上海大生農業金融科技股份有限公司
Shanghai Dasheng Agriculture Finance Technology Co., Ltd.

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock code: 1103)

Annual Report 2015

Contents

Summary of Financial Information

RESULTS

	For the year ended 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000 (restated)	RMB'000	RMB'000	RMB'000
Turnover*	**8,223,074**	5,292,504	5,885,633	4,422,014	3,220,685
Profit before income tax expense	**382,487**	264,929	232,181	161,287	92,982
Profit attributable to owners of the Company	**247,449**	168,083	138,959	101,278	71,722
Net profit margin*	**3.01%**	3.17%	2.36%	2.29%	2.23%
Earnings per share (RMB) (basic and diluted)**	**0.085**	0.069	0.057	0.042	0.030

Note:

* The turnover of 2014 has been restated. For details, please refer to the note 42 under the section name "Notes to the Financial Statements" on page 113. Accordingly, the net profit margin of 2014 has also been restated.

** Basic and diluted earnings per share for the years ended 31 December 2013, 2012 and 2011 have been restated for the impact of the bonus issues of Shares in 2014 and 2015.

ASSETS AND LIABILITIES

	As at 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**1,094,135**	978,702	834,583	739,733	623,991
Current assets	**5,228,491**	2,962,655	2,619,620	2,225,504	1,839,851
Non-current liabilities	**(63,098)**	(81,196)	(14,280)	(11,311)	(22,127)
Current liabilities	**(4,512,268)**	(2,832,631)	(2,533,633)	(2,151,974)	(1,750,503)
Non-controlling interests	**(267,547)**	(134,934)	(141,073)	(117,646)	(92,624)
Capital and reserves attributable to owners of the Company	**1,479,713**	892,596	765,217	684,306	598,588

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Lan Huasheng *(Chairman)*
Mo Luojiang *(Chief Executive Officer)*
Wang Liguo *(Vice President)*

Non-Executive Director

Zhu Tianxiang

Independent Non-Executive Directors

Chung Cheuk Ming
Pan Min
Zhou Jianhao

SUPERVISORS

Lu Tingfu *(Chairman)*
Chen Yuanling
Jiang Feng
Ye Mingzhu
Zhao Liping

AUDITOR

BDO Limited, Certified Public Accountants

REGISTERED OFFICE

706 Renhe Building
2056 Pudong Road
Pudong New Area
Shanghai PRC
Postal code: 200135

PRINCIPAL PLACE OF BUSINESS IN CHINA

35F, Aurora Plaza
No. 99 Fu Cheng Road
Pudong New District
Shanghai PRC
Postal code: 200080

PLACE OF BUSINESS IN HONG KONG

Unit 1705-06
Convention Plaza Office Tower
No. 1 Harbour Road
Wan Chai
Hong Kong

COMPANY WEBSITE

www.dsgd-sh.co

COMPLIANCE OFFICER

Mo Luojiang

COMPANY SECRETARY

Lo Suet Fan

AUTHORISED REPRESENTATIVES

Mo Luojiang
Lo Suet Fan

MEMBERS OF THE AUDIT COMMITTEE

Chung Cheuk Ming *(Chairman)*
Pan Min
Zhou Jianhao
Zhu Tianxiang

MEMBERS OF THE REMUNERATION AND ASSESSMENT COMMITTEE

Zhou Jianhao *(Chairman)*
Chung Cheuk Ming
Pan Min

MEMBERS OF THE NOMINATION COMMITTEE

Mo Luojiang *(Chairman)*
Chung Cheuk Ming
Pan Min
Zhou Jianhao

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shop 1712-1716
17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Bank of Communications
China PingAn Bank
SPD Bank

STOCK CODE

1103

Chairman's Statement

Chairman's Statement

In 2015, facing the complicated international environment and the arduous tasks of domestic reform and development, China's economy moved forward amid slowdown of growth rate and entered into the "new normal" phase with annual gross domestic product growth of 6.9%. In this new normal phase, the economic growth has changed from high growth rate to medium-high growth rate; together with the continuous optimization and upgrading of economic structure as well as shift of growth drivers and deepening reform, there were more rooms for economic development, which has laid a solid foundation for the development under the 13th Five-Year Plan.

In 2015, the agricultural economy continued to show a positive trend. The Chinese government stepped up its effort in supporting the "Farmers, Villages and Agricultural Industry" policy with a view to promoting continuous enhancement of comprehensive agricultural productivity. As a result, total grain production for the year increased by 2.4%, achieving a historic "12 consecutive years of growth". The 13th Five-Year Plan proposed that agriculture is the foundation of the comprehensive construction of a well-off society and realization of modernization, hence there is a need to accelerate the reform of agricultural development model and focus on the building of industrial system, production system and operation system for modern agriculture, so as to enhance the quality, efficiency and competitiveness of the agricultural sector and path the way for agricultural modernization with efficient production, safe products, resources conservation and environmental protection at the same time. The Group kept up with the pace of "Internet+" and "Agricultural Modernization" by actively pushing forward both online and offline industrial development and accelerating the development of its agricultural e-commerce business. It also capitalized on opportunities brought by the "Farmers, Villages and Agricultural Industry" policy to refine the petrochemical industry chain and develop downstream industrial products. Meanwhile, leveraging its own advantages in the industry and the close cooperation with renowned enterprises in the PRC, the Group has also achieved striding developments in building a more informational, diversified and finance-based industry.

RESULTS OF THE YEAR

During 2015, turnover of the Group was approximately RMB8,223,074,000, representing an increase of approximately 55.3% as compared with that of last year. The Group recorded a gross profit of approximately RMB502,050,000, representing an increase of approximately 29.1% as compared to last year. Turnover of petrochemical and chemical fertilizer products trading business was approximately RMB6,956,002,000 during the period, representing an increase of approximately 73.7% as compared to the same period last year, and its gross profit was approximately RMB292,741,000, which represented an increase of 82% as compared to the same period last year. Turnover of the road and bridge construction business was approximately RMB1,263,654,000, representing a decrease of approximately 1.8% as compared to the same period last year, and its gross profit was approximately RMB205,891,000, representing a year-on-year decrease of approximately 9.6%. Turnover of the agricultural internet finance business, which has just started in the second half of 2015, was approximately RMB3,418,000, and the gross profit was approximately RMB3,418,000.

BUSINESS OVERVIEW AND MAJOR FACTORS AFFECTING THE PROFIT

For the agricultural internet finance business, the Group actively adapted to the new normal phase of economic development. In this regard, efforts were made to promote reform towards a more informational, sizeable and modernized agricultural industry, accelerate the implementation of agricultural "Internet+" initiatives, enhance the integration between agriculture and information technologies, develop agricultural internet finance, enhance agricultural productivity and improve the standard of agricultural technical equipment. The Group also strived to diversify its agricultural internet finance business through various means, such as establishing an agricultural product investment holding company and a financial holding company, acquiring a third party payment platform and a financial leasing platform, as well as cooperating with several medium-to-large-scale wholesale markets of agricultural products in the PRC. Through these measures, the Group was able to provide a number of businesses such as agricultural products trading, agricultural product supply chain finance, financial leasing, trade finance, etc., which has in turn provided new momentum for the growth of the Group. For the year ended 31 December 2015, turnover of the Group's agricultural internet finance business was approximately RMB3,418,000, representing approximately 0.042% of the total turnover of the Group, and the gross profit was approximately RMB3,418,000. This business is currently at the start-up stage; however, with the continuous enhancement of the internet finance platform and the business itself, it is believed that it will be able to bring stable revenue to the Company.

For the petrochemical products supply chain services business, the Group seized the opportunities posed by the "Farmers, Villages and Agricultural Industry" reform. While adapting to the structural adjustment of the agriculture sector, the Group has also made consistent efforts to diversify its petrochemical product offerings, refine its petrochemical product market, expand the supply chain of the petrochemical downstream products and actively develop its petrochemical-related chemical fertilizer trading business. Leveraging the accumulated quality resources for petrochemical products as well as the synergy effect created by the cooperation with well-established enterprises in the country, the Group managed to maintain significant growth in the business during the reporting period despite the industrial pressure from weak domestic demand for petrochemical products in 2015. For the year ended 31 December 2015, turnover of the Group's petrochemical products trading business was approximately RMB6,956,002,000, accounting for approximately 84.6% of the Group's total turnover. Gross profit was approximately RMB292,741,000, representing a year-on-year increase of approximately 81.9%, whereas gross margin increased from approximately 4.0% in last year to approximately 4.2% in the reporting period.

For the road and bridge construction business, the Group focused on exploring the opportunities in the domestic market during the period under review, which has not only strengthened its advantaged position in markets such as Eastern, Central and Southern China, but also enabled it to capitalize the development opportunities brought by the "One Belt and One Road (OBOR)" policy to explore new markets through multiple channels and establish new growth points of profit. The Group also fully utilized its first-class highway construction contractor qualification and first-class municipal utility construction contractor qualification for undertaking expressway, roadbed, bridge and municipal utility construction projects across the country, which has in turn laid a solid foundation for the Group's long-term market development in the future. For the year ended 31 December 2015, turnover of the Group's road and bridge construction business was approximately RMB1,263,654,000, accounting for approximately 15.4% of the Group's total turnover, and its gross profit was approximately RMB205,891,000.

PROSPECT

According to the Guiding Opinions of the State Council on Actions for Aggressive Promotion of "Internet+" (《國務院關於積極推進「互聯網+」行動的指導意見》) issued by the State Council in July 2015, the Chinese government should seize the opportunities to accelerate and promote the development of "Internet+" by proactively leveraging the existing comparative advantages of Internet in China. To this end, the Group will duly review and capture any advantages and opportunities under the "new normal" phase of economic development, deepen its agriculture internet finance business and explore new business growth points along the agricultural industry chain to boost the overall performance of the Group.

While the State Council continued to focus on the "Farmers, Villages and Agricultural Industry" reform, which has been implemented for 12 years in a row, according to the Number 1 Document of the Central government, "Focusing on Development of Modern Agriculture and Accelerating Reform of Agricultural Development Model" was the main focus in the government's scope of work in 2015. Coupled with various favourable policies such as Opinions on Accelerating the Reform of Agricultural Development Model (《關於加快轉變農業發展方式的意見》) launched during the year, the Chinese government will actively step up its efforts in the innovation of agricultural operation model in an effort to expand its agricultural industry chain, at the same time further promote the structural adjustment and strengthen technological innovation in the agricultural industry. It will also improve the quality and safety standards of agricultural products and ensure that key elements for establishing modern agricultural operation system such as "Safety on Tip of Tongue" (舌尖上的安全) will remain as the highest priority of the government. It is expected that the Chinese government will continue to accelerate its pace to push forward the "National Rural Reform" and "Agricultural Modernization". By leveraging upon the orderly development of its existing businesses, the Group will make use of the two national strategies to explore more development opportunities. Meanwhile, it will spare no efforts to constantly optimize its general resources allocation, strengthen its overall management and achieve diversified operation to cater for the market demand. In terms of implementation, the Group will mainly make strategic adjustments in the following aspects.

Looking ahead, the Group will fully leverage the extensive layout, rich industry experience and ample resources of Shenzhen Dasheng Agricultural Group Co., Ltd., a substantial shareholder of the Company, in the agricultural sector. In terms of its agriculture internet finance business, the Group will respond to the call of the government with its best endeavours and at the same time actively carry out the reform of the traditional market of agricultural product circulation to enhance the circulation efficiencies of agricultural products. Given the characteristics of e-commerce, including information-based, openness and convenience, the currently dispersed and disordered traditional market of circulation may then be improved, and the industry chain will be shortened through efficient circulation, which will in turn benefit both farmers and consumers. The Group will also establish a consolidated agricultural internet finance system by focusing on the agricultural product wholesale market. The agricultural product wholesale market will be the core of this system. The old markets will be redeveloped into more standardized, systematic, informational, intelligent and finance-based markets through merger and acquisition or entrustment, which will set an industry benchmark for the intelligent agricultural product wholesale market in China. An electronic transaction system will also be implemented and established in every individual agricultural product wholesale market, resulting in circulating big data of agricultural products. On this basis, the Group will provide financial service for the respective parties of the transactions of agricultural products and obtain financial income therefrom. Meanwhile, it will also use these data as guidance for national transactions of agricultural products and resources allocation, which may facilitate monitoring and tracking of agricultural products in all stages and thus ensure food safety.

In order to demonstrate our determination to develop the agricultural finance technology business, the Group has started its planning for expansion into the agricultural internet finance sector since the second half of 2015. During which, it has established joint ventures for transaction data of agricultural products with several wholesale markets of agricultural product, prepared for the establishment of a financial services company, and formed preliminary strategic partnerships with banks. Meanwhile, the Group will provide supply chain finance service in the field of bulk transaction of agricultural by-products, particularly for agricultural by-products of single-variety (such as oats, apples, beef, etc.), so as to achieve the industry chain integration of single-variety products and obtain income from the supply chain finance service. The Group will, on the basis of its existing platform, vigorously promote the agricultural internet finance business in the future and review its existing businesses from time to time. Meanwhile, it will explore new potential agricultural finance projects, striving to provide new, strong and sustainable drivers for the Group's overall performance growth.

For petrochemical products, the Group will focus on the development of the business of agricultural resources products relating to agricultural sector, improve its marketing strategies and strengthen the strategic cooperation with major partners.

For road and bridge construction business, the Group will continue to adapt to the national OBOR strategy in conjunction with the PPP model, a new development model introduced by the central government. Meanwhile, the Group will focus on key project constructions by reinforcing its management control and constantly maintaining and enhancing the construction management standards. It will also place great emphasis on both safety and quality during this process to achieve steady development on the basis of the existing foundation.

Lan Huasheng
Chairman

Management Discussion and Analysis

FINANCIAL AND BUSINESS REVIEW

In the year of 2015, the global economic environment has undergone certain in-depth structural adjustments. The macroeconomic performance remained subdued though central banks in various countries continued to flood the market with massive liquidity. Affected by the slowdown of economic growth and multiple drastic falls in crude oil prices, the overall global economy was still in a stage of slow recovery with significant divergence. Domestically, as the Chinese economy has entered into the "new normal" phase, the "three driving forces" (export, investment and consumption) of economy growth showed signs of faltering with an annual economic growth rate of 6.9%.

In 2015, the Group closely followed the Chinese government's policies regarding the promotion of "Internet+" and "Agricultural Modernization" and actively pushed forward the development of its agricultural internet finance business by focusing on the agriculture sector as the core of its internet finance business, which will embody "Internet+" and will be able to provide corresponding agriculture industry chain-based financial service and information technology service support. Based on various key elements of urban development, including people's livelihood, agriculture, economy and environment, the Group adopted a market-oriented approach to consolidate the resources of the domestic agricultural product wholesale markets on the back of the guidance and support of national policies. Meanwhile, the Group, from a high starting point, systematically pushed forward the development of the Chinese agricultural product wholesale market to be more computerized, informational and finance-based. In terms of specific operational management, the Group will make full use of its advantages to realize digitalized and intelligent business operation with network connectivity.

The overall demand for the global petrochemical industry remained flat, however, the Group had a solid foundation built on its product mix and marketing strategies. It also continued to optimize its petrochemical products supply chain and achieved synergic effect with major partners of its strategic cooperation. This business managed to achieve significant growth during the period.

Meanwhile, the Group consolidated its road and bridge construction business by taking advantages of the One Belt and One Road (OBOR) policy. The road and bridge construction business underwent smooth development in general on the basis of the Group's sound foundation. As a result, the business has performed well and maintained a considerable number of contracted projects throughout the period.

In view of the changes to the internal business structure of the Group and to better and more clearly interpret the new businesses and future development strategies of the Company for the investors, the Group has added a new business sector in its financial report, i.e. the agricultural internet finance business (hereinafter referred to as "finance business"), for respective disclosures, in addition to the two existing business sectors, namely "trading business" and "road and bridge construction business".

During the period under review, turnover of the Group was approximately RMB8,223,074,000, representing an increase of approximately 55.3% as compared with that of last year. The increase of the Group's turnover was primarily attributable to the growth of the business volume of petrochemical and chemical fertilizer products supply chain services. During the period under review, the Group recorded a gross profit of approximately RMB502,050,000, representing an increase of approximately 29.1% as compared to last year, which was mainly attributable to the significant increase of the Group's turnover since 2015. Turnover of petrochemical and chemical fertilizer products trading business was approximately RMB6,956,002,000 during the period, representing an increase of approximately 73.7% as compared to the same period last year, and gross profit was approximately RMB292,741,000, which represented an increase of 82% as compared to the same period last year. Turnover of the road and bridge construction business was approximately RMB1,263,654,000, representing a decrease of approximately 1.8% as compared to the same period last year, and gross profit was approximately RMB205,891,000, representing a year-on-year decrease of approximately 9.6%. Turnover of the agricultural internet finance business, which only started in the second half of 2015, was approximately RMB3,418,000, and the gross profit was approximately RMB3,418,000.

