") and International Accounting Standards ("IASs") issued by the International Accounting Standards Board ("IASB"), which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2015.

IFRSs (Amendments)	Annual Improvements 2010–2012 Cycle
IFRSs (Amendments)	Annual Improvements 2011–2013 Cycle
Amendments to IAS 19 (2011)	Defined Benefit Plans: Employee Contributions

The adoption of these new and revised standards has no material impact on the Group's financial statements.

In addition, the Company has adopted the amendments to the Rules Governing the Listing of Securities on the HKEX (the "Listing Rules") relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance, Cap. 622, during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

2. Adoption of New and Revised Standards (Continued)

2.2 New and revised IFRSs in issue but not yet effective

The following new and revised IFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

IFRSs (Amendments)	Annual Improvements 2010–2012 Cycle[1]
Amendments to IAS 1	Presentation of Financial Statements: Disclosure Initiative[1]
Amendment	Income Taxes[2]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to IAS 7	Statement of Cash Flows: Disclosure Initiative[2]
IFRS 9 (2014)	Financial Instruments[3]
IFRS 15	Revenue from Contracts with Customers[2]
IFRS 16	Leases[4]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2017
3 Effective for annual periods beginning on or after 1 January 2018
4 Effective for annual periods beginning on or after 1 January 2019

IFRS 9 (2014) — Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

IFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in IAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

IFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for derecognition of financial assets and financial liabilities.

2. Adoption of New and Revised Standards (Continued)

2.2 New or revised IFRSs in issue but not yet effective (Continued)

IFRS 15 — Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 supersedes existing revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts and related interpretations*.

IFRS 15 requires the application of a 5 steps approach to revenue recognition:

Step 1:	Identify the contract(s) with a customer
Step 2:	Identify the performance obligations in the contract
Step 3:	Determine the transaction price
Step 4:	Allocate the transaction price to each performance obligation
Step 5:	Recognise revenue when each performance obligation is satisfied

IFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under IFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

IFRS 16 — Leases

IFRS 16 is intended to replace IAS 17 *Leases* and IFRIC 4 *Determining whether an arrangement contains a lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, the customer ("lessee") and the supplier ("lessor"). The standard brings most leases on-balance sheet for lessees under a single model, eliminating the previous classifications of operating and finance leases. The only exemption to this treatment is for lease contracts with duration of less than one year. The on-balance sheet treatment will result in the grossing up of the balance sheet due to a right-of-use asset being recognised with an offsetting liability. Lessor accounting under the standard remains largely unchanged with previous classifications of operating and finance leases being maintained.

The Group will apply the above new standards and amendments to standards when they become effective. The Group is in the process of making an assessment of the impact of the above new standards and amendments to standards.

3. Basis of Preparation

3.1 Statement of compliance

The financial statements have been prepared in accordance with IFRSs which collective term includes all applicable individual IFRSs and Interpretations approved by the IASB, and all applicable individual IASs and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by the IASB. The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules.

3.2 Basis of measurement

The financial statements have been prepared under the historical cost basis.

3.3 Functional and presentation currency

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

4. Summary of Significant Accounting Policies

4.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries made up to 31 December each year.

Inter-company transactions and balances between group companies together with unrealised gains and losses are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit and loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

4. Summary of Significant Accounting Policies (Continued)

4.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, interests in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4.3 Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquire over the fair value of identifiable assets and liabilities acquired.

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit ("CGU") is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A CGU to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see note 4.16), and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

4. Summary of Significant Accounting Policies (Continued)

4.4 Property, plant and equipment

Property, plant and equipment, other than construction in progress ("CIP"), are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Buildings	The shorter of the lease terms and 20 years
Plant and machinery	10 years
Office equipment	3 to 5 years
Motor vehicles	4 to 5 years

CIP, which represents buildings under construction and plant and machinery pending installation, is stated at cost less accumulated impairment losses. Cost comprises direct costs incurred during the periods of construction, installation and testing. No depreciation is provided on CIP until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

The gain or loss arising on retirement or disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on retirement or disposal.

4. Summary of Significant Accounting Policies (Continued)

4.5 Leasing

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Where the Group has the right to use the assets held under operating leases, payments made under the leases are charged to profit or loss on a straight line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

4.6 Financial Instruments

(a) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument.

The Group's financial assets are classified as loans and receivables, which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market principally through the provision of goods and services to customers (trade debtors) and also other types of contractual monetary assets. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

4. Summary of Significant Accounting Policies (Continued)

4.6 Financial Instruments (Continued)

(b) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial assets are impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— granting concession to a debtor because of debtor's financial difficulty; and

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

An impairment loss on loans and receivables is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. Except for trade receivables, the carrying amount of loans and receivables is directly reduced by any identified amount of impairment. Impaired debts are derecognised when they are assessed as uncollectible. Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. Summary of Significant Accounting Policies (Continued)

4.6 Financial Instruments (Continued)

(c) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred. Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities at amortised cost including trade payables, accrued liabilities, other payables, dividend payable, interest-bearing bank and other borrowings and amounts due to related parties are subsequently measured at amortised cost using the effective interest method. The related interest expense is recognised in accordance with the Group's accounting policy for borrowing costs.

Gains or losses are recognised in profit or loss when the liabilities are derecognised.

(d) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(e) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(f) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

4. Summary of Significant Accounting Policies (Continued)

4.7 Land use rights

The operating or finance lease determination is stated in note 4.5 and also applied to leases of land. Land use rights in the PRC are accordingly determined to be operating leases.

Land use rights represent up-front payments to acquire long term interests in the usage of land in the PRC. They are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on a straight-line basis over the period of the leases.

4.8 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.

4.9 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand, demand deposits with banks and short term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and form an integral part of the Group's cash management.

4.10 Revenue recognition

Revenue is recognised to the extent when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received, net of allowances for returns, trade discounts and value-added tax. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the customers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. Normally, risk is transferred upon dispatch of goods.

(ii) Interest income is recognised on a time-proportion basis using the effective interest method.

(iii) Dividend is recognised when the right to receive payment is established.

4. Summary of Significant Accounting Policies (Continued)

4.11 Cost of sales

Direct costs of production, which include primarily raw materials costs, labour costs, electricity costs, depreciation expenses, taxes and repair and maintenance expenses are recognised in inventories and then as cost of sales when the revenue from sale of goods is recognised.

4.12 Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised for to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4. Summary of Significant Accounting Policies (Continued)

4.12 Income taxes (Continued)

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

4.13 Foreign currency translation

Transactions entered into by the consolidated entities in currencies other than the functional currency are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as translation reserve. Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as translation reserve.

4. Summary of Significant Accounting Policies (Continued)

4.14 Employee benefits

(a) *Defined contribution retirement plan*

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the profit or loss as they become payable in accordance with the rules of the central pension scheme.