BUSINESS OPERATIONS

In 2015, the Group established an agricultural product investment holding company and a financial holding company, and acquired a third party payment (technical) platform and a financial leasing platform. Meanwhile, it entered into cooperation agreements with several medium-to-large-scale wholesale markets of agricultural products in the PRC, with the intention to jointly establish a data settlement centre which will provide relevant value-added services with the help of enormous volumes of transaction data in order to render financial solutions to the dealers in the market and seek cooperation opportunities in the agricultural e-commerce sector. Such platforms will create a strong synergic effect to the development of the Group's agriculture finance technology business, evidencing the Group's determination and comprehensive plans to develop its agricultural financial business.

For petrochemical and chemical fertilizer products supply chain services, the Group is mainly engaged in the trading of petrochemical products such as fuel oil, diesel, BTX Aromatics, p-Xylene and chemical fertilizer products. Leveraging its extensive experience accumulated and stable channels in this sector, the Company has established highly competitive product mix and business scale.

The Group is also engaged in road and bridge construction business. The road and bridge construction business mainly comprises the construction and maintenance of highways and bridges. The Company possesses first-class highway construction contractor qualification and first-class municipal utility construction contractor qualification for undertaking expressway, roadbed, bridge and municipal utility construction projects across the country. Leveraging the technical advantages and extensive project experience accumulated over the years in road and bridge construction business, the Group has not only strengthened its position in developed markets such as Eastern, Central and Southern China, but also capitalized from the opportunities brought by the national policies to further reinforce its strengths in road and bridge construction sector and continuously explore new markets so as to bring a stable and continuous momentum to optimize the development of the Group's road and bridge construction business and growth of the projects.

AGRICULTURAL INTERNET FINANCE BUSINESS

During the recent years, the PRC government vigorously promoted the concept of "Internet+" and continuously pushed forward the development of "Agricultural Modernization". The Group will have a geographical focus in the mainland China, in which it mainly provides financial leasing, trade finance and other agriculture supply chain finance related businesses in agriculture field. Meanwhile, it will also actively expand its agricultural internet finance business by providing agricultural products trading, agricultural product supply chain finance, financial leasing, trade finance and other related businesses in agriculture field. Such planning, which has been implemented for years, fully reflects that the management has been capable of seizing the opportunities arising from the government's two macroeconomic policies.

As this business only started in the second half of 2015, it had remained at the planning stage from 2015 to the end of the period, and no notable turnover was recorded yet. For the year ended 31 December 2015, turnover of the Group's agricultural internet finance business was approximately RMB3,418,000, representing approximately 0.042% of the total turnover of the Group; and the gross profit was approximately RMB3,418,000. Ever Fortune Financial Leasing Co., Ltd (hereinafter referred to as "Ever Fortune"), which was successfully acquired by the Company in 2015, has commenced its operation. It is believed that the financial leasing, commercial factoring and related businesses engaged by Ever Fortune will have an optimistic outlook and is in line with the Group's future strategic planning for agricultural internet finance business of the Company, which will also further provide a source of income with sustainable growth for the Group. The Company successively cooperated with several wholesale markets of agricultural products in the first half of 2016, through which it had established a joint venture for transaction data of agricultural products and prepared for the establishment of a financial services company. It is believed that the establishment of such companies will bring stable income for the development of this business.

PETROCHEMICAL PRODUCTS SUPPLY CHAIN SERVICES BUSINESS

In line with the agricultural policy advocated by the government, the Group actively capitalized on the opportunities brought by the reform of agricultural policy and structural adjustment of agriculture sector by deepening its business diversification strategy. Leveraging on its advantages in respect of resources and operating system for petrochemical products, the Group closely followed the national policies and tapped into the opportunities posed by the "Farmers, Villages and Agricultural Industry" reform by diversifying its trading business towards petrochemical downstream products and actively developing its petrochemical-related chemical fertilizer trading business. During the reporting period, the Group contracted accumulated sales orders in the chemical fertilizer business of over RMB3,989,834,500, with most of the business partners being well-established enterprises in the industry. The strategic planning of the chemical fertilizer business has not only broadened the range of products, trading and services of the Company, but also further strengthened its competitiveness as a whole.

Meanwhile, the PRC continued to cooperate with countries along OBOR on energy projects, bringing complementary advantages and more new development opportunities for these countries. In addition, oil and gas enterprises in China would be able to secure oil and gas resources at a lower price than before and have more opportunities to carry out low cost merger and acquisition. Under this favourable situation, the Group strictly controlled the trade-related risks, steadily pushed forward the adjustments on the layout of fuel oil and other petrochemical products trading business and carried out in-depth analysis on changes in market demand by leveraging its business foundation built up over the years, so as to facilitate further development of its core businesses.

For the year ended 31 December 2015, turnover for the Group's petrochemical products trading business was approximately RMB6,956,002,000 (year ended 31 December 2014: approximately RMB4,005,569,000 (restated)), accounting for approximately 84.6% of the Group's total turnover. Gross profit was approximately RMB292,741,000 (year ended 31 December 2014: approximately RMB160,946,000), representing a year-on-year increase of approximately 81.9%, whereas gross margin increased from approximately 4.0% last year to approximately 4.2% in the reporting period, which was mainly attributable to the adjustment of product structure and shortening of credit period of the business.

ROAD AND BRIDGE CONSTRUCTION BUSINESS

Benefitted from the aggressive promotion of the OBOR strategy by the PRC government, the demand for contractors of infrastructure construction and high-grade highways has increased rapidly. When undertaking large-scale projects, the Group would make comprehensive consideration on project profitability and competence of working partners. As for business expansion, it will prioritize regions supported by governments with solid financial strengths for tenders and construction, strictly control the relevant risks, and meanwhile ensure a steady growth in business and profit of the Group.

For the year ended 31 December 2015, turnover for the Group's road and bridge construction business was approximately RMB1,263,654,000 (year ended 31 December 2014: approximately RMB1,286,935,000), accounting for approximately 15.4% of the Group's total turnover, and gross profit was approximately RMB205,891,000 (year ended 31 December 2014: approximately RMB227,853,000), representing a year-on-year decrease of approximately 9.6%, whereas gross margin slightly decreased from approximately 17.7% in the same period last year to approximately 16.2% in the reporting period. The decrease was mainly attributable to further enhancement of management standard of the business in 2015 and differences among the types of certain road and bridge construction works as compared to the same period of last year. For the year ended 31 December 2015, the backlog of bid winning construction contracts for road and bridge construction business not yet recognized as revenue amounted to approximately RMB2.11 billion, most of which will be completed within the next 12 to 14 months and will bring stable capital inflows to the Group for future operations.

OTHER INCOME AND GAINS

For the year ended 31 December 2015, the Group's other income and gains were approximately RMB70,356,000 (year ended 31 December 2014: approximately RMB111,700,000).

DISTRIBUTION COSTS

For the year ended 31 December 2015, the Group's distribution costs were approximately RMB11,722,000 (year ended 31 December 2014: approximately RMB13,170,000), representing a significant decrease of approximately 11% as compared to last year, which was attributable to the decrease in its own logistics cost.

ADMINISTRATIVE EXPENSES

For the year ended 31 December 2015, the Group's administrative expenses were approximately RMB120,481,000 (year ended 31 December 2014: approximately RMB124,884,000). The decrease in administrative expense of the Group was mainly due to that no bad debt provision was made in the current year.

FINANCE COSTS

The finance costs for the year were approximately RMB60,396,000, representing a significant decrease of approximately 39.9% compared to RMB100,568,000 in last year.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

For the year ended 31 December 2015, the profit attributable to owners of the Company was approximately RMB247,449,000 (year ended 31 December 2014: approximately RMB168,083,000), representing an increase of approximately 47.2% as compared with the corresponding period of last year. The basic and diluted earnings per share attributable to owners of the Company during the period were approximately RMB0.085 (year ended 31 December 2014: approximately RMB0.069 (restated)), representing an increase of approximately 23.2% as compared with the corresponding period of last year.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

Capital Structure

As at 31 December 2015, the Group had total assets less current liabilities of approximately RMB1,810,358,000 (31 December 2014: approximately RMB1,108,726,000), including non-current assets of approximately RMB1,094,135,000 (31 December 2014: RMB978,702,000) and net current assets of approximately RMB716,223,000 (31 December 2014: approximately RMB130,024,000).

Liquidity and Financial Resources

As at 31 December 2015 and 31 December 2014, the Group had restricted bank deposits and cash and cash equivalents of approximately RMB251,375,000 and RMB362,577,000, respectively.

As at 31 December 2015 and 31 December 2014, the Group had long-term borrowings of approximately RMB31,667,000 and RMB70,000,000, respectively and had short-term borrowings of approximately RMB1,021,200,000 and RMB822,000,000, respectively.

As at 31 December 2015 and 31 December 2014, debt asset ratios were approximately 72.4% and 73.9%, respectively. Debt asset ratio was calculated as the percentage of total liabilities divided by total assets.

Foreign exchange risk

The Group's trade receivables were denominated in Renminbi while domestic and foreign purchases were either denominated in Renminbi or United States Dollars. As such, the Group does not have significant foreign currency exchange exposures for the time being. The management of the Group considers that no hedging or other relevant strategy is necessary currently, but will closely monitor the fluctuation of the exchange rates of the relevant foreign currencies against Renminbi.

Pledge of assets

As at 31 December 2015, the Group's payments for leasehold land held for own use under operating leases with a net book value of approximately RMB8,220,000 (31 December 2014: approximately RMB8,397,000) were pledged as security for the Group's bank borrowings. As at 31 December 2015, the Group had restricted bank deposits of approximately RMB251,375,000 (31 December 2014: approximately RMB289,242,000) as collateral for the bank borrowings and the issuance of commercial notes, performance bonds and bid bonds to customers.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 18 August 2015, the Company (as purchaser), entered into a sale and purchase agreement with 江西樟樹市智贏投資管理中心 (Jiangxi Zhangshu City Zhiying Investment Management Centre*) (as vendor) and Wu Hongbin and Yan Xiefang (collectively as guarantors) in relation to the acquisition of entire equity interests in 上海諧易企業管理諮詢有限公司 (Shanghai Kaiyi Corporate Management Consultancy Co., Limited*) ("Shanghai Kaiyi") at a total consideration of RMB268 million. Shanghai Kaiyi and its subsidiary, 上海潤通實業投資有限公司 (Shanghai Runtong Industrial and Investment Co., Limited*) are principally engaged in and have been granted the payment services license by the People's Bank of China to conduct the business of prepaid card issuance and settlement. The acquisition has not been completed as at the date of this report. Details of such acquisition are set out in the announcements of the Company dated 18 August 2015, 24 December 2015 and 28 April 2016.

On 1 September 2015, a sale and purchase agreement was entered into between 深圳市大生金融控股有限公司 (Shenzhen Dasheng Financial Holding Company Limited*) a wholly owned subsidiary of the Company (as purchaser) and 河北奧威實業集團有限公司 (Hebei Aowei Industrial Group Co., Ltd.*) (as vendor) in relation to the acquisition of 53% equity interests in Ever Fortune at the consideration of RMB53,000,000. Ever Fortune and its subsidiaries are principally engaged in financial leasing, commercial factoring and related businesses. The acquisition was subsequently completed on 3 November 2015. Details of which are set out in the announcement of the Company dated 1 September 2015.

Save as disclosed above and the transactions described elsewhere in this annual report, the Group had no other material acquisitions or disposals during the year.

Biographical Details of Directors, Supervisors and Senior Management

BOARD OF DIRECTORS

Executive directors

Mr. Lan Huasheng (蘭華升), aged 44, has served as the chairman of the Board and an executive Director since June 2014. He is a senior accountant in the PRC. He is also a director of certain subsidiaries of the Group. Mr. Lan has extensive experience in finance and accounting. He was formerly a finance manager and financial controller of various companies from July 1995 to June 2006. He acted as the general manager of Fujian Dasheng Holdings Limited from June 2006 to May 2014 and the chairman of the board of directors and general manager of Dasheng (Fujian) Agricultural Ltd. from April 2010 to April 2014. He is currently the director of Shenzhen Qianhai Dasheng Equity Investment Fund Co., Ltd. ("**Qianhai Dasheng**") and Dasheng Holdings Limited ("**Dasheng Holdings**") and the chairman of the board of directors of Shenzhen Dasheng Agricultural Group Co., Ltd. ("**Shenzhen Dasheng**"). Shenzhen Dasheng is owned as to 70% by Qianhai Dasheng and 30% by Dasheng Holdings, and each of Qianhai Dasheng and Dasheng Holdings is owned as to 70% by Mr. Lan. Mr. Lan graduated from Jiangxi University of Finance and Economics in the PRC specialising in finance in July 2002. Mr. Lan was awarded "The Sixth Session of Fujian May 4th Youth Medal" in May 2009 and was selected as one of the "Outstanding Youth Entrepreneurs of Fujian Province" in September 2009. Mr. Lan has been the vice chairman of Fujian Society for Studies of Five-ties Culture since February 2009. He has also been the standing vice president of Shenzhen Entrepreneur Association since August 2015 and the standing vice president of Shenzhen General Chamber of Commerce since October 2015.

Mr. Mo Luojiang (莫羅江), aged 37, has served as chief executive officer and an executive Director of the Company since May 2013 and June 2013, respectively. He is also the chairman of the nomination committee of the Company and a director of certain subsidiaries of the Group. Mr. Mo joined the Company in July 2003 and was responsible for the preparation of listing of the Company in Hong Kong and then he was in charge of the business operation of the Company. Mr. Mo served as secretary of the Board from July 2003 to July 2006 and from April 2012 to May 2013, and the vice general manager of the Company from May 2006 to June 2013. He served as executive vice general manager of the Company from March 2007 to December 2010. Mr. Mo served as an executive Director of the Company from May 2007 to June 2012 when the Company was listed on the Growth Enterprise Market of the Stock Exchange. He obtained a bachelor's degree in management specialising in accountancy from Shanghai University of Finance and Economics in July 2003. Mr. Mo was awarded "The Excellence in Achievement of World Chinese Youth Entrepreneurs" in 2008.

Mr. Wang Liguo (王立國), aged 54, has served as executive Director and vice president of the Company since June 2014, respectively. He is a senior engineer in the PRC. He is also a director of certain subsidiaries of the Group. Mr. Wang has nearly 30 years' experience in the Chinese petroleum and petrochemical industries. From 1983 to 2011, Mr. Wang worked for various branches and subsidiaries of China Petrochemical Corporation ("**Sinopec**"). From August 1983 to May 2000, Mr. Wang held various positions in Anqing Branch Company of Sinopec, including senior engineer, system analyst and deputy director of crude oil department. He has served as the vice director and director, respectively, of human resource department of Sinopec Guangdong Oil Products Company Shenzhen Branch from May 2000 to November 2007, a vice general manager of Sinopec International (Hong Kong) Co., Ltd. from October 2007 to October 2011. From November 2011 to December 2013, he acted as the general manager of Hongkong Huaxin Petroleum Limited. Mr. Wang is currently a director and the general manager of Zhenjiang Runde Equity Investment Fund Ltd.. Mr. Wang obtained a bachelor's degree in metal material and heat treatment from Hefei University of Technology in the PRC in July 1983 and obtained a master's degree in business administration from Zhejiang University in the PRC in June 1997.

Biographical Details of Directors, Supervisors and Senior Management

Non-Executive director

Mr. Zhu Tianxiang (朱天相), aged 44, has served as non-executive Director since June 2015. He is also a member of the audit committee of the Company and a general manager and director of Shenzhen Dasheng Financial Holding Company Limited, a wholly owned subsidiary of the Company. He has extensive experience in financial management. He was formerly the manager of the finance department, the vice general manager and the general manager of various companies from August 1994 to July 2002. He served as the department general manager in Founder Securities Limited from August 2002 to November 2004 and was responsible for audit control and regulatory compliance. He was also a member of the senior management and president office, the chief duty compliance officer and the vice president of Founder Securities Limited from December 2004 to June 2008. He engaged in the preparation work for Credit Suisse Founder Securities Limited as a representative of the PRC party from July 2008 to October 2008, and held positions as a member of the senior management and general manager office of Credit Suisse Founder Securities Limited, the financial controller and secretary to the board of Credit Suisse Founder Securities Limited's from November 2008 to April 2015. He is the group general manager of Shenzhen Dasheng. Mr. Zhu obtained a bachelor's degree in international accounting and securities investment from Jiangxi College of Finance and Economics in June 1994.

Independent Non-executive Directors

Mr. Chung Cheuk Ming (鍾卓明), aged 53, has served as an independent non-executive Director since June 2012. He is the chairman of the audit committee of the Company and a member of the remuneration and assessment committee and nomination committee of the Company. Mr. Chung is a practicing certified public accountant in Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the Society of Chinese Accountants and Auditors, and an associate member of the Hong Kong Institute of Bankers. Mr. Chung has been the principal of Alex Chung & Company, Certified Public Accountants since August 2006. Mr. Chung is currently a court-appointed trustee in bankruptcy. He worked for Louie Wu & Co over three years and resigned in June 2006. Mr. Chung obtained a bachelor of arts degree from The University of Hong Kong in November 1986. He also obtained a postgraduate diploma in information systems from City University of Hong Kong in November 1998, a master of science degree in e-commerce from The Hong Kong Polytechnic University in November 2003 and a master of science degree in corporate governance and directorship from Hong Kong Baptist University in November 2006. In addition, Mr. Chung obtained a postgraduate diploma in insolvency from HKICPA in June 2004.

Mr. Zhou Jianhao (周建浩), aged 54, has served as an independent non-executive Director since December 2012. He is the chairman of the remuneration and assessment committee of the Company and a member of the audit committee and nomination committee of the Company. Mr. Zhou is currently the general manager of Shanghai Kunpu Electronics and Technology Co., Ltd. and Shanghai Pai Feng Industrial Co., Ltd. Mr. Zhou graduated from Nanjing Political College specialising in economic management in the PRC in June 2002 and completed an on-the-job postgraduate programme specialising in business administration from Shanghai Academy of Social Sciences in the PRC in December 2001.

Ms. Pan Min (潘敏), aged 45, has served as an independent non-executive Director since December 2012 and is a member of the audit committee, remuneration and assessment committee and nomination committee of the Company. Ms. Pan is a certified public accountant in the PRC. She had worked with Ruihua Certified Public Accountants (Special General Partnership) Shanghai Branch (formerly known as Shanghai Wan Long Zhong Tian Accountants and renamed as Crowe Horwath China Certified Public Accountants) and ShineWing Certified Public Accountants (Shanghai Branch). Ms. Pan obtained a bachelor's degree in economics from Hangzhou Institute of Electronics and Engineering in the PRC (currently known as Hangzhou Dianzi University) specialising in accountancy in July 1992 and has obtained a doctorate's degree in Wu Han University in the PRC in June 2015.

SUPERVISORS AS NOMINATED BY SHAREHOLDERS OR EMPLOYEES

Mr. Lu Tingfu (盧挺富), aged 45, has served as a Supervisor representing shareholders of the Company since June 2014. He is an intermediate accountant in the PRC. Mr. Lu has more than 20 years of experience in finance, accounting and auditing. He is currently a director of Shenzhen Dasheng, the sole director of Hong Kong Dasheng and the general manager of Qianhai Dasheng. Shenzhen Dasheng is owned as to 70% by Qianhai Dasheng and 30% by Dasheng Holdings, and each of Qianhai Dasheng and Dasheng Holdings is owned as to 30% by Mr. Lu. Hong Kong Dasheng is a wholly owned subsidiary of Shenzhen Dasheng. Mr. Lu had worked with Fujian Textile and Chemical Fiber Group Co., Ltd. for nearly 20 years, where he held a number of positions, including vice manager and manager of finance department and auditor. He graduated from the department of economics and management in South China Institute of Tropical Crops in the PRC (now known as Hainan University) specialising in finance and accountancy in June 1993.

Ms. Ye Mingzhu (葉明珠), aged 70, has been re-designated as an independent Supervisor of the Company since July 2015. She is a certified public accountant in the PRC. She is currently the manager of ShineWing Certified Public Accountants and the independent director of Fujian Start Group Co., Ltd. She was previously Supervisor representing shareholders of the Company from December 2012 to July 2015 and the independent non-executive Director from June 2005 to December 2012. Ms. Ye had formerly served at Shanghai Ruidong Hospital as executive vice-president and financial controller from March 2002 to October 2006 and Shanghai Xin Shen Certified Public Accountants from January 1994 to December 1998.

Ms. Chen Yuanling (陳媛玲), aged 44, has served as an independent Supervisor of the Company since June 2015. She has extensive experience in finance and auditing. She worked in Shenzhen Chinese Accountants Firm (深圳中華會計事務所) from August 1998 to September 2001 and has engaged in the auditing of annual financial statements as well as auditing of IPO issues of various listed companies. She worked in the audit department of Chunda Group (淳大集團) from September 2001 to January 2004 and was responsible for the audit work of the Group's external investment projects and providing management advice. From September 2006 to August 2014, Ms. Chen had held various positions including the financial controller of Shanghai Chunda Hotel Investment Management Co., Ltd (上海淳大酒店投資管理有限公司), the financial controller and the general manager of Shanghai Chunda Yuandi Industrial Co., Ltd (上海淳大源地實業有限公司) and the general manager of Taicang Chunda Greenwoods Properties Co., Ltd (太倉淳大景林置業有限公司). Ms. Chen has served as the vice general manager of Shanghai Greenwoods Investment and Development Co., Ltd (上海景林投資發展有限公司) since September 2014. Ms. Chen obtained a bachelor degree in international accounting from Jiangxi University of Finance and Economics in 1994 and a master's degree in business administration from Shanghai University of Finance and Economics in 2004.

Ms. Zhao Liping (趙莉萍), aged 40, has served as a Supervisor representing employees of the Company since November 2014. She is an intermediate accountant in the PRC. She is currently the manager of the financing department of the Company. Ms. Zhao has more than twenty years of experience in finance, accounting and auditing. She has served several positions within the Group from September 2000 to August 2014, including manager of the finance department of Shanghai Dasheng Agro-chemical Co., Ltd. (formerly known as Shanghai Tonva Asphalt Company Limited), manager of the finance department of Hong Kong Dasheng Agriculture Holding Company Limited (formerly known as Donghua (Hong Kong) Limited), accounting officer of the finance department of Shanghai Tonva Trading Limited, the Company's predecessor. Prior to joining the Company, Ms. Zhao worked for Shanghai Building Materials Supply General Corp. Ms. Zhao graduated from University of Shanghai for Science and Technology in the PRC specialising in accounting in July 2002.

Mr. Jiang Feng **(蔣峰)**, aged 34, has served as a Supervisor representing employees of the Company since June 2015. He joined the Secretary Office of the Board in May 2013. He was appointed as the securities affairs representative of the Company since October 2014. Mr. Jiang obtained a bachelor's degree in accounting and finance from the Griffith College Dublin in Ireland in January 2010.

SENIOR MANAGEMENT

Mr. Qian Di (錢迪), aged 34, has served as the Group's Financial Controller since August 2014. He is a member of Chinese Institute of Certified Public Accountants and passed the qualification programme of the HKICPA. Mr. Qian has over 10 years of experience in accounting and auditing. Prior to joining the Company, Mr. Qian worked in KPMG Huazhen (Special General Partnership) Shanghai Office from August 2006 to August 2014 and was an audit manager when he resigned. Mr. Qian obtained a bachelor's degree in management from Fudan University in the PRC specialising in financial management in July 2004.

Ms. Lo Suet Fan (盧雪芬), aged 50, has served as the company secretary and authorised representative of the Company since May 2013. Ms. Lo joined the Company in April 2013 and has extensive experience in finance, accounting and company secretarial fields. Ms. Lo is an associate member of the HKICPA and a fellow member of The Association of Chartered Certified Accountants of the United Kingdom. She obtained a Postgraduate Diploma in Finance and Law from The University of Hong Kong School of Professional and Continuing Education in July 2012.

Corporate Governance Report

The board of directors (the "Board") of the Shanghai Dasheng Agriculture Finance Technology Co., Ltd. (the "Company") is always committed to maintaining high standards of corporate governance and business ethics since the Board believes that sound and effective corporate governance practices are essential for maintaining and enhancing investors' confidence and maximizing shareholders' wealth. The Board, from time to time, reviews its corporate governance practices in order to meet the rising expectations of shareholders, to comply with the increasingly stringent regulatory requirements, and fulfill its commitment to excellence in corporate governance.

The Company has adopted the code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code of corporate governance. The Company has complied with the code provisions of the CG Code throughout the year ended 31 December 2015 with an exception of code provision A.6.7, details of which will be explained below.

The manner in which the code provisions in the CG Code are applied and implemented during the year ended 31 December 2015 is explained in this Corporate Governance Report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Following a specific enquiry, all the Directors and supervisors of the Company confirmed that they have complied with the Model Code throughout the year ended 31 December 2015.

BOARD OF DIRECTORS

The Board, which currently comprises 7 Directors, is responsible for corporate strategy, annual and interim results, succession planning, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual and interim accounts for the Board's approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

The biographical details of the Directors are set out in the "Biographical Details of Directors, Supervisors and Senior Management" section on pages 14 to 17 of this annual report. All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to carry out his/her duties effectively and efficiently.

In addition to the executive Directors, the Company also appointed three independent non-executive Directors who have appropriate and sufficient experience and qualifications to carry out their duties so as to protect the interests of shareholders. In addition, the Company has appointed one non-executive Director to enrich the profile of the Board.

The members of the Board during the year ended 31 December 2015 and up to the date of this report are:

Executive Directors:
Mr. Lan Huasheng (Chairman)
Mr. Mo Luojiang (Chief Executive Officer)
Mr. Wang Liguo (Vice President)

Non-executive Director:
Mr. Chan Cheuk Wing Andy *(resigned on 23 June 2015)*
Mr. Zhu Tian Xiang *(appointed on 23 June 2015)*

Independent non-executive Directors:
Mr. Chung Cheuk Ming
Ms. Pan Min
Mr. Zhou Jianhao

The Company has received written annual confirmation from each independent non-executive Director of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors are independent with regard to the aforesaid guidelines.

To the best knowledge of the Directors, the Board is not aware of any financial, business, family or other material/relevant relationships among members of the Board.

During the year ended 31 December 2015, the Board convened a total of twenty Board meetings on the needs of the operation and business development of the Company.

MEETINGS ATTENDED/HELD

The attendance of individual members of the Board at the Board, Board Committees and general meetings during the year ended 31 December 2015 are as follows:

	Attendance/Meetings held				
Directors	Board	Remuneration and Assessment Committee	Nomination Committee	Audit Committee	General meeting and class general meeting*
Executive Directors:					
Mr. Lan Huasheng (Chairman)	20/20				6/6
Mr. Mo Luojiang (Chief Executive Officer)	20/20		2/2		6/6
Mr. Wang Liguo (Vice President)	20/20				6/6
Non-executive Director:					
Mr. Chan Cheuk Wing Andy *(resigned on 23 June 2015)*	9/9			2/2	3/3
Mr. Zhu Tian Xiang *(appointed on 23 June 2015)*	11/11			1/1	3/3
Independent non-executive Directors:					
Mr. Chung Cheuk Ming	20/20	2/2	2/2	3/3	6/6
Ms. Pan Min	20/20	2/2	2/2	3/3	3/6
Mr. Zhou Jianhao	20/20	2/2	2/2	3/3	6/6

* *In 2015, the Company convened one annual general meeting, one extraordinary general meeting, two domestic shares class meetings and two H shares class meetings.*

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision A.2.1, the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. The divisions of responsibilities between the chairman and CEO should be clearly established and set out in writing.

During the year 2015, the role of chairman and CEO vest on Mr. Lan Huasheng and Mr. Mo Luojiang, respectively. Essentially, the Chairman takes the lead to oversee the Board functions and ensure all important issues are discussed in a timely manner, while the CEO, supported by his management team, implement major strategies and policies of the Company and is responsible for the day-to-day management of the business of the Company.

NON-EXECUTIVE DIRECTORS

Code provision A.4.1 of the CG Code stipulates that non-executive Directors should be appointed for a specific term, subject to re-election. All Directors, including non-executive Director and independent non-executive Directors are appointed for a specific term of 3 years or until the expiration of the term of the current session of the Board and are subject to re-election provisions in the articles of association of the Company. All Directors shall be elected and removed by the shareholders in general meeting according to the articles of association of the Company.

Code Provision A.6.7 of the CG Code stipulates that non-executive directors, including independent non-executive directors, should attend general meetings of the Company. One of the independent non-executive directors, namely Ms. Pan Min, was unable to attend the annual general meeting and class meetings of the Company held on 23 June 2015 due to other business engagements. However, at the respective general meetings of the Company, there were executive Directors, non-executive Director and independent non-executive Directors present to enable the Board to develop a balanced understanding of the views of the shareholders of the Company.

CONTINUOUS PROFESSIONAL DEVELOPMENT

All newly appointed Directors are provided with necessary induction and information to ensure that they have a proper understanding of the Group's businesses and their statutory supervision responsibilities as directors of listed companies. The Company will update Directors on the latest development regarding the Group's businesses as well as the Listing Rules and other applicable regulatory requirements. In addition, all Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills.

Directors confirmed that they have complied with the code provision A.6.5 of the CG Code on directors' continuous professional development. During the year, the continuous professional development taken by respective Directors are as follows:

Name	**Training Received** *(Note)*
Executive Directors	
Lan Huangsheng	A, B
Mo Luojiang	A, B
Wang Liguo	A, B
Non-executive Director	
Zhu Tianxiang	A, B
Independent non-executive Directors	
Chung Cheuk Ming	A, B
Pan Min	A, B
Zhou Jianhao	A

Note:

A: reading materials relevant to the Company's business or to the directors' duties and responsibilities

B: attending seminars/workshops/webinar or training course

REMUNERATION AND ASSESSMENT COMMITTEE

The remuneration and assessment committee was established in 2005 (It was originally known as Remuneration Committee and was changed as the remuneration and assessment committee in 2012) and the terms of reference of remuneration and assessment committee are aligned with the CG Code. The committee members are independent non-executive Directors. The chairman of the committee is Mr. Zhou Jianhao and other committee members included Mr. Chung Cheuk Ming and Ms. Pan Min.

The roles of the remuneration and assessment committee include the determination of the specific remuneration packages of all executive Directors, including benefits in kind, pension benefits and compensation payments (including any compensation payable for loss of office or engagement), and make recommendations to the Board about the remuneration of the non-executive Directors.

The remuneration and assessment committee of the Company held two meetings during the year ended 31 December 2015 and has considered and reviewed the terms of service contract of the new non-executive Director and make recommendations to the Board on the remuneration packages of individual directors and senior management with reference to the corporate objectives.

NOMINATION COMMITTEE

The Company established the nomination committee ("Nomination Committee") on 16 February 2012 and the terms of reference of Nomination Committee are aligned with the CG Code. The majority of committee members are independent non-executive Directors and the chairman of the committee is Mr. Mo Luojiang, the other members include Mr. Chung Cheuk Ming, Mr. Zhou Jianhao and Ms. Pan Min.

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on a regular basis, make recommendations on any proposed change to the Board to complement the Company's corporate strategies and assess the independence of independent non-executive Directors. Furthermore, the committee will make recommendations to the Board on matters relating to the appointment or re-appointment of Directors and succession planning for Directors, subject to the final approval in the general meeting.

In assessing the Board composition, the Board has adopted a board diversity policy (the "Policy") which sets out the approach to achieve diversity on the Board. All Board appointments shall be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board, including but not limited to gender, age, cultural and educational background, professional experience and skills. The ultimate decision shall be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee will monitor the implementation of the Policy and review the Board composition under diversified perspectives to ensure the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company' business. As at the date of this annual report, the Board comprises seven Directors. One of them is a woman. Three of them are INEDs, thereby promoting critical review and control of the management process.

The Nomination Committee held two meetings during the year for reviewing the structure, size, diversity and composition of the Board, reviewing the candidates for the position of Directors and supervisor of the Company and making recommendations to the Board and reviewing the senior management proposed to be appointed by the Board.

AUDITOR'S REMUNERATION

The audit committee of the Company ("Audit Committee") is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor including whether such non-auditing functions could lead to any potential material adverse effect on the Company. During the year ended 31 December 2015, the remuneration paid/payable to the Company's external auditor for its statutory audit services and non-audit services were RMB6,238,000 and RMB265,000, respectively. The non-audit services mainly included the work on placing of shares and continuing connected transactions.