(b) *Short-term employee benefits*

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

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

4.15 Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the employee share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

4. Summary of Significant Accounting Policies (Continued)

4.16 Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of property, plant and equipment, land use rights, deposits paid and other non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

An impairment loss is recognised as an expense immediately for the amount by which the asset's recoverable amount is estimated to be less than its carrying amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a CGU). As a result, some assets are tested individually for impairment and some are tested at CGU level.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Value in use is based on the estimated future cash flows expected to be derived from the asset or CGU (see note 4.3), 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 or CGU.

4.17 Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. Summary of Significant Accounting Policies (Continued)

4.18 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present obligation (legal or constructive) as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

4.19 Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purpose unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type of class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. Summary of Significant Accounting Policies (Continued)

4.20 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;
(ii) has significant influence over the Group; or
(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if:

(i) The entity and the Group are members of the same group meaning that each parent, subsidiary and fellow subsidiary is related to the others;
(ii) One entity is an associate or joint venture of the other entity or an associate or joint venture of a member of a group of which other entity is a member;
(iii) Both entities are joint ventures of the same third party;
(iv) One entity is a joint venture of a third party and other entity is an associate of the third entity;
(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group;
(vi) The entity is controlled or jointly controlled by a person identified in (a);
(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity or of a parent of the entity; or
(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;
(ii) children of that person's spouse or domestic partner; and
(iii) dependents of that person or that person's spouse or domestic partner.

4.21 Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

5. Critical Accounting Estimates and Judgments

In the process of applying the Group's accounting policies, which are described in note 4, management has made various estimates and judgments which are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Estimates and judgments are continually evaluated. The key sources of estimation uncertainty and accounting judgments that result in significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year or significantly affect the amounts recognised in the financial statements are discussed below:

(i) Impairment of receivables

The Group's management determines the provision for impairment of receivables. This estimate is based on the evaluation of collectability and ageing analysis of receivables and on management's judgment. A considerable amount of judgment is required in assessing the expected timing of collection and ultimate realisation of these receivables, including credit worthiness and collection history of each customer and other debtors. Management will reassess the provision at the reporting date. If the financial conditions of the customers or debtors of the Group deteriorate thus resulting in impairment as to their ability to make payment, additional allowances may be required.

(ii) Useful lives and residual values of items of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. Management will revise the depreciation charge where useful lives are different to those previously estimated, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(iii) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitors' actions in response to severe industry cycles. Management reassesses the estimations at the reporting date.

(iv) Provision for taxes

The Group is mainly subject to various taxes in the PRC including corporate income tax, value-added tax and other surtaxes. Significant judgment is required in determining the amount of the provision for taxes and the timing of related taxes. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax provisions in the period in which such determination is made.

5. Critical Accounting Estimates and Judgments (Continued)

(v) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the CGUs to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value.

6. Segment Information

The Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the Group's executive directors for their decisions about resources allocation to the Group's business components and review of these components' performance. The business components in the internal reporting to the executive directors are determined following the Group's major products and service lines which are production and sale of (i) Corn oil, including non-branded corn oil and own brand corn oil; (ii) Other oil, mainly refined edible sunflower seed oil, olive oil, peanut oil and rice germ oil; and (iii) Corn meal.

For the purposes of assessing segment performance and allocating resources between segments, the directors assess segment profit or loss by gross profit or loss as measured in the Group's financial statements under IFRSs.

For the purpose of presenting geographical location of the Group's revenue from external customers and the Group's non-current assets, country of domicile is determined by reference to the country where the majority of the Company's subsidiaries operate.

6. Segment Information (Continued)

Information regarding the Group's reportable segments as provided to the Group's executive directors is set out below:

	Year ended 31 December 2015				
	Corn oil				
	Non-branded RMB'000	Own brand RMB'000	Other oil RMB'000	Corn meal RMB'000	Total RMB'000
Revenue from external customers	372,133	1,761,584	396,362	252,347	2,782,426
Reportable segment revenue	372,133	1,761,584	396,362	252,347	2,782,426
Reportable segment profit/(loss)	21,508	479,325	95,110	(50,004)	545,939
Depreciation	9,904	35,981	8,465	8,496	62,846

	Year ended 31 December 2014				
	Corn oil				
	Non-branded RMB'000	Own brand RMB'000	Other oil RMB'000	Corn meal RMB'000	Total RMB'000
Revenue from external customers	535,388	1,634,610	193,923	415,027	2,778,948
Reportable segment revenue	535,388	1,634,610	193,923	415,027	2,778,948
Reportable segment profit/(loss)	23,446	494,189	55,880	(17,083)	556,432
Depreciation	13,898	30,960	3,747	11,730	60,335

6. Segment Information (Continued)

Reportable segment revenue represented revenue of the Group in the consolidated income statement. A reconciliation between the reportable segment profit and the Group's profit before income tax is set out below:

	2015 RMB'000	2014 RMB'000
Reportable segment profit	**545,939**	556,432
Other income	**79,893**	85,180
Selling and distribution costs	**(249,158)**	(251,204)
Administrative expenses	**(87,689)**	(65,789)
Other operating expenses	**(367)**	(387)
Finance costs	**(17,095)**	(14,897)
Profit before income tax	**271,523**	309,335

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is determined based on the location at which the goods were delivered.

	2015 RMB'000	2014 RMB'000
PRC (excluding Hong Kong)	**2,782,426**	2,777,471
Malaysia	**–**	1,477
	2,782,426	2,778,948

The Group's non-current assets are solely located in the PRC (i.e. the country of domicile of the Company).

7. Revenue and Other Income

Revenue from the Group's principal activities represented the net invoiced value of goods sold, net of allowances for returns, trade discounts and value-added tax. An analysis of the Group's revenue and other income is as follows:

	2015 RMB'000	2014 RMB'000
Revenue		
Sale of goods	**2,782,426**	2,778,948
Other income		
Bank interest income	**36,927**	26,291
Sale of scrap materials	**29,192**	39,851
Compensation income from insurance company	**35**	52
Compensation income from sundry creditors	**121**	86
Government grants and subsidies*	**11,933**	5,095
Others	**1,685**	13,805
	79,893	85,180

* The Group received grants from the relevant PRC government authorities in support of the Group's edible oil business in the PRC. There were no unfulfilled conditions in relation to the grants.

8. Profit from Operations

	2015 RMB'000	2014 RMB'000
Profit from operations is arrived at after charging:		
Auditor's remuneration	**1,303**	1,224
Cost of inventories recognised as an expense	**2,236,487**	1,998,411
Depreciation on property, plant and equipment*	**70,657**	71,650
Amortisation of land use rights**	**3,372**	2,644
Loss on disposal of property, plant and equipment	**224**	–
Net foreign exchange loss	**21,061**	2,912
Operating lease charges on rented premises	**1,875**	1,805
Research and development costs	**1,284**	983
Employee costs (including directors' remuneration)		
— Wages, salaries and bonus	**105,868**	112,276
— Contribution to defined contribution pension plan^	**6,408**	4,631
Total employee costs	**112,276**	116,907

* Depreciation expenses have been included in:

— cost of sales of approximately RMB62,846,000 (2014: RMB60,335,000); and

— administrative expenses of approximately RMB7,811,000 (2014: RMB11,315,000).