AUDIT COMMITTEE

The Audit Committee was formed in 2005 and the terms of reference of Audit Committee are aligned with the CG Code. The primary duties of the audit committee are to review and monitor the financial reporting process and internal controls system of the Group. The Audit Committee comprises three independent non-executive Directors, namely, Mr. Chung Cheuk Ming, Ms. Pan Min and Mr. Zhou Jianhao and one non-executive Director, namely, Mr. Chan Cheuk Wing Andy (resigned on 23 June 2015) and Mr. Zhu Tianxiang (appointed on 23 June 2015). The chairman of the Audit Committee is Mr. Chung Cheuk Ming.

The Audit Committee held three meetings during the year with management and/or representatives of the external auditor for reviewing the Group's unaudited interim results and audited annual results before submission to the Board for consideration and approval, reviewing the annual audit plan and scope of work of external auditor, and discussing issues arising from the audits including internal controls and financial reporting. The Group's unaudited interim results for the six months ended 30 June 2015 and the audited annual results for the year ended 31 December 2015 have been reviewed by the Audit Committee, which has the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

Internal Audit Team

In order to review the effectiveness of internal control system, an internal audit team has been established specifically under the audit committee by the Company in December 2007. A Risk Management Department is formed to further enhance the function of internal control of the Company in June 2014. Internal audit team comprises 4 members, who among themselves possess wealth of financial, contract management, project management and legal experience. The duties of the internal audit team principally include:

- To monitor the operational process and business risk;
- To oversee the execution and implementation of contracts;
- To oversee the management programme and the implementation of internal control system, including (among others) finance, authorization and procurement;
- To monitor the environmental conservation and production safety functions of the Group; and
- To hold meeting with the management so as to discuss the audit results and make recommendations.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR ACCOUNTS

The Directors' responsibilities for the accounts and the responsibilities of the external auditor to the shareholders are set out on pages 37 to 38 of this report.

COMPANY SECRETARY

Ms. Lo Suet Fan ("Ms. Lo") was appointed as the company secretary of the Company on 15 May 2013. She is responsible to the Board for advising the Board on corporate governance matters. Ms. Lo has taken no less than 15 hours of relevant professional training during the year ended 31 December 2015 in compliance with the requirements of Rule 3.29 of the Listing Rules.

FINANCIAL REPORTING AND INTERNAL CONTROL

Financial Reporting

The Board is responsible for preparing the financial statements of the Company and the Group with the supports of Group Financial Controller and financial department of the Group. In preparing the financial statements, the Board has applied the Hong Kong Financial Reporting Standards and consistently followed the appropriate accounting policies and provisions of laws. The Board is aimed to give a clear and fair assessment of the Group's results to the shareholders in the annual and interim reports, and make disclosures and announcements in a timely basis.

Internal Control

The Board has overall responsibilities for maintaining a sound and effective internal control system of the Group. The Company has set up internal control department to ensure effective internal control system of the Group. The Group's system of internal control includes a defined management structure with limits of authority, and is designed to help the Group achieve its business objectives, safeguard its assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant laws and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate risks of failure in the Group's operational systems and in the achievement of the Group's business objectives.

The Board has reviewed the internal audit report and assessed the effectiveness of the Group's internal control system which covered all material controls, including financial, operational and compliance controls as well as risk management functions, during the year ended 31 December 2015. No major issue was raised but certain areas for improvement had been identified and considered for appropriate actions.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions as set out in the CG Code, which include to develop and review the Company's policies and practices on corporate governance; to review and monitor the training and continuous professional development of Directors and senior management; and to review the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

MANAGEMENT FUNCTIONS

The Board is responsible for overall corporate strategy and monitoring and control of the performance of the Group whereas the management is responsible for the daily hands on operation.

When the Board delegates its management and administrative functions to the management, it has given clear directions as to the powers of the management and the circumstances where, the management on behalf of the Company shall obtain prior approval from the Board before making decisions or entering into any commitments.

The Company has established a list of functions reserved to the Board for decision and those delegated to the management. The Board shall review those arrangements regularly.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

To promote effective communication, the Company maintains a website at www.dsgd-sh.co, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other areas are posted. Investors and analysts briefings, press conferences and media interviews are conducted on a regular basis in order to keep shareholders and potential investors informed of the latest development of the Company.

The Company endeavors to maintain an on-going dialogue with its shareholders, in particular, through annual general meetings ("AGM(s)") or other general meetings to communicate with the shareholders and encourage their participation. The Chairman of the Board as well as the chairmen of the Audit Committee, Nomination Committee and Remuneration and Assessment Committee will make themselves available at the AGM to meet with the shareholders.

The forthcoming AGM of the Company will be held on 23 August 2016. The notice of AGM will be sent to shareholders 45 days before the AGM.

The Company will continue to maintain an open and effective investor communication policy and to update investors on relevant information on the Group's business in a timely manner, subject to relevant regulatory requirement.

SHAREHOLDERS' RIGHTS

The Board welcomes shareholders to present their views and shareholders may at any time submit their questions and concerns about the Group. Enquiries may be put to the Board through our shareholders' email at investor@dsgd.co. Shareholders may also make enquiries to the Board by writing to the Secretary Office of the Board at the Company's office at 35F, Aurora Plaza, No.99 Fu Cheng Road, Pudong New District, Shanghai, PRC (postal code: 200120) or Unit 1705-06, 17/F, Convention Plaza Office Tower, No. 1 Harbour Road, Wanchai, Hong Kong.

AGM shall be convened once every year and within 6 months after the end of the preceding financial year. The Board shall convene an extraordinary general meeting within two months if two or more shareholders jointly holding in aggregate 10% or more of the Company's issued shares carrying voting rights at the general meeting request in writing and stating the objectives of the meeting. If the Board fails to issue a notice of meeting within 30 days after receiving the written request, the requisitioning shareholders themselves may convene a meeting within four months after the Board receives the said request, and the convening procedure shall to the extent possible be the same as the procedure by which the Board convenes general meetings.

In the case of AGM, shareholders holding in aggregate 5% or more of the Company's shares carrying voting rights are entitled to put forward new proposals in writing to the Company, and the Company shall place such proposals in the agenda for the said AGM to the extent that it falls within the powers of the general meeting.

To safeguard shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual director.

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

As approved as special resolutions at the AGM held on 23 June 2015 and extraordinary general meeting of the Company held on 16 November 2015, the articles of association of the Company was amended. The amendments to the articles of association of the Company included, among others, reflecting (i) the changes in the registered capital of the Company as a result of bonus issue of shares, subscription of shares and placing of shares; (ii) the appointment of independent Supervisor and re-designation of Supervisor; and (iii) the change of name of the Company. An up-to-date consolidated version of the articles of association of the Company has been published on the websites of the Company and of the Stock Exchange.

Report of the Supervisory Committee

To the Shareholders,

During the year ended 31 December 2015, the supervisory committee of Shanghai Dasheng Agriculture Finance Technology Co., Ltd. (the "Supervisory Committee") conscientiously exercised its authority, safeguarded the benefits of the shareholders and the interest of the Company, followed the principle of trust worthiness, honestly carried out the duties and obligations of supervisors as well as worked diligently and proactively, in accordance with the Company Law of the People's Republic of China, requirements of the relevant laws and regulations in Hong Kong and the articles of association of the Company (the "Articles") for its accountability to the shareholders.

I. CHANGES IN MEMBERS OF THE SUPERVISORY COMMITTEE

Upon approval by the shareholders of the Company at the annual general meeting held on 23 June 2015 and completion of registration with the relevant administrative authority for industry and commerce relating to the amendments of the relevant Articles, Ms. Chen Yuanling was appointed as an independent Supervisor and Ms. Ye Mingzhu was re-designated as an independent Supervisor, both with effect from 31 July 2015.

Upon democratic election at the staff representative meeting of the Company held on 23 June 2015 and completion of registration with the relevant administrative authority for industry and commerce relating to the amendments of the relevant Articles, Mr. Jiang Feng was elected as a staff representative Supervisor with effect from 31 July 2015.

II. MAJOR WORK PERFORMED AND INDEPENDENT OPINIONS ISSUED BY THE SUPERVISORY COMMITTEE

During the year, the major work performed by the Supervisory Committee included attending Board meetings; carefully reviewing the report of the Directors and profit appropriation proposal to be submitted by the Board for approval at the forthcoming annual general meeting; strictly and effectively monitoring whether the policies and decisions made by the management of the Company had conformed with the state laws and regulations and the articles of association of the Company or safeguarded the benefits of the shareholders. The Supervisory Committee also reviewed the performance of the Directors, general manager and senior management in the daily operation of the Company by various means, and seriously examined the Company's financial position and its connected transactions. After the examination, the Supervisory Committee was of the view that:

1. the report of the Directors and the profit appropriation proposal to be submitted by the Board for approval at the forthcoming annual general meeting are in accordance with the relevant laws and regulations and the articles of association of the Company;

2. the Directors, general manager and other senior management of the Company have strictly followed the principles of trustworthiness, worked diligently and responsibly, and discharged their duties for the best interest of the Company. The Supervisory Committee has not discovered that any Director, general manager and other senior management of the Company abused their powers, damaged the interest of the Company or the benefits of the shareholders and employees of the Company or contravened any laws and regulations or the articles of association of the Company;

3. during the year ended 31 December 2015, the transaction price of the Group's asset acquisition and disposal were equitable and reasonable, and no insider transaction or behaviors causing damages to the shareholders' benefits have been found;

4. the financial statements of the Company for the year ended 31 December 2015, audited by BDO Limited, have truly and fairly reflected the operating results and asset position of the Group during the year. The related parties transactions were in compliance with the relevant provisions of the Listing Rules of the Hong Kong Stock Exchange and were fair and reasonable and did not infringe upon the interests of the Company and the shareholders.

Report of the Supervisory Committee

The Supervisory Committee would like to take this opportunity to express its sincere gratitude to the shareholders, Directors and all the employees of the Company for their supports to its work in the past year. In the coming year, the Supervisory Committee will continue to perform its supervision and inspection functions diligently and devote efforts to improve the Company's overall competitiveness and sustainable profitability as well as safeguard the interests of the shareholders and the Company.

By order of the Supervisory Committee

Lu Tingfu
Chairman of the Supervisory Committee

Shanghai, PRC, 15 June 2016

Report of the Board of Directors

The Board of directors (the "Board") of Shanghai Dasheng Agriculture Finance Technology Co., Ltd. (the "Company") (formerly known as Shanghai Tonva Petrochemical Co., Ltd.) presents their report together with the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred as the "Group") for the year ended 31 December 2015.

CHANGE OF COMPANY NAME AND STOCK SHORT NAMES

Pursuant to a special resolution passed at an extraordinary general meeting of the Company held on 16 November 2015 and the registration with the relevant administrative authority for industry and commerce relating to the Change of Company Name from "上海棟華石油化工股份有限公司" to "上海大生農業金融科技股份有限公司" completed, the new name of the Company became effective on 4 January 2016. The Certificate of Registration of Alteration of Name of Registered Non Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 21 January 2016, certifying that the name of the Company was altered to "Shanghai Dasheng Agriculture Finance Technology Co., Ltd. 上海大生農業金融科技股份有限公司".

In connection with the change of company name, the H shares of the Company have been traded on the Stock Exchange under the new stock short names of "DASHENG AGR FIN" in English and "大生農業金融" in Chinese, in place of "SHANGHAI TONVA" in English and "上海棟華" in Chinese, respectively, with effect from 1 February 2016. The stock code of the Company remains as "1103".

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is trading of petrochemical products. The principal activities of the Group are road and bridge construction business, petrochemical products supply chain services and agricultural financial business. The activities of its subsidiaries are set out in note 33 to the financial statements.

SEGMENT INFORMATION

Details of segment information are set out in note 6 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of comprehensive income on page 39.

The state of affairs of the Group and of the Company as at 31 December 2015 are set out in the consolidated and company statement of financial position, respectively, on pages 40 to 41 and page 99.

No interim dividend was declared for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

On 15 June 2016, the Board recommended the payment of a final dividend of RMB0.015 per share (2014 RMB0.025 per share), totalling approximately RMB76,331,000 (2014: approximately RMB50,905,000) for the year ended 31 December 2015. The proposed final dividend per share is based on the number of issued shares of the Company (i.e. 5,088,719,875 shares) as of the date of the Board meeting (i.e. 15 June 2016) determining the final dividend.

The proposed final dividend is subject to shareholders' approval at the forthcoming annual general meeting.

BONUS ISSUE OF SHARES

The Board recommended a bonus issue of shares to all the shareholders of the Company on the basis of five new shares for every ten existing shares of the Company held by the member on the register of members of the Company (the "Bonus Issue") (i.e. five bonus H shares and five bonus domestic shares to be issued in respect of every ten H shares and ten domestic shares held by the shareholders, respectively). The Bonus Issue is subject to the approval of shareholders at the forthcoming annual general meeting and the approval of relevant regulatory authorities.

FIXED ASSETS

Details of movements in property, plant and equipment, construction in progress and investment property of the Company and the Group are set out in notes 16, 17 and 18 to the financial statements respectively.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in note 30 to the financial statements.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out under the consolidated statements of changes in equity and note 31 to the financial statements, respectively.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2015, calculated in accordance with the provisions of the Company Law of the People's Republic of China (the "PRC"), being the jurisdiction in which the Company was established, amounted to RMB320,735,000 (2014: RMB258,110,000).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of association of the Company or the laws of the PRC, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 2.

SHARE OPTIONS

As at the date of this report, no option has been granted or agreed to be granted by the Company to any of its Directors, Supervisors or employees.

DIRECTORS

The Directors who held office during the year and up to the date of this report are:

Executive Directors

Mr. Lan Huasheng
Mr. Mo Luojiang
Mr. Wang Liguo

Non-executive Director

Mr. Zhu Tianxiang *(appointed on 23 June 2015)*
Mr. Chan Cheuk Wing Andy *(resigned on 23 June 2015)*

Independent Non-executive Directors

Mr. Chung Cheuk Ming
Ms. Pan Min
Mr. Zhou Jianhao

The Company has received from each of the independent non-executive Directors an annual confirmation of their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and considers that all independent non-executive Directors to be independent.

In accordance with Article 94 of the Company's articles of association, all the Directors shall be appointed at the general meeting for a term of three years. A director may serve consecutive terms if re-elected upon the expiration of the terms.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Brief biographical details of Directors, Supervisors and senior management are set out on pages from 14 to 17.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and Supervisors has entered into a service contract with the Company for a term of three years from his/her date of appointment as a Director or Supervisor (or until the expiration of the term of the current session of the Board or Supervisory Committee) and thereafter subject to termination by either party giving one to three months' written notice to the other party.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the Directors' service contracts disclosed above, no contracts of significance in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS', CHIEF EXECUTIVES' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2015, the interests or short positions of the Directors, chief executives and supervisors of the Company (the "Supervisors") in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required, (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept under section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("the Model Code") contained in the Listing Rules were as follows:

Long position in the shares and underlying shares of the Company:

Name of Directors/Supervisor	Type of shares	Capacity	Total number of shares and underlying shares	Approximate percentage of shareholding in such class of shares of the Company	Approximate percentage of shareholding in the issued shares capital of the Company
1. Mr. Lan Huasheng (Executive Director)	domestic shares	Interest in controlled corporation *(note 1)*	912,009,027 *(L)*	58.24%	29.8%
	H shares	Interest in controlled corporation *(note 2)*	1,500,000,000 *(L)*	100.78%	49.11%
2. Mr. Lu Tingfu (Supervisor)	domestic shares	Interest in controlled corporation *(note 1)*	912,009,027 *(L)*	58.24%	29.8%
	H shares	Interest in controlled corporation *(note 2)*	1,500,000,000 *(L)*	100.78%	49.11%
3. Mr. Wang Liguo (Executive Director)	domestic shares	Interest in controlled corporation *(note 3)*	653,990,973 *(L)*	41.76%	21.41%

L = Long position

Notes:

(1) Shenzhen Dasheng Agricultural Group Co., Ltd. ("Shenzhen Dasheng") is owned as to 70% by Shenzhen Qianhai Dasheng Equity Investment Fund Co., Ltd. ("Qianhai Dasheng") and 30% by Dasheng Holdings Limited ("Dasheng Holdings"), and each of Qianhai Dasheng and Dasheng Holdings is owned as to 70% and 30% by Mr. Lan Huasheng and Mr. Lu Tingfu, respectively. By virtue of the SFO, Mr. Lan Huasheng and Mr. Lu Tingfu are deemed to be interested in 912,009,027 domestic shares of the Company held by Shenzhen Dasheng. These 912,009,027 domestic shares are charged by Shenzhen Dasheng in favour of a third party as security for a loan, and the loan amount is for Shenzhen Dasheng's own use.