** Amortisation of land use rights has been included in administrative expenses.

^ At the reporting date, the Group had no forfeited contributions available to reduce its contributions to the pension scheme.

9. Finance Costs

	2015 RMB'000	2014 RMB'000
Interest on bank and other borrowings	**17,095**	14,897

10. Income Tax Expense

	2015 RMB'000	2014 RMB'000
Current tax		
— Provision for PRC corporate income tax	60,752	43,056

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any taxation under the jurisdictions of the Cayman Islands and the BVI during the years.

PRC corporate income tax is provided at the rates applicable to the subsidiaries in the PRC on the income for statutory reporting purpose, adjusted for income and expense items which are not assessable or deductible for income tax purposes based on existing PRC income tax regulations, practices and interpretations thereof.

山東三星玉米產業科技有限公司 ("Corn Industry") has been accredited as a High-tech Enterprise by the Accrediting Bodies under the Administrative Measures for Determination of High and New Technology Enterprises on 30 November 2012 and is subject to preferential tax rate of 15% for two years commencing from 1 January 2013. In 2015, Corn Industry has been re-qualified as a High-tech Enterprise and is accordingly entitled to the tax rate of 15% for the year ended 31 December 2015.

No deferred tax asset has been recognised in respect of the unused tax losses of RMB83,657,000 (2014: RMB62,050,000), that are available, within a maximum period of five years in the PRC, for offsetting against future taxable profits of the relevant entities in the Group in which the losses arose, due to the unpredictability of future profit streams.

Deferred tax liabilities have not been established for the withholding tax that would be payable on the undistributed earnings of a subsidiary of RMB1,282,007,000 (2014: RMB1,131,730,000) as the Group is in a position to control the dividend policies of the subsidiary and it is probable that such amount will be reinvested in the foreseeable future.

The Group did not have any other significant temporary differences which gave rise to a deferred tax asset or liability as at 31 December 2014 and 2015.

10. Income Tax Expense (Continued)

A reconciliation of income tax expense and accounting profit at the applicable tax rates is as follows:

	2015 RMB'000	2014 RMB'000
Profit before income tax	**271,523**	309,335
Tax calculated at the rates applicable to profits in the tax jurisdictions concerned	**55,172**	54,390
Tax effect of tax losses not recognised	**6,426**	2,552
Tax effect of income not taxable for tax purpose	**(846)**	–
Utilisation of tax losses previously not recognised*	**–**	(13,886)
Income tax expense	**60,752**	43,056

* Amount represented unutilised tax losses of Corn Industry which were approved by the relevant PRC tax authority to offset against its taxable profits during the year ended 31 December 2014.

11. Dividends

The directors recommend the payment of a final dividend to the shareholders of Hong Kong 10 cents per share for the year ended 31 December 2015 (2014: Hong Kong 20 cents per share), subject to shareholders' approval at the forthcoming annual general meeting. The proposed final dividend declared after the reporting date has not been recognised as a liability at the reporting date, but reflected as an appropriation of retained profits for the year (2014: share premium account).

12. Earnings Per Share

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

	2015 **RMB'000**	2014 RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**210,771**	266,279
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**573,560,000**	573,560,000
Effect of dilutive potential ordinary shares — share options	–	1,122,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**573,560,000**	574,682,000

No diluted earnings per share has been presented for the year ended 31 December 2015 because the exercise price of the Company's share options was higher than the average market price for shares during the period when those options are outstanding.

13. Directors' Emoluments and Five Highest Paid Individuals

(a) Directors' emoluments

Directors' emoluments for the year are set out below:

	Fees RMB'000	Salaries, allowances and other benefits RMB'000	Discretionary bonuses RMB'000	Contribution to pension plans RMB'000	Total RMB'000
Year ended 31 December 2015					
Executive directors					
Mr. Wang Mingxing	–	508	–	–	508
Mr. Wang Mingfeng	–	508	–	–	508
Mr. Wang Mingliang	–	508	–	–	508
Mr. Sun Guohui	–	170	–	9	179
Mr. Huang Da	–	496	–	–	496
Mr. Cheng Wenming	–	342	–	–	342
	–	2,532	–	9	2,541
Independent non-executive directors			–	–	
Mr. Liu Shusong	50	–	–	–	50
Mr. Wang Ruiyuan	170	–	–	–	170
Mr. Wang Aiguo	50	–	–	–	50
	270	–	–	–	270
	270	2,532	–	9	2,811

13. Directors' Emoluments and Five Highest Paid Individuals (Continued)

(a) Directors' emoluments (Continued)

	Fees RMB'000	Salaries, allowances and other benefits RMB'000	Discretionary bonuses RMB'000	Contribution to pension plans RMB'000	Total RMB'000
Year ended 31 December 2014					
Executive directors					
Mr. Wang Mingxing	–	508	–	–	508
Mr. Wang Mingfeng	–	508	–	–	508
Mr. Wang Mingliang	–	508	–	–	508
Mr. Sun Guohui	–	203	–	9	212
Mr. Huang Da	–	500	–	–	500
Mr. Cheng Wenming	–	344	–	–	344
	–	2,571	–	9	2,580
Independent non-executive directors					
Mr. Liu Shusong	50	–	–	–	50
Mr. Wang Ruiyuan	170	–	–	–	170
Mr. Wang Aiguo	50	–	–	–	50
	270	–	–	–	270
	270	2,571	–	9	2,850

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2014: nil).

13. Directors' Emoluments and Five Highest Paid Individuals (Continued)

(b) Five highest paid individuals

The five highest paid individuals of the Group included four directors (2014: four) for the year ended 31 December 2015 whose emoluments are reflected in the analysis presented above.

The analysis of the emoluments of the remaining one (2014: one) individual for the year ended 31 December 2015, whose emoluments fell within the band from nil to Hong Kong Dollar ("HK$") 1,000,000, are set out below:

	2015 RMB'000	2014 RMB'000
Salaries, allowances and benefits in kind	**411**	353
Contribution to defined contribution pension plan	**8**	9
	419	362

During the years ended 31 December 2015 and 2014, no emolument was paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

14. Property, Plant and Equipment

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2014						
Cost	383,991	519,592	16,050	1,754	35,075	956,462
Accumulated depreciation	(49,924)	(153,933)	(9,545)	(393)	–	(213,795)
Net carrying amount	334,067	365,659	6,505	1,361	35,075	742,667
Year ended 31 December 2014						
Opening net carrying amount	334,067	365,659	6,505	1,361	35,075	742,667
Acquisition of subsidiaries *(note 30)*	–	–	2	100	–	102
Additions	30,357	21,035	1,077	6	69,744	122,219
Transfer	36,000	3,701	–	–	(39,701)	–
Depreciation	(19,101)	(49,135)	(2,989)	(425)	–	(71,650)
Closing net carrying amount	381,323	341,260	4,595	1,042	65,118	793,338