(2) On 29 July 2015, the Company and Shenzhen Dasheng entered into a share subscription agreement, pursuant to which the Company has conditionally agreed to allot and issue and Shenzhen Dasheng has conditionally agreed to subscribe for 1,500,000,000 H shares of the Company. The subscription was completed on 26 February 2016.

(3) Zhenjiang Runde Equity Investment Fund Ltd. ("Zhenjiang Runde") is wholly owned by Mr. Wang Liguo. By virtue of the SFO, Mr. Wang Liguo is deemed to be interested in 653,990,973 domestic shares of the Company held by Zhenjiang Runde.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2015, the persons (not being a Director, Supervisor or chief executive of the Company) or companies had interests or short positions in the shares or underlying shares of the Company which were required to be notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept under section 336 of the SFO, or who were deemed to be interested, directly and/or indirectly, in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were listed as follows:

Name of Shareholders	Type of shares	Capacity	Total number of shares and underlying shares	Approximate percentage of shareholding in such class of shares of the Company	Approximate percentage of shareholding in the issued shares capital of the Company
1. Qianhai Dasheng	domestic shares	Interest in controlled corporation *(note 1)*	912,009,027 *(L)*	58.24%	29.8%
	H shares	Interest in controlled corporation *(note 2)*	1,500,000,000 *(L)*	100.78%	49.11%
2. Dasheng Holdings	domestic shares	Interest in controlled corporation *(note 1)*	912,009,027 *(L)*	58.24%	29.8%
	H shares	Interest in controlled corporation *(note 2)*	1,500,000,000 *(L)*	100.78%	49.11%
3. Shenzhen Dasheng	domestic shares	Beneficial owner *(note 1)*	912,009,027 *(L)*	58.24%	29.86%
	H shares	Beneficial owner *(note 2)*	1,500,000,000 *(L)*	100.78%	49.11%
4. Zhenjiang Runde	domestic shares	Beneficial owner	653,990,973 *(L)*	41.76%	21.41%
5. Simosa Oil Co., Ltd (中塑油品股份有限公司)	H shares	Beneficial owner	125,601,225 *(L)*	8.44%	4.11%

L = Long position

Note 1: Shenzhen Dasheng is owned as to 70% by Qianhai Dasheng and 30% by Dasheng Holdings, and each of Qianhai Dasheng and Dasheng Holdings is owned as to 70% and 30% by Mr. Lan Huasheng and Mr. Lu Tingfu, respectively. By virtue of the SFO, Qianhai Dasheng and Dasheng Holdings are deemed to be interested in 912,009,027 domestic shares of the Company held by Shenzhen Dasheng. These 912,009,027 domestic shares are charged by Shenzhen Dasheng in favour of a third party as security for a loan, and the loan amount is for Shenzhen Dasheng's own use.

Note 2: On 29 July 2015, the Company and Shenzhen Dasheng entered into a share subscription agreement, pursuant to which the Company has conditionally agreed to allot and issue and Shenzhen Dasheng has conditionally agreed to subscribe for 1,500,000,000 H shares of the Company. The subscription was completed on 26 February 2016.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of sales and purchases for the year attributable to the Group's major customers and suppliers are as follows:

Sales	
– the largest customer	14.7%
– five largest customers combined	41.3%
Purchases	
– the largest supplier	12.7%
– five largest suppliers combined	39.5%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers or suppliers.

DIRECTORS' AND SUPERVISORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

None of the Directors and Supervisors or their respective associates was granted by the Company or its subsidiaries any right to acquire shares or debentures of the Company or any other body corporate, or had exercised such right during the year ended 31 December 2015.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

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

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTION

During the year, the Group had the following connected transactions and continuing connected transaction.

On 29 July 2015, the Company and Shenzhen Dasheng entered into a share subscription agreement pursuant to which the Company has conditionally agreed to allot and issue and Shenzhen Dasheng has conditionally agreed to subscribe for 1,500,000,000 H shares at a price of not less than HK$0.8 per share. As Shenzhen Dasheng holds approximately 29.86% of the then issued share capital of the Company, Shenzhen Dasheng is a substantial shareholder of the Company and therefore a connected person of the Company, the subscription constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. The subscription was approved at the extraordinary general meeting on 16 November 2015 and was completed on 26 February 2016.

On 30 December 2015, Ever Fortune Financial Leasing Co., Ltd. ("Ever Fortune"), an indirect non-wholly owned subsidiary of the Company, entered into the finance lease agreements with Nanjing Dasheng Vegetable Production Co., Ltd. ("Nanjing Dasheng"), an indirectly non-wholly owned subsidiary of Shenzhen Dasheng, pursuant to which, Ever Fortune has conditionally agreed to purchase and lease back the assets to Nanjing Dasheng for the Consideration of RMB18,000,000 and Nanjing Dasheng has conditionally agreed to sell and lease from Ever Fortune the Assets for a term of 3 years. As Nanjing Dasheng is an indirect non-wholly owned subsidiary of Shenzhen Dasheng, it is an associate of Shenzhen Dasheng, a substantial shareholder of the Company. As such, the finance lease agreements constitute continuing connected transactions for the Company. Relevant details were set out in the announcement of the Company dated 30 December 2015.

The independent non-executive directors have reviewed the continuing connected transaction set out above pursuant to the Listing Rule 14A.55 and have confirmed that the continuing connected transactions have been entered into (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to independent third parties; and (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Company and the shareholders as a whole.

BDO Limited, the Company's external 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 HKICPA. BDO Limited has issued its unqualified report containing its findings and conclusions in respect of the continuing connected transaction disclosed above in accordance with Rule 14A.56 of the Listing Rules. The auditor's letter confirmed that nothing has come to their attention that causes them to believe that the aforesaid continuing connected transactions (i) have not been approved by the Company's board of directors; (ii) were not entered into, in all material respects, in accordance with the pricing policy of the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transaction; and (iv) the amount exceeded the annual cap being set in the announcement of the Company dated 30 December 2015.

RELATED PARTIES TRANSACTIONS

A summary of related party transactions entered into by the Group during the year ended 31 December 2015 are disclosed in note 38 to the financial statements. Other than the transactions disclosed in the section headed "Connected Transactions and Continuing Connected Transaction" above, none of these related party transactions constitutes a discloseable connected transaction under Chapter 14A of the Listing Rules.

STAFF AND REMUNERATION POLICY

The Group staff functions were analysed as follows:

	Number of staff	
	2015	2014
Functions:		
Management	**77**	76
Sales and marketing	**28**	21
Accounting and finance	**42**	38
Administration and human resources	**32**	24
Legal	**2**	4
Information system	**4**	6
Technical and quality control	**89**	38
Shipping and transportation	**3**	3
Storage centre	**13**	23
Engineer	**39**	95
Construction workers	**86**	85
Total	**415**	412

As at 31 December 2015, the Group had 415 staff (2014: 412 staff). Employees are remunerated by reference to industry practice as well as the performance, qualification and working experience of individual employee. Other benefits included social insurance scheme. The annual staff costs (including directors) amounted to approximately RMB57,872,000 (2014: RMB49,506,000).

All staffs are entitled to the social insurance scheme. The insurance premiums are borne both by the Group and the staff in the relevant proportions according to the relevant laws and regulations.

The Group did not have a record of significant labour dispute or strike which has disrupted daily operations. The Directors regarded that the relationship with the staff were excellent.

ENVIRONMENTAL POLICIES

The Group is committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. The Group strives to minimise its environmental impact by saving electricity and encouraging recycle of office supplies and other materials.

COMPETING INTERESTS

None of the Directors or any of their respective associates, has engaged in any business that competes or may compete with the business of the Group, nor has any other conflict of interest with the Group.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions arising out of corporate activities against the Directors and officers of the Group. The permitted indemnity provision is in force for the benefit of the Directors as required by the provisions of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

SUFFICIENCY OF PUBLIC FLOAT

Based on 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 as of the date of this annual report.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events occurred subsequent to 31 December 2015 and up to the date of this report are set out in note 43 to the financial statements.

AUDITOR OF THE COMPANY

The financial statements for the year ended 31 December 2015 have been audited by BDO Limited who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution to re-appoint BDO Limited and to authorize the Directors to fix their remuneration will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

Lan Huasheng
Chairman

Shanghai, PRC, 15 June 2016

Independent Auditor's Report

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TO THE SHAREHOLDERS OF SHANGHAI DASHENG AGRICULTURE FINANCE TECHNOLOGY CO., LTD. (FORMERLY KNOWN AS "SHANGHAI TONVA PETROCHEMICAL CO., LTD.")

(incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Shanghai Dasheng Agriculture Finance Technology Co., Ltd. (the "Company") and its subsidiaries (hereafter referred to as the "Group") set out on pages 39 to 114, which comprise the consolidated statement of financial position as at 31 December 2015, and 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 Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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 Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. 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.

AUDITOR'S RESPONSIBILITY *(continued)*

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 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 Hong Kong 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

Alfred Lee
Practising Certificate Number P04960

Hong Kong, 15 June 2016

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000 (restated) *(note 42)*
Turnover	*6*	**8,223,074**	5,292,504
Cost of sales		**(7,721,024)**	(4,903,705)
Gross profit		**502,050**	388,799
Other income and gains	*7*	**70,356**	111,700
Distribution costs		**(11,722)**	(13,170)
Administrative expenses		**(120,481)**	(124,884)
Share of profits of associates	*20*	**2,680**	3,052
Finance costs	*8*	**(60,396)**	(100,568)
Profit before income tax expense	*9*	**382,487**	264,929
Income tax expense	*12*	**(98,305)**	(62,406)
Profit for the year		**284,182**	202,523
Other comprehensive income			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(147)**	309
Total comprehensive income for the year		**284,035**	202,832
Profit for the year attributable to:			
– Owners of the Company		**247,449**	168,083
– Non-controlling interests		**36,733**	34,440
		284,182	202,523
Total comprehensive income for the year attributable to:			
– Owners of the Company		**247,302**	168,392
– Non-controlling interests		**36,733**	34,440
		284,035	202,832
			(restated)
Earnings per share (expressed in RMB per share)			
– Basic	*13*	**0.085**	0.069
– Diluted	*13*	**0.085**	0.069

Consolidated Statement of Financial Position

As at 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Assets			
Non-current assets			
Payments for leasehold land held for own use under operating leases	15	**9,123**	9,831
Property, plant and equipment	16	**99,641**	57,124
Construction in progress	17	**1,874**	38,156
Investment properties	18	**17,045**	11,328
Intangible assets	19	**148,284**	148,309
Interests in associates	20	**65,260**	32,580
Available-for-sale financial assets	21	**5,800**	800
Trade and other receivables	23	**723,032**	663,002
Deferred tax assets	29	**24,076**	17,572
Total non-current assets		**1,094,135**	978,702
Current assets			
Inventories	22	**33,028**	194,340
Trade and other receivables	23	**4,548,858**	2,351,187
Amounts due from customers for contract work	24	**24,826**	17,162
Restricted bank deposits	25	**251,375**	289,242
Cash and cash equivalents		**362,577**	110,724
		5,220,664	2,962,655
Assets classified as held for sale	26	**7,827**	–
Total current assets		**5,228,491**	2,962,655
Total assets		**6,322,626**	3,941,357
Liabilities			
Current liabilities			
Trade and other payables	27	**3,347,999**	1,894,908
Amounts due to customers for contract work	24	**69,516**	43,999
Borrowings	28	**1,021,200**	822,000
Current tax liabilities		**73,553**	71,724
Total current liabilities		**4,512,268**	2,832,631
Net current assets		**716,223**	130,024
Total assets less current liabilities		**1,810,358**	1,108,726

Consolidated Statement of Financial Position

As at 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Non-current liabilities			
Borrowings	*28*	**31,667**	70,000
Deferred tax liabilities	*29*	**31,431**	11,196
Total non-current liabilities		**63,098**	81,196
Total liabilities		**4,575,366**	2,913,827
NET ASSETS		**1,747,260**	1,027,530
Capital and reserves attributable to owners of the Company			
Share capital	*30*	**305,432**	140,429
Reserves		**1,174,281**	752,167
Equity attributable to owners of the Company		**1,479,713**	892,596
Non-controlling interests	*33*	**267,547**	134,934
TOTAL EQUITY		**1,747,260**	1,027,530

On behalf of the Board

Lan Huasheng
Director

Mo Luojiang
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Share capital RMB'000	Capital reserve *(note 31(a))* RMB'000	Statutory reserve fund *(note 31(b))* RMB'000	Other reserve *(note 31(c))* RMB'000	Currency translation reserve *(note 31(d))* RMB'000	Retained earnings *(note 31(e))* RMB'000	Equity attributable to owners of the Company RMB'000	Non-controlling interests *(note 33)* RMB'000	Total RMB'000
Balance at 1 January 2014	93,619	221,766	100,243	17,912	(7,972)	339,649	765,217	141,073	906,290
Profit for the year	–	–	–	–	–	168,083	168,083	34,440	202,523
Exchange differences on translating foreign operations	–	–	–	–	309	–	309	–	309
Total comprehensive income for the year	–	–	–	–	309	168,083	168,392	34,440	202,832
Bonus issue *(note 30(a)(i))*	46,810	(46,810)	–	–	–	–	–	–	–
2013 final dividends paid	–	–	–	–	–	(41,192)	(41,192)	–	(41,192)
Transfer to statutory reserve fund	–	–	12,161	–	–	(12,161)	–	–	–
Acquisition of additional equity interests in a subsidiary *(note 33)*	–	–	–	–	–	179	179	(29,267)	(29,088)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(11,312)	(11,312)
Balance at 31 December 2014 and 1 January 2015	**140,429**	**174,956**	**112,404**	**17,912**	**(7,663)**	**454,558**	**892,596**	**134,934**	**1,027,530**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**247,449**	**247,449**	**36,733**	**284,182**
Exchange differences on translating foreign operations	**–**	**–**	**–**	**–**	**(147)**	**–**	**(147)**	**–**	**(147)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(147)**	**247,449**	**247,302**	**36,733**	**284,035**
2014 final dividends paid *(note 14)*	**–**	**–**	**–**	**–**	**–**	**(50,905)**	**(50,905)**	**–**	**(50,905)**
Rights issue *(note 30(a)(ii))*	**63,192**	**327,528**	**–**	**–**	**–**	**–**	**390,720**	**–**	**390,720**
Bonus issue *(note 30(a)(iii))*	**101,811**	**(101,811)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Acquisition of a subsidiary *(note 35)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**47,421**	**47,421**
Capital injection from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**56,000**	**56,000**
Transfer to statutory reserve fund	**–**	**–**	**21,103**	**–**	**–**	**(21,103)**	**–**	**–**	**–**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(7,541)**	**(7,541)**
Balance at 31 December 2015	**305,432**	**400,673**	**133,507**	**17,912**	**(7,810)**	**629,999**	**1,479,713**	**267,547**	**1,747,260**

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 expense		382,487	264,929
Adjustments for:			
Dividend income		(1,500)	(2,500)
Interest income		(10,111)	(8,201)
Finance costs		60,396	100,568
Gain on disposal of a subsidiary	34	–	(84,850)
Gain on bargain purchase	35	(475)	–
Amortisation of intangible assets		29	29
Amortisation of payments for leasehold land held for own use under operating leases		209	265
Depreciation of property, plant and equipment		10,063	10,498
Gain on disposal of property, plant and equipment, net		(1,800)	(58)
Depreciation of investment properties		910	75
Share of profits of associates		(2,680)	(3,052)
(Reversal of impairment loss)/impairment loss on trade and other receivables, net		(48,665)	66,409
Operating profit before working capital changes		388,863	344,112
Decrease/(increase) in inventories		161,312	(169,695)
Increase in trade and other receivables		(1,872,833)	(580,703)
Increase in trade and other payables		1,392,865	809,057
Decrease in amounts due from/(to) customers for contract work		25,469	123,695
Cash generated from operations		95,676	526,466
Interest paid		(68,012)	(122,436)
Income taxes paid		(82,745)	(45,456)
Net cash (used in)/from operating activities		(55,081)	358,574
Cash flows from investing activities			
Purchase of property, plant and equipment and construction in progress		(30,670)	(27,024)
Proceeds from disposal of property, plant and equipment		2,784	1,087
Decrease/(increase) in restricted bank deposits		41,667	(50,897)
Interest received		10,111	8,201
Dividends received from an associate		–	2,940
Acquisition of subsidiaries, net of cash acquired	35	(40,591)	–
Acquisition of an associate		(30,000)	–
Disposal of a subsidiary, net of cash received	34	–	94,931
Payment of an available-for-sale investment		(5,000)	–
Dividends received from available-for-sale financial assets		1,500	2,500
Loan to an independent third party		(92,976)	–
Deposits for acquisition of subsidiary		(30,000)	–
Net cash (used in)/from investing activities		(173,175)	31,738

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Cash flows from financing activities			
Capital injection from non-controlling interests		**31,000**	–
New borrowings		**1,166,700**	1,222,000
Repayment of borrowings		**(1,050,866)**	(1,718,611)
Advances from independent third parties		**1,148**	18,526
Proceeds from rights issue		**390,720**	–
Acquisition of non-controlling interests		**–**	(29,088)
Dividends paid to owners of the Company		**(50,905)**	(41,192)
Dividends paid to non-controlling interests		**(7,541)**	(11,312)
Net cash from/(used in) financing activities		**480,256**	(559,677)
Net increase/(decrease) in cash and cash equivalents		**252,000**	(169,365)
Cash and cash equivalents at beginning of year		**110,724**	279,780
Effect of exchange rate changes on cash and cash equivalents		**(147)**	309
Cash and cash equivalents at end of year		**362,577**	110,724

1. GENERAL

Shanghai Dasheng Agriculture Finance Technology Co., Ltd. (formerly known as "Shanghai Tonva Petrochemical Co., Ltd.") (the "Company") and its subsidiaries (together as the "Group") are principally engaged in road and bridge construction, trading of petrochemical products and financial services in the People's Republic of China (the "PRC"). Its parent is Shenzhen Dasheng Agricultural Group Co., Ltd. and its ultimate parent is Shenzhen Qianhai Dasheng Equity Investment Fund Co., Ltd., both are incorporated in the PRC. Its ultimate controlling party is Mr. Lan Huasheng, an executive director of the Group. For the road and bridge construction business, the Group has construction contract tier-one qualification and municipal utility contract tier-one qualification. The Group also offers "one-stop" solutions to customers ranging from procurement, storage and delivery of petrochemical products. The Group's petrochemical products supply chain service geographically covers the downstream region of the Yangtze River and some inland provinces. The financial services that the Group provided include financial leasing and commercial factoring.

The Company is a joint stock limited company incorporated in the PRC. The address of the Company's registered office is 706 Renhe Building, No. 2056 Pudong Road, Pudong New Area, Shanghai, the PRC. Its principal place of business is located at 35/F, Aurora Plaza, No. 99 Fu Cheng Road, Pudong New District, Shanghai, the PRC.

On 4 January 2016, the name of the Company was changed from Shanghai Tonva Petrochemical Co., Ltd. to Shanghai Dasheng Agriculture Finance Technology Co., Ltd..

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 January 2015

In the current year, the Group has for the first time applied the following new amendments issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2015.

HKFRS (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRS (Amendments)	Annual Improvements 2011-2013 Cycle
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, 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.

Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
HKFRS 9 (2014)	Financial Instruments[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
HKFRS 15	Revenue from Contracts with Customers[3]
HKFRS 16	Leases[4]

[1] Effective for annual periods beginning on or after 1 January 2016

[2] Effective for annual periods beginning on or after a date to be determined

[3] Effective for annual periods beginning on or after 1 January 2018

[4] Effective for annual periods beginning on or after 1 January 2019

Amendments to HKAS 1 - Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

An entity's share of other comprehensive income from equity accounted interests in associates and joint ventures will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

Amendments to HKAS 16 and HKAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(continued)*

Amendments to HKAS 27 - Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

HKFRS 9 (2014) – Financial Instruments

HKFRS 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").

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

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 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, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business, the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business, the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(continued)*

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 – Investment Entities: Applying the Consolidation Exception

The amendments clarify that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a subsidiary of an investment entity (including investment entities that account for their subsidiaries at fair value rather than consolidating them). An investment entity parent will consolidate a subsidiary only when the subsidiary is not itself an investment entity and the subsidiary's main purpose is to provide services that relate to the investment entity's investment activities. A non-investment entity applying the equity method to an associate or joint venture that is an investment entity may retain the fair value measurements that associate or joint venture used for its subsidiaries. An investment entity that prepares financial statements in which all its subsidiaries are measured at fair value through profit or loss should provide the disclosures related to investment entities as required by HKFRS 12.

HKFRS 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. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

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

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(continued)*

HKFRS 16 – Leases

HKFRS 16 requires lessees to recognise assets and liabilities for most leases. Under the new standard, a lease is a contract, or part of a contract, that conveys the right to use an identified asset for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset if, throughout the period of use, the customer has the right to obtain substantially all of the economic benefits from the use of the identified asset and direct the use of the identified asset. Lessees are required to initially recognise a lease liability for the obligation to make lease payment and a right-of-use for the right to use the identified asset for the lease term. Subsequently, lessees accrete the lease liability to reflect interest and reduce the liability to reflect lease payments made. The related right-of-use asset is depreciated in accordance with the depreciation requirement s of HKAS 16 "Property, plant and equipment". For lessors, there is a little change to the existing accounting in HKAS 17 "Leases".

The Group has already commenced an assessment of the impact of adopting the above standards and amendments to existing standards to the Group. The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

(c) New Hong Kong Companies Ordinance provisions relating to the preparation of financial statements

The provisions of the new Hong Kong Companies Ordinance, Cap. 622, in relation to the preparation of financial statements and directors' reports became effective for the Company for the financial year ended 31 December 2015. The disclosure requirements set out in the Rule Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") regarding annual financial statements have been amended with reference to the new Hong Kong Companies Ordinance, Cap. 622. Accordingly, the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules.

3. BASIS OF PREPARATION *(continued)*

(a) Statement of compliance *(continued)*

The Group also prepares consolidated financial statements in accordance with the generally accepted accounting principles in the People's Republic of China (the "PRC GAAP") for statutory filing purpose. As there are differences between HKFRSs and PRC GAAP, there may be discrepancies in the Group's financial position and results as presented in the consolidated financial statements prepared under HKFRSs and in those prepared under PRC GAAP.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis, except for non-current assets classified as held for sale which are measured at lower of their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy and fair value less costs to sell.

(c) Functional and presentation currency

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

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits 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 or loss.

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

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Business combination and basis of consolidation *(continued)*

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 January 2010 (i.e. the date the Group first applied HKFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) 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: (1) power over the investee, (2) exposure, or rights, to variable returns from the investee, and (3) 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, investments 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. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

In the Company's statement of financial position, investments in associates are carried at cost less impairment losses, if any. The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. The financial statements of the Group's associates are prepared using uniform accounting policies with the Group.

(d) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent 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 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 cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see note 4(s)), and whenever there is an indication that the unit may be impaired.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Goodwill *(continued)*

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit 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.

(e) Property, plant and equipment

Property, plant and equipment 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	20 to 30 years
Leasehold improvement	over the lease term
Machinery	10 years
Storage facilities	12 to 20 years
Furniture, fixtures and testing equipment	5 to 10 years
Transportation facilities	2 to 20 years

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Property, plant and equipment *(continued)*

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on 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 disposal.

(f) Payments for leasehold land held for own use under operating leases

Payments for leasehold land held for own use under operating leases represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost less any impairment loss and are amortised over the period of the lease on a straight-line basis as an expense.

(g) Investment properties

Investment properties are properties held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Depreciation is charged so as to write off the cost of investment properties net of expected residual value over the estimated useful live using straight-line method. The useful live, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

(h) Intangible assets (other than goodwill)

(i) Acquired intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. The amortisation expense is recognised in profit or loss and included in administrative expenses. Amortisation is provided on a straight-line basis over their useful lives as follows:

Construction licence	Indefinite
Computer software	5 years

Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Intangible assets (other than goodwill) *(continued)*

(ii) Impairment

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see note 4(s)).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount; however, the carrying amount should not be increased above the lower of its recoverable amount and the carrying amount that would have resulted had no impairment loss been recognised for the asset in prior years. All reversals are recognised in the income statement immediately.

(i) Leasing

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

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

The Group as lessee

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

The land and buildings elements of property leases are considered separately for the purposes of lease classification.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

(ii) 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 asset is 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;

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Financial instruments *(continued)*

(ii) Impairment loss on financial assets (continued)

- granting concession to a debtor because of debtor's financial difficulty; or
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables

An impairment loss 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 discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

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.

For available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss shall not be reversed.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred.

The Group's financial liabilities at amortised cost, including trade and other payables, borrowings and other monetary liabilities, are initially recognised at fair value, net of directly attributable transaction costs incurred, and are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Financial instruments *(continued)*

(iv) 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 and payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

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

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

(vii) 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 HKAS 39.

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

(k) Capitalisation of 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 contract 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. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Inventories

The Group's inventories represent petrochemical products for resale, asphalt for construction and other construction materials. They 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 of petrochemical products for resale is calculated using the first-in first-out method, while the cost of asphalt for construction and other construction materials is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(m) Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts for variation orders, claims and incentive payments. Contract costs comprise direct materials, costs of subcontracting, direct labour and an appropriate portion of variable and fixed construction overheads.

When the outcome of a construction contract can be estimated reliably, revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of reporting period.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that will probably be recoverable, and contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as "amounts due to customers for contract work".

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as "amounts due from customers for contract work".

(n) Non-current assets held for sale

Non-current assets are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Non-current assets held for sale *(continued)*

- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification.

Non-current assets classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- fair value less costs to sell.

Following their classification as held for sale, non-current assets are not depreciated.

The results of operations disposed of during the year are included in profit or loss up to the date of disposal.

(o) 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.

(p) Revenue recognition

Revenue from individual construction contracts is recognised under the percentage of completion method, when the contract has progressed to a stage where the stage of completion and expected profit on the contract can be reliably determined and, depending on the nature of the contract, is measured mainly by reference to (a) the amount of work certified by site engineer; or (b) completion of physical proportion of the contract work. Variations in contract work, claims and incentive payments are included in contract revenue to the extent that they have been agreed with the customers and are capable of being reliably measured. Anticipated losses are fully provided on contracts when identified.

Revenue from construction consulting services income is recognised when the services are rendered and when it is probable that the economic benefits associated with the transaction will flow to the entity.

Revenue from sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Revenue recognition *(continued)*

Revenue from rendering of petrochemical products transportation services is recognised upon the completion of services, which generally coincides with the date of receipt of goods by the receivers.

Interest income from finance lease services and factoring services which yield interest is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Revenue from petrochemical products storage services is recognised in the period the services are provided.

Revenue from agency services for petrochemical products is recognised when the services are rendered.

Rental income under operating leases of investment properties, transportation and storage facilities is recognised on a straight-line basis over the lease term.

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

Dividend income is recognised when the shareholder's right to receive payment is established.

(q) Income taxes

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

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

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 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 and associates, 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, the results 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 currency 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 currency translation reserve.

On disposal of a foreign operation (i.e. disposal involving loss of control over a subsidiary), the cumulative exchange differences recognised in the currency translation reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over subsidiary, the proportionate share of cumulative exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the currency translation reserve.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following 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:

- payments for leasehold land held for own use under operating leases;
- property, plant and equipment (except for those classified as held for sale, see note 4(n));
- construction in progress;
- investment properties;
- intangible assets with finite lives; and
- investments in subsidiaries and associates.

If the recoverable amount (i.e. the greater of fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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 cash generating unit (see note 4(d)), 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 cash generating unit.

(t) Employee benefits

(i) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in the profit or loss when the services are rendered by the employees.

(ii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) 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 any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means 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 the 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 entity and the 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. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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 events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(a) Revenue recognition

The Group assesses its business relationships with customers and determines whether it is acting as a principal or as an agent in the transactions relating to the sale of petrochemical products (including fuel oil, asphalt and chemical fertilizers).

Determining whether the Group is acting as a principal or as an agent requires judgement and consideration of all relevant facts and circumstances.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

(a) Revenue recognition *(continued)*

The Group is acting as a principal when it has exposure to the significant risks and rewards associated with the sale of goods or the rendering of services. Features that indicate that the Group is acting as a principal include:

(i) the Group has the primary responsibility for providing the goods or services to the customer or for fulfilling the order, for example by being responsible for the acceptability of the products or services ordered or purchased by the customer;

(ii) the Group has inventory risk before or after the customer order, during shipping or on return;

(iii) the Group has latitude in establishing prices, either directly or indirectly, for example by providing additional goods or services; and

(iv) the Group bears the customer's credit risk for the amount receivable from the customer.

The Group is acting as an agent when it does not have exposure to the significant risks and rewards associated with the sale of goods or the rendering of services. One feature indicating that the Group is acting as an agent is that the amount the entity earns is predetermined, being either a fixed fee per transaction or a stated percentage of the amount billed to the customer.

(b) Impairment of goodwill and construction licence

The Group tests annually whether goodwill and construction licence have suffered any impairment in accordance with the Group's accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (see note 19).

(c) Impairment of trade and other receivables

Management reviews the Group's trade and other receivables at the end of each reporting period to determine whether there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the impairment is the difference between the carrying amount of the assets and the present value of estimated future cash flows, discounted at the original effective interest rate.

If any assumption of the impairment of these receivables had been changed, the amount of impairment changed accordingly.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

(d) Construction contracts

Revenue from individual contract is recognised under the percentage of completion method which requires estimation made by management. Anticipated losses are fully provided on contracts when identified. The Group's management estimates the amount of foreseeable losses of construction work based on the estimation prepared for the construction contracts. Because of the nature of the activity undertaken in construction business, the date on which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods.

The Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract revenue. If circumstances arise that may change the original estimates of revenues, costs or extent of progress towards completion, estimates are revised. These revisions may result in increase or decrease in estimated revenues or costs and are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

6. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions.

During the year ended 31 December 2015, the chief operating decision maker of the Group considered it was optimistic about the future development and prospect of financial leasing and commercial factoring business and acquired new related business during this year (note 35), which was considered to enrich the Group's portfolio in the area of financial business.

The Group now has three reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Road and bridge construction
- Sale of petrochemical products (including fuel oil, asphalt and chemical fertilizers)
- Financial leasing and commercial factoring

Inter-segment transactions are priced with reference to prices charged to external parties for similar order.

6. SEGMENT INFORMATION *(continued)*

(a) Operating segments

The operating segments for the year ended 31 December 2015 are as follows:

	Road and bridge construction RMB'000	Sale of petrochemical products RMB'000	Financial leasing and commercial factoring RMB'000	Group RMB'000
Reportable segment revenue from external customers *(note (i))*	1,263,654	6,956,002	3,418	8,223,074
Reportable segment profit	143,445	138,894	1,843	284,182
Interest income	8,679	1,415	17	10,111
Finance costs	39,244	20,957	195	60,396
Capital expenditures *(note (ii))*	26,423	2,991	1,256	30,670
Amortisation of intangible assets	29	–	–	29
Amortisation of payments for leasehold land held for own use under operating leases	209	–	–	209
Depreciation of property, plant and equipment	4,553	5,480	30	10,063
Depreciation of investment properties	–	910	–	910
(Gain)/loss on disposal of property, plant and equipment	(1,844)	44	–	(1,800)
Gain on bargain purchase	–	475	–	475
Share of profits of associates	–	2,680	–	2,680
Reversal of impairment loss on trade and other receivables, net	(30,474)	(18,191)	–	(48,665)
Income tax expense	44,006	53,848	451	98,305
Interests in associates	–	35,260	30,000	65,260
Reportable segment assets	2,422,567	3,566,942	333,117	6,322,626
Reportable segment liabilities	1,770,510	2,710,004	94,852	4,575,366

6. SEGMENT INFORMATION *(continued)*

(a) Operating segments *(continued)*

The operating segments for the year ended 31 December 2014 are as follows:

	Road and bridge construction RMB'000	Sale of petrochemical products RMB'000 (restated) *(note 42)*	Group RMB'000 (restated) *(note 42)*
Reportable segment revenue from external customers *(note (i))*	1,286,935	4,005,569	5,292,504
Reportable segment profit	128,313	74,210	202,523
Interest income	2,599	5,602	8,201
Finance costs	35,466	65,102	100,568
Capital expenditures *(note (ii))*	24,653	2,371	27,024
Amortisation of intangible assets	29	–	29
Amortisation of payments for leasehold land held for own use under operating leases	209	56	265
Depreciation of property, plant and equipment	4,469	6,029	10,498
Depreciation of investment property	–	75	75
Gain on disposal of property, plant and equipment	39	19	58
Gain on disposal of a subsidiary	–	84,850	84,850
Share of profits of associates	–	3,052	3,052
(Reversal of impairment loss)/impairment loss on trade and other receivables, net	(4,276)	70,685	66,409
Income tax expense	47,043	15,363	62,406
Interests in associates	–	32,580	32,580
Reportable segment assets	2,242,860	1,698,497	3,941,357
Reportable segment liabilities	1,723,811	1,190,016	2,913,827

Notes:

(i) The revenue from sale of petrochemical products included agency services income of RMB143,462,000 (2014: (restated) RMB16,298,000) for the year ended 31 December 2015.