14. Property, Plant and Equipment (Continued)

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2014 and 1 January 2015						
Cost	450,348	544,328	17,101	2,033	65,118	1,078,928
Accumulated depreciation	(69,025)	(203,068)	(12,506)	(991)	–	(285,590)
Net carrying amount	381,323	341,260	4,595	1,042	65,118	793,338
Year ended 31 December 2015						
Opening net carrying amount	381,323	341,260	4,595	1,042	65,118	793,338
Additions	13,106	24,144	926	85	35,170	73,431
Transfer	74,717	20,140	–	–	(94,857)	–
Disposals	(104)	(86)	(47)	–	–	(237)
Depreciation	(20,337)	(47,757)	(2,213)	(350)	–	(70,657)
Closing net carrying amount	448,705	337,701	3,261	777	5,431	795,875
At 31 December 2015						
Cost	538,067	588,526	17,950	2,118	5,431	1,152,092
Accumulated depreciation	(89,362)	(250,825)	(14,689)	(1,341)	–	(356,217)
Net carrying amount	448,705	337,701	3,261	777	5,431	795,875

As at 31 December 2015, certificates of ownership in respect of certain buildings of the Group in the PRC with an aggregate net carrying amount of approximately RMB194,612,000 (2014: RMB196,220,000) had not been issued by the relevant PRC authorities. The directors anticipate that these certificates will be issued in the near future and are of the opinion that the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2015.

15. Land Use Rights

The Group's interests in land use rights represent prepaid operating lease payments and their net carrying amounts are analysed as follows:

	RMB'000
At 1 January 2014	
Cost	131,734
Accumulated amortisation	(5,159)
Net carrying amount	126,575
Year ended 31 December 2014	
Opening net carrying amount	126,575
Additions	15,171
Amortisation	(2,644)
Closing net carrying amount	139,102
At 31 December 2014 and 1 January 2015	
Cost	**146,905**
Accumulated amortisation	**(7,803)**
Net carrying amount	**139,102**
Year ended 31 December 2015	
Opening net carrying amount	**139,102**
Additions	**33,990**
Amortisation	**(3,372)**
Closing net carrying amount	**169,720**
At 31 December 2015	
Cost	**180,895**
Accumulated amortisation	**(11,175)**
Net carrying amount	**169,720**

16. Goodwill

The amount of goodwill capitalised as an asset, arising from business combination, is as follows:

	2015 RMB'000	2014 RMB'000
Cost:		
At the beginning of the year	**62,762**	–
Acquisition of subsidiaries *(note 30)*	**–**	62,762
	62,762	62,762

Goodwill acquired through business combination has been allocated to the CGU of own brand corn oil for impairment testing.

The recoverable amount for the own brand corn oil CGU was determined based on value in use calculations, covering a detailed five-year budget plan, followed by an extrapolation of expected cash flows at the average growth rates of 3% (2014: 5%) and discount rate of 13.6% (2014: 14.3%) estimated by the management.

Assumptions were used in the value in use calculation of the own brand corn oil CGU for 31 December 2015 and 31 December 2014. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rate — The discount rate used is before tax and reflects specific risk relating to the relevant unit.

Raw materials price inflation — The basis used to determine the value assigned to raw materials price inflation is the forecast price indices during the budget year for the country from where the raw materials are sourced, i.e. the PRC.

Apart from the considerations described in determining the value in use of the own brand corn oil CGU above, the Group's management is not currently aware of any other probable changes that would necessitate changes in the key estimates.

17. Inventories

	2015 RMB'000	2014 RMB'000
Raw materials	**51,274**	92,476
Work-in-progress	**13,082**	23,712
Finished goods	**134,136**	90,292
	198,492	206,480

18. Trade and Notes Receivables

	2015 RMB'000	2014 RMB'000
Trade receivables	**465,615**	407,131
Notes receivable	**4,090**	–
Total trade and notes receivables	**469,705**	407,131

The Group's trading terms with its customers are mainly on credit, except for new customers where payment in advance is normally required. The credit period is generally 45 to 180 days. Trade and notes receivables are non-interest bearing. They are recognised at their original invoice amounts which represent their fair values at initial recognition.

The ageing analysis of trade and notes receivables at the reporting date, based on invoice date, net of impairment provision, is as follows:

	2015 RMB'000	2014 RMB'000
Within 60 days	**270,501**	243,936
61–90 days	**65,829**	67,308
91–180 days	**89,003**	78,196
181–365 days	**28,701**	16,371
Over 365 days	**15,671**	1,320
Total trade and notes receivables	**469,705**	407,131

At each of the reporting dates, the Group reviews receivables for evidence of impairment on both an individual and collective basis.

18. Trade and Notes Receivables (Continued)

The ageing analysis of trade and notes receivables that are past due but are not considered impaired is as follows:

	2015 RMB'000	2014 RMB'000
Neither past due nor impaired	406,052	357,423
Not more than 3 months past due	48,589	40,653
3 to not more than 6 months past due	9,518	8,288
6 to 12 months past due	5,546	767
Total trade and notes receivables	469,705	407,131

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of customers that have a good track record of repayment with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

19. Prepayments, Deposits and Other Receivables

	2015 RMB'000	2014 RMB'000
Prepayments	102,703	34,607
Other receivables	31,980	45,636
Deposits paid for acquisition of capital assets and land use rights	13,530	53,895
	148,213	134,138
Less: Portion due within one year included under current assets	(134,683)	(80,243)
Non-current portion included under non-current assets	13,530	53,895

20. Amounts due from/to Related Companies

Particulars of amounts due from related companies are as follows:

	Notes	**As at 31 December 2015 RMB'000**	**Maximum amount outstanding during the year RMB'000**	**As at 31 December 2014 and 1 January 2015 RMB'000**	Maximum amount outstanding during the prior year RMB'000	As at 1 January 2014 RMB'000
Shandong Sanxing	*(i)*	**58**	**72**	**4**	18	6
山東三星集團油品有限公司 ("Sanxing Oil Products")	*(ii)*	**4**	**24**	**–**	23	23
鄒平三星鋼結構有限公司	*(iii)*	**1,903**	**1,903**	**1,899**	1,899	–
山東明達熱電有限公司	*(iii)*	**–**	**812**	**812**	5,831	326
內蒙古三星糧油工業有限公司	*(iii)*	**953**	**953**	**936**	936	–
鄒平三星油脂工業有限公司 ("Sanxing Grease")	*(iii)*	**67**	**1,791**	**–**	–	–
		2,985		**3,651**		355

Notes:

(i) The Company is controlled by Shandong Sanxing. The directors of the Company, namely Mr. Wang Mingfeng, Mr. Wang Mingxing, Mr. Wang Mingliang and Mr. Cheng Wenming (collectively the "Beneficial Equity Holders"), each have beneficial interests in Shandong Sanxing.