(ii) The amounts represent capital expenditure on payments for leasehold land held for own use under operating leases, property, plant and equipment, construction in progress, investment properties and intangible assets.

6. SEGMENT INFORMATION *(continued)*

(b) Information about major customers

There were one customer (2014 (restated): one) contributed to 10% or more revenue to the Group's revenue for the year ended 31 December 2015.

	Year ended 31 December 2015 Sale of petrochemical products RMB'000	Year ended 31 December 2014 Sale of petrochemical products RMB'000 (restated) *(note 42)*
Customer A	**1,208,878**	–
Customer B	**–**	678,959

(c) Geographical information

The entire Group's revenue from external customers is derived from customers located in the PRC.

All the Group's non-current assets are located in the PRC.

7. OTHER INCOME AND GAINS

	2015 RMB'000	2014 RMB'000
Reversal of impairment loss on trade and other receivables, net *(note 23(f))*	**48,665**	–
Gain on disposal of a subsidiary *(note 34)*	**–**	84,850
Gain on bargain purchase *(note 35)*	**475**	–
Dividend income from available-for-sale financial assets	**1,500**	2,500
Gross rental income from investment properties	**1,140**	95
Rental income from machineries	**2,508**	2,695
Penalty income of late payment from customers	**–**	2,291
Interest income	**10,111**	8,201
Government grants	**3,043**	5,767
Gain on disposal of property, plant and equipment	**1,800**	58
Others	**1,114**	5,243
	70,356	111,700

8. FINANCE COSTS

	2015 RMB'000	2014 RMB'000
Interest expense on borrowings wholly repayable within five years	**61,595**	88,644
Interest expense on discounted commercial notes	**1,984**	31,078
Others	**4,433**	2,714
Total finance costs	**68,012**	122,436
Less: amount capitalised *(note)*	**(7,616)**	(21,868)
	60,396	100,568

Note: Borrowing costs capitalised during the year arose on the general borrowings during the year and were calculated by applying a capitalisation rate of approximately 6.1% per annum (2014: 6.5% per annum) to expenditure on qualifying assets.

9. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging/(crediting):

	2015 RMB'000	2014 RMB'000 (restated) *(note 42)*
Amortisation of intangible assets	**29**	29
Amortisation of payments for leasehold land held for own use under operating leases	**209**	265
Auditor's remuneration	**6,587**	2,238
Cost of inventories recognised as expenses	**6,984,665**	4,163,434
Depreciation of property, plant and equipment	**10,063**	10,498
Depreciation of investment properties	**910**	75
Gain on disposal of property, plant and equipment, net	**(1,800)**	(58)
Gain on bargain purchase *(note 35)*	**(475)**	–
Operating lease rental expenses in respect of:		
– Land and buildings	**6,642**	2,864
– Machinery and others	**12,525**	17,212
Direct operating expenses arising from investment properties that generated rental income during the year	**57**	5
(Reversal of impairment loss)/impairment loss on trade and other receivables, net	**(48,665)**	66,409

10. EMPLOYEE COSTS

	2015 RMB'000	2014 RMB'000
Employee costs (including directors) comprise:		
Wages and salaries	**50,928**	42,926
Social security costs	**3,282**	2,928
Contributions on defined contribution retirement plans	**3,662**	3,652
	57,872	49,506

11. DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Directors' emoluments disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap. 622) (the Ordinance) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) (the Regulation) is as follows:

For the year ended 31 December 2015

Name	Fees RMB'000	Basic salaries and allowances RMB'000	Discretionary bonus RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Lan Huasheng *(note (a))*	–	970	81	23	1,074
Mr. Wang Liguo *(note (a))*	–	732	–	41	773
Mr. Mo Luojiang	–	840	70	48	958
Non-executive directors					
Mr. Chan Cheuk Wing, Andy *(note (b))*	60	–	10	–	70
Mr. Zhu Tianxiang *(note (c))*	–	–	–	–	–
Mr. Chung Cheuk Ming	67	–	6	–	73
Ms. Pan Min	58	–	6	–	64
Mr. Zhou Jianhao	58	–	6	–	64
Supervisors					
Ms. Ye Mingzhu	56	–	6	–	62
Ms. Chen Yuanling *(note (d))*	25	–	–	–	25
Mr. Jiang Feng *(note (d))*	–	55	11	13	79
Mr. Lu Tingfu *(note (a))*	–	–	–	–	–
Ms. Zhao Liping *(note (e))*	–	108	9	38	155
	324	2,705	205	163	3,397

11. DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS *(continued)*

For the year ended 31 December 2014

Name	Fees RMB'000	Basic salaries and allowances RMB'000	Discretionary bonus RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Lan Huasheng *(note (a))*	–	160	340	1	501
Mr. Wang Liguo *(note (a))*	–	373	207	8	588
Mr. Mo Luojiang	–	840	1,010	38	1,888
Mr. Qian Wenhua *(note (f))*	–	344	1,490	12	1,846
Mr. Li Hongyuan *(note (f))*	–	200	640	12	852
Non-executive directors					
Mr. Chan Cheuk Wing, Andy *(note (b))*	120	–	–	–	120
Mr. Chung Cheuk Ming	68	–	–	–	68
Ms. Pan Min	51	–	–	–	51
Mr. Zhou Jianhao	51	–	–	–	51
Supervisors					
Mr. Bian Ji *(note (g))*	–	77	4	12	93
Ms. Ye Mingzhu	51	–	–	–	51
Mr. Zhang Liangjun *(note (h))*	29	–	–	–	29
Mr. Lu Tingfu *(note (a))*	–	–	–	–	–
Ms. Zhao Liping *(note (e))*	–	8	–	3	11
	370	2,002	3,691	86	6,149

Notes:

(a) Appointed in June 2014
(b) Resigned in June 2015
(c) Appointed in June 2015
(d) Appointed in July 2015
(e) Appointed in November 2014
(f) Resigned in April 2014
(g) Resigned in November 2014
(h) Resigned in June 2014

The discretionary bonuses for both years were determined with reference to the performance against corporate objectives, the profits of the Group and the achievement of individual performance targets.

None of the directors waived emoluments during the years ended 31 December 2015 and 2014.

11. DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS *(continued)*

Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, three (2014: three) were directors of the Company whose emoluments are disclosed in above. The emoluments of the remaining two (2014: two) individuals in 2015 were as follows:

	2015 RMB'000	2014 RMB'000
Basic salaries and allowances	**902**	1,700
Discretionary bonus	**35**	820
Retirement scheme contributions	**55**	35
	992	2,555

The emoluments of the two (2014: two) non-director individuals in 2015 with the highest emoluments were within the following band:

	2015 Number of individuals	2014 Number of individuals
Nil to HK$1,000,000	**2**	–
HK$1,000,001 to HK$1,500,000	**–**	1
HK$1,500,001 to HK$2,000,000	**–**	1
	2	2

During the years ended 31 December 2015 and 2014, no emoluments were paid by the Group to any of the directors, supervisors or any of the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

12. INCOME TAX EXPENSE

The amount of income tax expense in the consolidated statement of comprehensive income represents:

	2015 **RMB'000**	2014 RMB'000
Current income tax		
PRC enterprise income tax ("EIT")		
– tax for the year	**80,521**	76,657
– under provision in respect of prior years, net	**4,053**	1,606
Hong Kong profits tax		
– tax for the year	**–**	–
Deferred tax *(note 29)*	**13,731**	(15,857)
	98,305	62,406

Profits of subsidiaries established in the PRC are subject to EIT at 25% (2014: 25%). Profits of subsidiaries established in Hong Kong are subject to Hong Kong profits tax of 16.5% (2014: 16.5%).

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

	2015 **RMB'000**	2014 RMB'000
Profit before income tax expense	**382,487**	264,929
Tax calculated at tax rate of 25% (2014: 25%)	**95,622**	66,232
Effect of different tax rates for certain subsidiaries	**593**	(114)
Income and expense items that are not subject to tax, net	**(3,086)**	151
Tax effect of tax loss not recognised	**1,123**	–
Utilisation of tax losses previously not recognised	**–**	(5,469)
Under provision in respect of prior years, net	**4,053**	1,606
Income tax expense	**98,305**	62,406

13. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2015	2014 (restated)
Profit attributable to owners of the Company (RMB'000)	**247,449**	168,083
Weighted average number of ordinary shares in issue	**2,901,964,571**	2,422,391,625

Weighted average of 2,901,964,571 ordinary shares are derived from 1,404,285,000 ordinary shares issued as at 1 January 2015 after taking into account the effects of the rights issue of 631,928,250 right shares being completed on 30 March 2015 (note 30(a)(ii)) and the bonus issue of 1,018,106,625 bonus shares being completed on 27 July 2015 (note 30(a)(iii)) (2014 (restated): weighted average of 2,422,391,625 ordinary shares derived from 936,190,000 ordinary shares, being the number of shares in issue as at 1 January 2014 after taking into account the effects of the bonus issue of 468,095,000 bonus shares being completed on 29 October 2014 (note 30(a)(i)) and the bonus issue of 1,018,106,625 bonus shares being completed on 27 July 2015 (note 30(a)(iii))).

Diluted earnings per share equals to basic earnings per share, as there were no potential dilutive ordinary shares issued during the years ended 31 December 2015 and 2014. The denominators used are the same as those detailed above for both basic and diluted earnings per share.

14. DIVIDENDS

	2015 RMB'000	2014 RMB'000
Final, proposed – RMB0.015 per share (2014: RMB0.025)	**76,331**	50,905

On 15 June 2016, the board of directors recommended the payment of a final dividend of RMB0.015 per share (2014: RMB0.025 per share), totalling approximately RMB76,331,000 (2014: approximately RMB50,905,000) for the year ended 31 December 2015. The proposed final dividend per share is based on the number of issued shares of the Company (i.e. 5,088,719,875 shares) as of the date of the board meeting (i.e. 15 June 2016) determining the final dividend.

The final dividend for 2015 proposed after the end of the reporting period is subject to shareholders' approval in the forthcoming annual general meeting. The proposed dividends are not reflected as a dividend payable in the financial statements for the year ended 31 December 2015.

15. PAYMENTS FOR LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

The Group's interests in land use rights are located in the PRC with medium-term lease terms ranging from 40 to 50 years.

	RMB'000
2015	
Cost	
At 1 January 2015	**10,542**
Transfer to investment properties *(note 18)*	**(585)**
At 31 December 2015	**9,957**
Accumulated amortisation	
At 1 January 2015	**711**
Provided for the year	**209**
Transfer to investment properties *(note 18)*	**(86)**
At 31 December 2015	**834**
2014	
Cost	
At 1 January 2014	18,881
Disposals of a subsidiary *(note 34)*	(8,339)
At 31 December 2014	10,542
Accumulated amortisation	
At 1 January 2014	1,670
Disposals of a subsidiary *(note 34)*	(1,224)
Provided for the year	265
At 31 December 2014	711
Net book values	
At 31 December 2015	**9,123**
At 31 December 2014	9,831

At 31 December 2015, payments for leasehold land held for own use under operating leases with a net book value of RMB8,220,000 (2014: RMB8,397,000) were pledged as security for the Group's borrowings (note 28(a)).

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvement RMB'000	Machinery RMB'000	Storage facilities RMB'000	Furniture, fixtures and testing equipment RMB'000	Transportation Facilities RMB'000	Total RMB'000
2015							
Cost							
At 1 January 2015	8,555	315	33,961	33,217	23,830	8,117	107,995
Additions through business combination *(note 35)*	–	–	–	–	66	501	567
Additions	–	–	941	–	2,168	3,385	6,494
Disposals	(102)	–	(15,413)	–	(1,245)	(730)	(17,490)
Transfer from construction in progress *(note 17)*	60,188	–	–	–	270	–	60,458
Transfer to investment properties *(note 18)*	(6,717)	–	–	–	–	–	(6,717)
Transfer to assets classified as held for sale *(note 26)*	–	–	(133)	(24,063)	–	–	(24,196)
At 31 December 2015	61,924	315	19,356	9,154	25,089	11,273	127,111
Accumulated depreciation and impairment loss							
At 1 January 2015	311	66	17,563	18,475	13,041	1,415	50,871
Provided for the year	460	161	2,498	2,742	2,600	1,602	10,063
Eliminated on disposals	(97)	–	(14,832)	–	(1,079)	(498)	(16,506)
Transfer to investment properties *(note 18)*	(589)	–	–	–	–	–	(589)
Transfer to assets classified as held for sale *(note 26)*	–	–	(66)	(16,303)	–	–	(16,369)
At 31 December 2015	85	227	5,163	4,914	14,562	2,519	27,470
2014							
Cost							
At 1 January 2014	29,129	–	40,165	61,548	22,503	8,309	161,654
Additions	–	315	1,315	–	2,108	1,084	4,822
Disposals	–	–	(2,559)	(9,471)	(753)	(897)	(13,680)
Disposals of a subsidiary	(1,450)	–	(4,960)	(18,860)	(28)	(379)	(25,677)
Transfer to investment properties *(note 18)*	(19,124)	–	–	–	–	–	(19,124)
At 31 December 2014	8,555	315	33,961	33,217	23,830	8,117	107,995
Accumulated depreciation and impairment loss							
At 1 January 2014	8,183	–	21,930	44,065	11,189	1,055	86,422
Provided for the year	1,299	66	2,529	2,741	2,409	1,454	10,498
Eliminated on disposals	–	–	(1,936)	(9,471)	(529)	(715)	(12,651)
Eliminated on disposals of a subsidiary	(1,450)	–	(4,960)	(18,860)	(28)	(379)	(25,677)
Transfer to investment properties *(note 18)*	(7,721)	–	–	–	–	–	(7,721)
At 31 December 2014	311	66	17,563	18,475	13,041	1,415	50,871
Net book values							
At 31 December 2015	61,839	88	14,193	4,240	10,527	8,754	99,641
At 31 December 2014	8,244	249	16,398	14,742	10,789	6,702	57,124

16. PROPERTY, PLANT AND EQUIPMENT *(continued)*

At 31 December 2015 and 2014, the following property, plant and equipment of the Group were pledged as security for the Group's borrowings (note 28(a)):

	2015 **RMB'000**	2014 RMB'000
Buildings	–	5,610

17. CONSTRUCTION IN PROGRESS

	RMB'000
At 1 January 2014	15,954
Additions	22,202
At 31 December 2014 and 1 January 2015	38,156
Additions	24,176
Transfer to property, plant and equipment *(note 16)*	(60,458)
At 31 December 2015	1,874

The construction in progress mainly relating to the Group's new office in Nantong City, which was completed during the year.

18. INVESTMENT PROPERTIES

	RMB'000
2015	
Cost	
At 1 January 2014	–
Transfer from property, plant and equipment	11,403
At 31 December 2014 and 1 January 2015	11,403
Transfer from payment for leasehold land held for own use under operating leases *(note 15)*	585
Transfer from property, plant and equipment *(note 16)*	6,717
At 31 December 2015	18,705
Accumulated depreciation	
At 1 January 2014	–
Provided for the year	75
At 31 December 2014 and 1 January 2015	75
Provided for the year	910
Transfer from payment for leasehold land held for own use under operating leases *(note 15)*	86
Transfer from property, plant and equipment *(note 16)*	589
At 31 December 2015	1,660
Net book values	
At 31 December 2015	17,045
At 31 December 2014	11,328
Fair value	
At 31 December 2015	30,943
At 31 December 2014	21,000

During the year ended 31 December 2015, the Group changed the usage of one of its office buildings from its own use to earn rental income. As such, the carrying amount of this office building was transferred from property, plant and equipment to investment properties.

The estimated useful life of the investment properties is 20-30 years and one of them with carrying amount of RMB6,631,000 as at 31 December 2015 was pledged to bank to secure the Group's borrowings (note 28(a)).