(ii) Shandong Sanxing has significant influence over this entity.

(iii) These entities are wholly owned by Shandong Sanxing.

The balances with related companies are unsecured, interest-free and repayable on demand.

21. Cash and Bank Balances and Pledged Bank Deposits

	2015 RMB'000	2014 RMB'000
Non-current assets		
Pledged bank deposits	**–**	45,000
Current assets		
Cash at banks and in hand	**298,727**	527,903
Short-term bank deposits	**650,000**	670,000
Cash and bank balances as stated in the consolidated statement of financial position	**948,727**	1,197,903
Short-term bank deposits that are not classified as cash and cash equivalents	**(200,000)**	–
Cash and cash equivalents for the presentation of the consolidated statement of cash flows	**748,727**	1,197,903

As at 31 December 2014, bank deposits pledged as securities for standby letter of credit issued by banks to secure the Group's bank borrowings (note 24) earn 4.68% interest per annum and have a maturity of 36 months when acquired. The charge was released following the full repayment of borrowings during the year.

The short-term bank deposits earn 3.46% (2014: 3.23%) interest per annum. They have a maturity of within 1 year and are eligible for immediate cancellation without receiving any interest for the last deposit period. The other bank deposits earn interest at floating rates based on daily bank deposit rates.

The Group's cash and bank balances and pledged bank deposits denominated in RMB were amounted to RMB918,964,000 (2014: RMB1,222,393,000) and were deposited with banks in the PRC. The RMB is not freely convertible into other currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

22. Trade Payables

Trade payables are non-interest bearing and are normally settled on 30 days terms.

The ageing analysis of trade payables at the reporting date is as follows:

	2015 RMB'000	2014 RMB'000
Within 30 days	**64,480**	34,533
31–60 days	**8,190**	8,661
61–90 days	**5,001**	5,743
91–180 days	**5,062**	4,821
181–365 days	**3,002**	2,175
Over 365 days	**2,129**	2,255
	87,864	58,188

23. Accrued Liabilities, Other Payables and Deposits Received

	2015 RMB'000	2014 RMB'000
Accrued liabilities	**33,855**	74,030
Other payables	**99,452**	99,979
Deposits received	**41,279**	31,301
	174,586	205,310

24. Borrowings

	2015 RMB'000	2014 RMB'000
Secured bank borrowing *(note (i))*	–	43,173
Unsecured bank borrowings *(note (ii))*	167,460	488,000
Unsecured other borrowings	40,109	–
	207,569	531,173
Interests borne at rates per annum in the range of:		
— floating-rate bank borrowings	HIBOR + 2.20%	HIBOR + 2.20% to HIBOR + 2.80%, LIBOR + 2.95%
— fixed-rate other borrowings	3.60%	N/A

	2015 RMB'000	2014 RMB'000
Analysed into:		
Bank borrowings repayable:		
Within one year	167,460	250,315
In the second year, containing a repayment on demand clause	–	115,188
In the third to fifth years, containing a repayment on demand clause	–	165,670
	167,460	531,173
Other borrowings repayable:		
Within one year	40,109	–
	207,569	531,173

Notes:

(i) The borrowing is secured by irrevocable standby letter of credit issued by a bank which is then secured by the pledge of the Group's bank deposits of RMB45,000,000 as at 31 December 2014 (note 21).

24. Borrowings (Continued)

Notes: (Continued)

(ii) During the year ended 31 December 2014, the Company as borrower has entered into a facility agreement with a bank in respect of a revolving loan of HK$200,000,000 (equivalent to approximately RMB158,250,000 as at 31 December 2014) (the "Revolving Loan") pursuant to which, among others, the Group is required not to mortgage, assign, charge or otherwise encumber any of its assets without prior written consent from the bank.

As at 31 December 2014, the Group has failed to satisfy the said covenant as bank deposits amounted to RMB45,000,000 (note 21) have been pledged to another bank (the "Breach"). Such Breach may also trigger the cross-default provisions in other facility agreements entered into by the Company.

The Company had further obtained a waiver (the "Waiver") from the bank in respect of the Breach on 19 March 2015. The Group and the Company did not receive any demand notice for repayment of any bank loans as a result of the Breach. In the opinion of the directors, based on the Waiver obtained and the legal advice, the Company was no longer in breach of any covenants in the facility agreements upon obtaining the Waiver on 19 March 2015.

As a result of the aforesaid matters, all bank borrowings of the Group were subject to demand for immediate repayment and classified as current liabilities as at 31 December 2014.

The Revolving Loan was renewed during the year ended 31 December 2015. As at 31 December 2014 and 2015, the Revolving Loan was guaranteed by certain subsidiaries of the Company.

25. Share Capital

	Number of shares	Amount HK$'000
Authorised		
Ordinary shares of HK$0.10 each		
At 1 January 2014, 31 December 2014,		
1 January 2015 and 31 December 2015	9,000,000,000	900,000

	Number of shares	Amount HK$'000	Equivalent RMB'000
Issued and fully paid:			
Ordinary shares of HK$0.10 each			
At 1 January 2014, 31 December 2014,			
1 January 2015 and 31 December 2015	573,560,000	57,356	50,109

26. Reserves

Details of the movements on the Group's reserves are as set out in the consolidated statement of changes in equity on page 53.

(i) Other reserves

The subsidiaries of the Group established in the PRC are required to transfer 10% of its profits after income tax as determined in accordance with the accounting regulations in the PRC to the surplus reserve until the reserve balance reaches 50% of the respective registered capital of the PRC subsidiaries. Such reserve may be used to reduce any losses incurred or for capitalisation as paid-up capital of the PRC subsidiaries.

(ii) Capital reserve

Capital reserve of the Group represents the difference between the registered capital of Corn Industry and the net assets value transferred from Sanxing Grease to Corn Industry pursuant to a group restructuring ("Restructuring Exercise") carried out by the Group to rationalise the structure of the Group in preparation of the initial public offering of the Company's shares on the HKEX.

(iii) Merger reserve

The merger reserve of the Group represented the difference between (a) the sum of nominal value of the combined capital and share premium of the subsidiaries acquired in pursuant to the Restructuring Exercise; and (b) the nominal value of the share capital of the Company issued in exchange thereof pursuant to the Restructuring Exercise.

27. Share Option Scheme

On 14 May 2010, the Company granted to certain eligible participants a total of 25,000,000 share options to subscribe for ordinary shares of HK$0.10 each in the share capital of the Company under the share option scheme adopted by the Company on 23 November 2009. The share options granted are exercisable as follows:

(i) the first 50% of the share options between the first and fifth anniversary of the date of grant; and

(ii) the remaining share options between the second and fifth anniversary of the date of grant.

The following table discloses the movements of the share options during the years ended 31 December 2015 and 2014.

2015

	Number of share options					
Grantees	**Outstanding at 1 January 2015**	**Granted during the year**	**Lapsed during the year**	**Exercised during the year**	**Outstanding at 31 December 2015**	**Exercise price**
Mr. Wang Mingxing	**800,000**	**–**	**(800,000)**	**–**	**–**	**HK$5.40**
Mr. Wang Mingfeng	**800,000**	**–**	**(800,000)**	**–**	**–**	**HK$5.40**
Mr. Wang Mingliang	**800,000**	**–**	**(800,000)**	**–**	**–**	**HK$5.40**
Mr. Sun Guohui	**800,000**	**–**	**(800,000)**	**–**	**–**	**HK$5.40**
Mr. Huang Da	**800,000**	**–**	**(800,000)**	**–**	**–**	**HK$5.40**
	4,000,000	**–**	**(4,000,000)**	**–**	**–**	

2014

	Number of share options					
Grantees	Outstanding at 1 January 2014	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding at 31 December 2014	Exercise price
Mr. Wang Mingxing	800,000	–	–	–	800,000	HK$5.40
Mr. Wang Mingfeng	800,000	–	–	–	800,000	HK$5.40
Mr. Wang Mingliang	800,000	–	–	–	800,000	HK$5.40
Mr. Sun Guohui	800,000	–	–	–	800,000	HK$5.40
Mr. Huang Da	800,000	–	–	–	800,000	HK$5.40
	4,000,000	–	–	–	4,000,000	

27. Share Option Scheme (Continued)

As at 31 December 2014, the weighted average exercise price of share options outstanding was HK$5.40 per share and their remaining contractual life was approximately 4.4 months. These outstanding share options had vested and were exercisable.

The weighted average exercise price of share options for the lapsed share options was HK$5.4 per share during the year and there was no share option outstanding under the share option scheme as at 31 December 2015.

No share-based compensation expense is included in the consolidated income statement for the years ended 31 December 2014 and 2015.

28. Commitments

Operating lease commitment

The total future minimum lease payments under non-cancellable operating leases are falling due as follows:

	2015 RMB'000	2014 RMB'000
Within one year	**1,223**	1,536
In the second to fifth years	**1,033**	1,422
	2,256	2,958

The Group leases a number of properties under operating lease and leasehold land. The leases run for initial period of 3 months to 10 years, with an option to renew the lease at the expiry date or at dates as mutually agreed between the Group and respective lessor. None of the leases include contingent rental.

Capital commitment

	2015 RMB'000	2014 RMB'000
Contracted but not provided for property, plant and equipment	**10,403**	27,759

29. Related Party Transactions

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following transactions with related parties at agreed terms.

	Notes	**2015 RMB'000**	2014 RMB'000
Sales of goods			
Shareholder		**–**	1
Related companies	*(i)*	**1,860**	862
Purchases of goods			
Shareholder		**350,787**	–
Related companies	*(i)*	**–**	54
Steam and electric power expenses			
A related company	*(i)*	**50,561**	45,506
Subcontracting fee paid			
A related company	*(i)*	**–**	3,342
Construction costs and purchases of property, plant and equipment			
Related companies	*(i)*	**2,616**	833

Notes:

(i) Each of the Beneficial Equity Holders have beneficial interests in these related companies.

(ii) The above related party transactions were conducted in the ordinary course of business with reference to the terms mutually agreed between the parties.

(b) Key management personnel compensation

	2015 RMB'000	2014 RMB'000
Short-term employee benefits of directors and other members of key management personnel	**3,819**	3,469

30. Acquisition of Subsidiaries

For the year ended 31 December 2014

On 24 March 2014, the Company entered into an agreement to acquire the entire equity interest of China Edible Oil Company Limited ("Edible Oil") and its subsidiary (collectively the "Edible Oil Group") at a consideration of HK$160,000,000 (equivalent to approximately RMB126,898,000) by cash. The acquisition was completed on 18 April 2014.

Edible Oil is an investment holding company incorporated in the BVI which holds 100% equity interest of 廣州久久福食品有限公司 ("Guangzhou Jiu Jiu Fu"), a company established in the PRC and principally engaged in the trading of edible oil.

The acquisition was made with aims to expand the Group's production capacity by constructing new production plants on the land to be acquired by Guangzhou Jiu Jiu Fu and to better manage the Group's sales and distribution networks.

Details of the net assets acquired and goodwill were as follows:

	RMB'000
Purchase consideration satisfied by cash	126,898
Fair value of net assets acquired	(64,136)
Goodwill *(note 16)*	62,762

The fair values of identifiable assets and liabilities of Edible Oil Group as at the date of acquisition were as follows:

	RMB'000
Property, plant and equipment	102
Deposits paid for acquisition of land use rights	33,990
Inventories	7,431
Trade and other receivables	24,999
Cash and bank balances	877
Accrued liabilities, other payables and deposits received	(3,263)
Net assets acquired	64,136

30. Acquisition of Subsidiaries (Continued)

For the year ended 31 December 2014 (Continued)

An analysis of net cash outflow in respect of the acquisition was as follows:

	RMB'000
Cash consideration	(126,898)
Deposits paid in prior year	43,337
Cash and bank balances acquired	877
Net cash outflow for the year ended 31 December 2014	(82,684)

Notes:

The fair values of trade and other receivables amounted to RMB24,999,000. The gross amount of these receivables is RMB24,999,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

The goodwill of RMB62,762,000, which is not deductible for tax purposes, comprises the acquired workforce and the value of expected synergies arising from the combination of the acquired business with the existing operations of the Group.

From the acquisition date up to 31 December 2014, Edible Oil Group has contributed revenue and loss after tax of approximately RMB23,565,000 and RMB2,255,000 respectively to the Group. If the acquisition had occurred on 1 January 2014, the Group's revenue and profit after tax would have been approximately RMB2,821,150,000 and RMB263,250,000 respectively for the year ended 31 December 2014. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2014, nor is it intended to be a projection of future performance.

The acquisition-related costs were not material. They have been expensed off and are included in administrative expenses in the consolidated income statement.

31. Transfer of Financial Assets

At 31 December 2015, the Group endorsed certain notes receivable accepted by banks in the PRC (the "Endorsed Notes") to certain of its suppliers in order to settle the trade and other payables due to these suppliers with an aggregate carrying amount of RMB63,783,000 (2014: RMB49,120,000). The Endorsed Notes had a maturity from three to six months at the end of the reporting period. In accordance with the relevant laws and regulations in the PRC, the holders of the Endorsed Notes have a right of recourse against the Group if the accepting banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Endorsed Notes. Accordingly, it has derecognised the full carrying amounts of the Endorsed Notes and the associated trade and other payables. The maximum exposure to loss from the Group's Continuing Involvement in the Endorsed Notes and the undiscounted cash flows to repurchase these Endorsed Notes is equal to their carrying amounts. In the opinion of the directors of the Company, the fair values of the Group's Continuing Involvement in the Endorsed Notes are not significant.

During the year, the Group has not recognised any gain or loss on the date of transfer of the Endorsed Notes. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

32. Financial Risk Management and Fair Value Measurements

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations. The financial risks included market risk (including currency risk and interest risk), credit risk and liquidity risk. The Group does not have written risk management policies and guidelines. However, the board of directors of the Company meets periodically to analyse and formulate measures to manage the Group's exposure to the financial risk, including principally changes in interest rates and currency exchange rates. Generally, the Group employs a conservative strategy regarding its risk management. As the Group's exposure to market risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

(a) Categories of financial assets and financial liabilities

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	2015 RMB'000	2014 RMB'000
Financial assets		
Loans and receivables		
— Trade and notes receivables	**469,705**	407,131
— Other receivables	**31,980**	45,636
— Amounts due from related companies	**2,985**	3,651
— Pledged bank deposits	**–**	45,000
— Cash and bank balances	**948,727**	1,197,903
	1,453,397	1,699,321
Financial liabilities		
At amortised cost		
— Trade payables	**87,864**	58,188
— Accrued liabilities and other payables	**100,792**	101,206
— Dividend payable	**18,768**	17,689
— Amounts due to related companies	**6,776**	6,203
— Borrowings	**207,569**	531,173
	421,769	714,459

32. Financial Risk Management and Fair Value Measurements (Continued)

(b) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of the changes in market interest rates. The Group's interest rate risk arises primarily from floating-rate bank borrowings, fixed-rate other borrowings (note 24) and the Group's pledged bank deposits and bank balances which were bearing fixed or floating interest rate (note 21). The Group's policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no undue exposures to significant interest rate movements and rates are approximately fixed when necessary.

(i) Interest rate profile

The following tables detail the interest rate profile of the Group's financial instruments at the reporting date:

	Weighted average effective interest rate		Carrying amount	
	2015	2014	**2015**	2014
	%	%	**RMB'000**	RMB'000
Variable rate instruments				
Financial assets				
Cash at banks	**0.31%**	0.34%	**287,312**	525,715
Financial liabilities				
Interest-bearing bank borrowings	**3.00%**	3.01%	**167,460**	531,173
Fixed rate instruments				
Financial assets				
Short-term bank deposits	**3.46%**	3.23%	**650,000**	670,000
Pledged bank deposits	**–**	4.68%	**–**	45,000
Financial liabilities				
Other borrowings	**3.6%**	N/A	**40,109**	–

32. Financial Risk Management and Fair Value Measurements (Continued)

(b) Interest rate risk (Continued)

(ii) Interest rate sensitivity analysis

The following tables illustrate the sensitivity of the profit for the year and retained profits to a reasonably possible change in interest rates of +25 basis points and –25 basis points (2014: +/–25 basis points), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Group's financial instruments held at each reporting date. All other variables are held constant. There is no impact on other components of consolidated equity in response to the possible change in interest rates.

	2015		2014	
	+25 basis points RMB'000	**–25 basis points RMB'000**	+25 basis points RMB'000	–25 basis points RMB'000
Effect on profit for the year and retained profits	**(51)**	**51**	(207)	207

(c) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its business.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

The Group's management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

None of the Group's financial assets are secured by collateral or other credit enhancements.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

32. Financial Risk Management and Fair Value Measurements (Continued)

(d) Foreign currency risk

Currency risk refers to risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to foreign currency risk primarily through borrowings that are denominated in a currency other than the functional currency of the entity within the Group to which they related. The currencies give rise to this risk are mainly HK$, Euro ("EUR") and United States Dollar ("US$").

(i) *Foreign currency risk exposure*

	2015			2014		
	HK$	**EUR**	**US$**	HK$	EUR	US$
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
Assets:						
Other receivables	**573**	**–**	**–**	552	–	–
Cash and bank balances	**12,027**	**6**	**17,730**	13,140	7	7,362
	12,600	**6**	**17,730**	13,692	7	7,362
Liabilities:						
Accrued liabilities and other payables	**2,864**	**–**	**–**	13,245	–	–
Dividend payables	**18,768**	**–**	**–**	17,689	–	–
Borrowings	**191,681**	**–**	**15,888**	201,423	–	329,750
	213,313	**–**	**15,888**	232,357	–	329,750

Apart from the above, all the Group's financial assets and financial liabilities are denominated in RMB.

(ii) *Foreign currency sensitivity analysis*

The following table illustrates the sensitivity of the Group's profit for the year and retained profits in regards to a 1% (2014: 1%) appreciation in the Group entities' functional currencies against HK$, EUR and US$. All other variables are held constant. The rate is used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates. There is no impact on other components of combined equity in response to the general fluctuation in the following foreign currency rates.

32. Financial Risk Management and Fair Value Measurements (Continued)

(d) Foreign currency risk (Continued)

(ii) Foreign currency sensitivity analysis (Continued)

The sensitivity analysis of the Group's exposure to foreign currency risk at the reporting date has been determined based on the assumed percentage changes in foreign currency exchange rates taking place at the beginning of the financial year and held constant throughout the year.

	2015			2014		
	HK$ RMB'000	**EUR RMB'000**	**US$ RMB'000**	HK$ RMB'000	EUR RMB'000	US$ RMB'000
Effect on profit for the year and retained profits	**1,765**	**–**	**(177)**	2,187	–	3,224

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

These are the same method and assumption used in preparing the sensitivity analysis included in the financial statements for the year ended 31 December 2014.

(e) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of bank borrowings, trade payables and other financing obligations, and also in respect of its cash flow management.

The cash flow management of all operating entities is centralised, including the raising of funds to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

32. Financial Risk Management and Fair Value Measurements (Continued)

(e) Liquidity risk (Continued)

The table below analyses the Group's financial liabilities based on the remaining contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Specifically, for interest-bearing bank borrowings which contain a repayment on demand clause which can be exercised at the bank's sole discretion or, as in the case as at 31 December 2014, are subject to demand for immediate repayment due to the Breach as set out in note 24(ii), the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lender was to invoke its unconditional rights to call the loan with immediate effect.

	2015 RMB'000	2014 RMB'000
Within one year or on demand		
— Trade payables	**87,864**	58,188
— Accrued liabilities and other payables	**100,792**	101,206
— Dividend payable	**18,768**	17,689
— Amounts due to related companies	**6,776**	6,203
— Borrowings	**207,569**	531,173
	421,769	714,459

The table that follows summarises the maturity analysis of interest-bearing bank borrowings with a repayment on demand clause or with certain covenants being breached (note 24) based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "within one year or on demand" time band in the maturity analysis above. Taking into account the Group's financial position, the Waiver obtained and the legal advice, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	2015 RMB'000	2014 RMB'000
Within one year	**168,297**	261,919
More than one year but less than two years	**–**	122,646
More than two years but less than five years	**–**	165,818
Total contractual undiscounted cash flow	**168,297**	550,383

32. Financial Risk Management and Fair Value Measurements (Continued)

(f) Fair value

The fair values of the Group's financial assets and financial liabilities as at 31 December 2014 and 2015 were not materially different from their carrying amounts. Fair value estimates are made at a specific point in time and are based on relevant market information about the financial instruments.

33. Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, to maintain an optimal capital structure to reduce the cost of capital and to support the Group's stability and growth. The Group actively and regularly reviews and manages its capital structure, taking into consideration the future capital requirements of the Group, to ensure optimal shareholder returns.

The Group monitors capital using a gearing ratio calculated on the basis of interest-bearing bank and other borrowings over total equity. The Group aims to maintain the gearing ratio at a reasonable level.

The gearing ratio is regularly reviewed by senior management. The gearing ratios as at the end of the reporting periods are as follows:

	2015 **RMB'000**	2014 RMB'000
Borrowings	**207,569**	531,173
Total equity	**2,284,885**	2,166,490
Gearing ratio	**9.1%**	24.5%

34. Note to the Consolidated Statement of Cash Flows

Major non-cash transactions:

During the year ended 31 December 2015, deposits paid for acquisition of capital assets and land use rights of approximately RMB13,967,000 (2014: RMB12,408,000) and RMB33,990,000 (2014: nil) were transferred to property, plant and equipment and land use rights respectively.

35. Statement of Financial Position of the Company

	2015 RMB'000	2014 RMB'000
Non-current assets		
Amount due from a subsidiary	–	271,043
Interest in subsidiaries *(note (a))*	978,835	938,961
	978,835	1,210,004
Current assets		
Other receivables	573	552
Amount due from a subsidiary	–	44,256
Cash and bank balances	29,502	19,720
	30,075	64,528
Current liabilities		
Accrued liabilities and other payables	2,864	13,245
Dividend payable	18,768	17,689
Amount due to a subsidiary	8,305	7,879
Borrowings	207,569	531,173
	237,506	569,986
Net current liabilities	(207,431)	(505,458)
Net assets	771,404	704,546
Equity		
Share capital	50,109	50,109
Reserves *(note (b))*	721,295	654,437
Total equity	771,404	704,546

On behalf of the Board

Wang Mingxing
Director

Cheng Wenming
Director

35. Statement of Financial Position of the Company (Continued)

Notes:

(a) Subsidiaries

Particulars of the subsidiaries as at 31 December 2015 are as follows:

Name	Country/Place and date of incorporation/ establishment and kind of legal entity	Particulars of issued and fully paid share capital/ registered capital	Effective interest held by the Company	Principal activities
Interests held directly				
Corn Industry Investment Co., Ltd.	Incorporated on 28 December 2006 in the BVI, limited liability company	59,701 shares at US$1 per share	100%	Investment holding
Edible Oil*	Incorporated on 21 January 2011 in the BVI, limited liability company	1 share at US$1 per share	100%	Investment holding
Interests held indirectly				
Corn Industry	Established on 14 November 2006 in the PRC, wholly-foreign-owned enterprise	US$127,000,000	100%	Production and sale of edible oil and corn meal
內蒙三星玉米產業科技有限公司	Established on 21 May 2010 in the PRC, limited liability company	RMB10,000,000	100%	Production and sale of crude oil and corn meal
遼寧三星玉米產業科技有限公司	Established on 24 May 2010 in the PRC, limited liability company	RMB10,000,000	100%	Production and sale of crude oil and corn meal
桐廬三星玉米產業科技有限公司	Established on 22 October 2012 in the PRC, limited liability company	RMB40,876,430	100%	Production and sale of edible oil
Guangzhou Jiu Jiu Fu*	Established on 31 May 2011 in the PRC, limited liability company	US$12,000,000	100%	Trading of edible oil

* These companies were acquired by the Group in April 2014 (note 30).

The financial statements of the subsidiaries for the year ended 31 December 2015 have been audited by BDO Limited for the purpose of incorporation into the Group's consolidated financial statements.

35. Statement of Financial Position of the Company (Continued)

Notes: (Continued)

(b) Reserves

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Share option reserve RMB'000	Contributed surplus RMB'000	Proposed final dividend RMB'000	(Accumulated losses)/ retained profits RMB'000	Total RMB'000
At 1 January 2014	621,583	6,064	95,267	67,790	(61,507)	729,197
2013 final dividend declared	–	–	–	(67,790)	–	(67,790)
2014 final dividend proposed	(90,766)	–	–	90,766	–	–
Transactions with owners	(90,766)	–	–	22,976	–	(67,790)
Loss for the year	–	–	–	–	(6,970)	(6,970)
Other comprehensive income	–	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	–	(6,970)	(6,970)
At 31 December 2014 and 1 January 2015	**530,817**	**6,064**	**95,267**	**90,766**	**(68,477)**	**654,437**
2014 final dividend declared	–	–	–	**(90,766)**	–	**(90,766)**
2015 final dividend proposed	–	–	–	**48,024**	**(48,024)**	–
Transactions with owners	–	–	–	**(42,742)**	**(48,024)**	**(90,766)**
Profit for the year	–	–	–	–	**157,624**	**157,624**
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	**157,624**	**157,624**
Lapse of share options	–	**(6,064)**	–	–	**6,064**	–
At 31 December 2015	**530,817**	–	**95,267**	**48,024**	**47,187**	**721,295**

The contributed surplus of the Company represented the difference between the net asset value of the subsidiary acquired and the nominal value of the share capital of the Company issued in exchange thereof pursuant to the Restructuring Exercise.

Five-Year Financial Summary

For the year ended 31 December 2015

	Year ended 31 December				
	2015 RMB'000	**2014 RMB'000**	**2013 RMB'000**	**2012 RMB'000**	**2011 RMB'000**
RESULTS					
Revenue	**2,782,426**	2,778,948	2,930,268	2,704,175	2,057,587
Cost of sales	**(2,236,487)**	(2,222,516)	(2,333,727)	(2,167,048)	(1,676,178)
Gross profit	**545,939**	556,432	596,541	537,127	381,409
Other income	**79,893**	85,180	80,767	54,204	46,426
Selling and distribution costs	**(249,158)**	(251,204)	(279,381)	(216,254)	(155,591)
Administrative expenses	**(87,689)**	(65,789)	(58,155)	(55,597)	(58,108)
Losses from fire	**—**	—	—	(26,248)	—
Other operating expenses	**(367)**	(387)	(2,606)	(1,477)	(954)
Finance costs	**(17,095)**	(14,897)	(488)	—	(876)
Profit before income tax	**271,253**	309,335	336,678	291,755	212,306
Income tax expense	**(60,752)**	(43,056)	(66,371)	(87,496)	(35,475)
Profit for the year attributable to owners of the Company	**210,771**	266,279	270,307	204,259	176,831
ASSETS AND LIABILITIES					
Total assets	**2,796,479**	2,989,505	2,250,978	1,724,383	1,545,636
Total liabilities	**(511,594)**	(823,015)	(283,015)	(196,383)	(195,142)
Total equity	**2,284,885**	2,166,490	1,967,963	1,528,000	1,350,494