Fair value is determined by applying income approach by taking into account the net rental incomes of the properties derived from the existing tenants with due allowance for the reversionary income potential of the tenants, which are then capitalised into the values at appropriate capitalisation rates.

18. INVESTMENT PROPERTIES *(continued)*

The fair value of the investment properties has been carried out by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment properties being valued.

The levels of fair value measurements are as follows:

Level 1 valuation: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuation: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuation: Fair value measured using significant unobservable inputs.

The investment properties of the Group are measured at cost. The fair value disclosed is categorised as Level 3 valuation.

The highest and best use of the investment properties of the Group does not differ from its current use.

19. INTANGIBLE ASSETS

Group	Goodwill RMB'000	Construction licence *(note)* RMB'000	Computer software RMB'000	Total RMB'000
2015				
Cost				
At 1 January 2015	**16,930**	**131,266**	**819**	**149,015**
Additions through business combination *(note 35)*	**–**	**–**	**4**	**4**
At 31 December 2015	**16,930**	**131,266**	**823**	**149,019**
Accumulated amortisation				
At 1 January 2015	**–**	**–**	**706**	**706**
Provided for the year	**–**	**–**	**29**	**29**
At 31 December 2015	**–**	**–**	**735**	**735**
2014				
Cost				
At 1 January 2014 and 31 December 2014	**16,930**	131,266	819	149,015
Accumulated amortisation				
At 1 January 2014	–	–	677	677
Provided for the year	–	–	29	29
At 31 December 2014	–	–	706	706
Net book values				
At 31 December 2015	**16,930**	**131,266**	**88**	**148,284**
At 31 December 2014	16,930	131,266	113	148,309

Note: Construction licence represents construction contract tier-one qualification and municipal utility contract tier-one qualification for road and bridge constructions.

Impairment tests for goodwill and construction licence:

Goodwill and construction licence are solely allocated to one of the Group's cash-generating units ("CGUs"), namely road and bridge construction segment.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated weighted average annual growth rate of 3% (2014: 3%).

19. INTANGIBLE ASSETS *(continued)*

Impairment tests for goodwill and construction licence: *(continued)*

The key assumptions used for value-in-use calculations are as follows:

	2016	2017	2018	2019	2020
Weighted average gross margin	11.8%	13.8%	13.8%	13.8%	13.8%
Weighted average growth rate	5.0%	8.0%	8.0%	8.0%	8.0%
Percentage of working capital over revenue	42.1%	42.9%	42.9%	42.9%	45.5%
Pre-tax discount rate	12.5%	12.5%	12.5%	12.5%	12.5%

Management determined weighted average gross margin, weighted average growth rates and percentage of working capital over revenue based on past performance and its expectations for the market development. The discount rate used is pre-tax and reflects specific risks relating to the road and bridge construction segment.

20. INTERESTS IN ASSOCIATES

	2015 RMB'000	2014 RMB'000
Share of net assets	65,260	32,580

20. INTERESTS IN ASSOCIATES *(continued)*

The details of the Group's associates at 31 December 2015 are as follows:

Name	Place of incorporation and type of legal entity	Principal activities and place of operation	Registered capital	Equity interests held	
				Directly	Indirectly
上海浦東路橋瀝青材料有限公司 Shanghai Pudong Road and Bridge Asphalt-Based Materials Co., Ltd ("Pudong Road and Bridge")	PRC, limited liability company	Asphalt trading in the PRC	RMB30,000,000	49%	–
武漢大通華利船務有限公司 Wuhan Datong Huali Shipping Company Limited	PRC, limited liability company	Provision of marine transportation service in the PRC	RMB50,000,000	–	30%
上海伊和旭生融資租賃有限公司 Shanghai Yi He Xu Sheng Financial Leasing Co., Ltd.	PRC, limited liability company	Finance lease business in the PRC	RMB100,000,000	–	30%

In the opinion of the directors, the above associates are not material to the Group and the summarised financial information is set out below:

	2015 RMB'000	2014 RMB'000
Profits from continuing operations	6,780	6,890
Other comprehensive income	–	–
Total comprehensive income	6,780	6,890

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015 RMB'000	2014 RMB'000
Unlisted equity securities, at cost	5,800	800

Available-for-sale financial assets represent investments in two unlisted companies (2014: one) in the PRC. They are measured at cost less impairment, if any, at the end of each reporting period because the directors of the Company are of the opinion that the fair value cannot be measured reliably. The directors of the Company have no intention to dispose of the available-for-sale financial assets at the end of reporting period.

22. INVENTORIES

	2015 RMB'000	2014 RMB'000
Petrochemical products for resale	**2,960**	177,730
Asphalt for construction	**7,036**	3,935
Other construction materials	**23,032**	12,675
	33,028	194,340

23. TRADE AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade receivables	**4,005,834**	1,956,919
Commercial notes receivable	**23,216**	47,430
Retention sum for construction contracts	**573,149**	544,743
Finance lease receivables *(note (a))*	**81,646**	–
Factoring loan receivables	**176,367**	–
Total trade and notes receivables *(note (b))*	**4,860,212**	2,549,092
Prepayments and deposits *(note (c))*	**312,102**	549,065
Other receivables *(note (d))*	**167,327**	37,692
Amounts due from associates *(note (e))*	**395**	1,413
	5,340,036	3,137,262
Less: Impairment losses *(note (f))*	**(68,146)**	(123,073)
	5,271,890	3,014,189
Classified as:		
Non-current assets	**723,032**	663,002
Current assets	**4,548,858**	2,351,187
	5,271,890	3,014,189

23. TRADE AND OTHER RECEIVABLES *(continued)*

(a) Finance lease receivables

The finance lease receivables as at 31 December 2015 are as follows:

	Minimum Lease payments RMB'000	Unearned finance lease income RMB'000	Present value RMB'000
Not later than one year *(note (i))*	**48,553**	**(4,165)**	**44,388**
Later than one year and not later than five years	**39,798**	**(2,540)**	**37,258**
	88,351	**(6,705)**	**81,646**

Note (i): Included in finance lease receivables was an amount of RMB15,300,000 (2014: nil) loaned to a related company, the beneficial owners of which are Mr. Lan Huasheng, who is the director of the Company, and Mr. Lu Tingfu, who is the supervisor of the Company.

23. TRADE AND OTHER RECEIVABLES *(continued)*

(b) Trade and notes receivables

As at 31 December 2015, no trade receivables (2014: nil) were pledged as security for the Group's borrowings.

The ageing analysis of trade and notes receivables for road and bridge construction and sale of petrochemical products are based on invoice date. While for the finance lease and factoring business, the aging analysis are based on the lease and loan commencement date set out in the relevant contracts. The details aging analysis are before impairment loss as follows:

	2015 RMB'000	2014 RMB'000
Road and bridge construction *(note (i))*:		
Less than 6 months	1,420,149	1,484,880
6 months to less than 1 year	20,207	98,252
1 year to less than 2 years	74,515	43,446
2 years to less than 3 years	28,875	31,610
3 years and over	17,419	15,928
	1,561,165	1,674,116
Sale of petrochemical products *(note (ii))*:		
Less than 31 days	2,112,061	479,967
31 to 60 days	307,869	22,798
61 to 90 days	146,224	683
91 days to less than 1 year	168,523	305,003
1 year to less than 2 years	287,824	59,603
2 years to less than 3 years	12,659	2,638
3 years and over	5,874	4,284
	3,041,034	874,976
Finance lease and factoring business *(note (iii))*:		
Less than 6 months	249,763	–
6 months to less than 1 year	8,250	–
	258,013	–
	4,860,212	2,549,092

23. TRADE AND OTHER RECEIVABLES *(continued)*

(b) Trade and notes receivables *(continued)*

Note (i):

In respect of road and bridge construction, the average credit period is negotiated on individual basis in accordance with contract terms. Normally the general credit period is ranging from 0 day to 3 years.

The ageing analysis of trade receivables related to road and bridge construction which were past due but not impaired is as follows:

	2015 **RMB'000**	2014 RMB'000
Less than 6 months past due	**86,223**	334,651
6 months to less than 1 year past due	**16,770**	77,147
1 year to less than 2 years past due	**176,223**	57,617
2 years to less than 3 years past due	**73,663**	7,433
3 years and over past due	**2,457**	3,879
	355,336	480,727

Substantially all customers of road and bridge construction are PRC government-related corporations which have no recent history of default. The credit quality of trade receivables has been assessed by reference to historical information about the counterparty default rates. The terms of some construction contracts stipulate that the customers withhold a portion of total contract sum (usually 5%) until a specified period (usually 2 years) after completion of the contract.

Note (ii):

For sale of petrochemical products, the credit terms granted to individual customers vary on a customer by customer basis which is determined by management with reference to the creditability of respective customers. Normally the general credit period is ranging from 30 days to 180 days.

The ageing analysis of trade receivables related to sale of petrochemical products which were past due but not impaired is as follows:

	2015 **RMB'000**	2014 RMB'000
Less than 91 days past due	**147,766**	2,451
91 days to 1 year past due	**20,756**	236,653
Over 1 year past due	**221,389**	33,282
	389,911	272,386

The amounts that were neither past due nor impaired relate to a number of independent customers which have no recent history of default. The credit quality of trade receivables has been assessed by reference to historical information about the counterparty default rates.

23. TRADE AND OTHER RECEIVABLES *(continued)*

(b) Trade and notes receivables *(continued)*

Note (iii):

For finance lease receivables, the customers are obliged to settle the amounts according to the terms set out in the relevant contracts, and must acquire the leased assets at the end of the lease period. The maturity date for each loan contract is normally one to three years.

For factoring loan receivables, the customers are obliged to settle the amounts according to the terms set out in the relevant contracts. The maturity date for each loan contract is normally not more than 1 year.

As at 31 December 2015, all the finance lease receivables and factoring loan receivables were neither past due nor impaired. The amounts that were neither past due nor impaired relate to a number of independent customers which have no recent history of default. The credit quality of trade receivables has been assessed by reference to historical information about the counterparty default rates.

Interest rates on the finance lease receivables and factoring loan receivables are offered to customers based on the assessment of a number of factors including the borrowers' creditworthiness and repayment ability, collateral as well as the general economic trends. The effective interest rates charged by the Group are from 4.7% to 12% per annum.

As at 31 December 2015, the finance lease receivables in respect of certain machineries are effectively secured by the underlying assets, as the rights to the machineries would be reverted to the Group in the event of default payment. The fair value of such collateral is amounted to approximately RMB112,830,000. The deposits received from finance lease customers amounted to approximately RMB5,431,000.

(c) Prepayments and deposits

Included in prepayments and deposits was a guaranteed deposit to a customer in the road and bridge construction segment in the amount of RMB25,459,000 as at 31 December 2014. Such amount was fully repaid to the Group during the year.

(d) Other receivables

Note (i):

As at 31 December 2015, an approximate amount of RMB92,976,000 included in other receivables was the loan to an independent third party and the balance was unsecured, interest-free and repayable on demand. The amount was subsequently settled in February 2016.

Note (ii):

As at 31 December 2015, an deposit of RMB30,000,000 is the investment deposit for the acquisition of an indirect non-wholly owned subsidiary. The acquisition date is scheduled on 31 July 2016.

(e) Amounts due from associates and a related company

These amounts are interest-free, unsecured and repayable on demand.

23. TRADE AND OTHER RECEIVABLES *(continued)*

(f) Impairment losses

The below table reconciles the impairment loss of trade and other receivables for the year:

	2015 RMB'000	2014 RMB'000
At 1 January	**123,073**	77,378
Impairment loss recognised	**50,493**	83,526
Recovery of impairment loss previously recognised	**(99,158)**	(17,117)
Written off *(note)*	**(6,262)**	(20,714)
At 31 December	**68,146**	123,073

Note: During the year ended 31 December 2014, the Group disposed the trade and other receivables balances of RMB527,671,000 to independent third parties with total considerations of RMB506,957,000.

24. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	2015 RMB'000	2014 RMB'000
Contracts in progress at the end of reporting period:		
Contract costs incurred plus recognised profits less recognised losses and foreseeable losses	**5,559,248**	4,628,661
Less: progress billings	**(5,603,938)**	(4,655,498)
Contract work-in-progress at the end of reporting period	**(44,690)**	(26,837)
Represented by:		
Amounts due from customers for contract work included in current assets	**24,826**	17,162
Amounts due to customers for contract work included in current liabilities	**(69,516)**	(43,999)
	(44,690)	(26,837)

25. RESTRICTED BANK DEPOSITS

The Group's restricted bank deposits were denominated in RMB, United States Dollars ("USD") and Hong Kong Dollars ("HK$"), and as collateral for the issuance of performance bonds, bid bonds and bank borrowings. The effective interest rates on restricted bank deposits were ranging from 1.3% to 2.8% per annum as at 31 December 2015 (2014: from 0.4% to 2.6% per annum).

26. ASSETS CLASSIFIED AS HELD FOR SALE

During the year ended 31 December 2015, the Group began to market the Group's one of the storage facilities located in Gaoguang, the PRC, as management felt considerable cost savings could be achieved since the utilisation rate of the assets is low. The directors expect the disposal will be completed before the end of 2016. As the marketing process has already begun before the year-end, the assets with a carrying amount of approximately RMB7,827,000 have been classified as held for sale in the consolidated statement of financial position.

In accordance with HKFRS 5, the assets classified as held for sale are measured at lower of their carrying amount immediately prior to being classified as held for sale and fair value less costs to sell. No impairment loss was recorded as the fair value less costs to sell is higher than the assets' carrying value immediately prior to being classified as held for sale.

27. TRADE AND OTHER PAYABLES

	2015 **RMB'000**	2014 RMB'000
Trade payables	**2,369,497**	1,073,175
Notes payable	**552,139**	555,300
	2,921,636	1,628,475
Amount due to an associate *(note (i))*	**650**	662
Amount due to a related company *(note (i))*	**10,796**	–
Deposits received	**124,099**	81,536
Other payables *(note (ii))*	**280,568**	178,673
Accruals	**10,250**	5,562
	3,347,999	1,894,908

Notes: *(i)* The amounts are interest-free, unsecured and repayable on demand.

(ii) The amounts included advances from independent third parties of RMB8,878,000 (2014: RMB18,526,000), which are interest-free, unsecured and repayable on demand.

27. TRADE AND OTHER PAYABLES *(continued)*

Included in trade and other payables are trade creditors with the following ageing analysis as of the end of reporting period based on invoice date:

	2015 RMB'000	2014 RMB'000
Road and bridge construction:		
Less than 6 months	**828,356**	735,370
6 months to less than 1 year	**91,939**	61,256
1 year to less than 2 years	**26,503**	37,064
2 years to less than 3 years	**23,612**	22,417
3 years and over	**18,336**	10,015
	988,746	866,122
Sale of petrochemical products:		
Less than 31 days	**1,703,214**	446,383
31 to 60 days	**50,010**	1,328
61 to 90 days	**50**	66,708
91 days to less than 1 year	**179,140**	246,920
1 year to less than 2 years	**28**	28
2 years to less than 3 years	**–**	–
3 years and over	**448**	986
	1,932,890	762,353
	2,921,636	1,628,475

28. BORROWINGS

	2015 RMB'000	2014 RMB'000
Secured – interest-bearing loans *(note (a) and (b))*	**31,667**	322,000
Unsecured – interest-bearing loans *(note (b))*	**1,021,200**	570,000
	1,052,867	892,000

28. BORROWINGS *(continued)*

At the end of the reporting period, total borrowings of the Group were repayable as follows:

	2015 RMB'000	2014 RMB'000
On demand or within one year	**1,021,200**	822,000
In the second year	**31,667**	70,000
	1,052,867	892,000

Notes:

As at the end of reporting period, the summary of assets pledged and guaranteed borrowings are as follows:

(a) The borrowings are secured by:

	2015 RMB'000	2014 RMB'000
Payments for leasehold land held for own use under operating leases *(note 15)*	**8,220**	8,397
Property, plant and equipment *(note 16)*	**–**	5,610
Investment property *(note 18)*	**6,631**	11,328

(b) The secured and unsecured borrowings of the Group to the extent of RMB280,000,000 (2014: RMB329,000,000) were guaranteed by certain directors of the Company and its subsidiaries.

As at 31 December 2015, there is no banking facilities of the Group is subject to the fulfilment of covenants relating to certain of the Company's financial ratios (2014: one). If the Group was to breach the covenants, the drawn down facilities of RMB33,000,000 as at 31 December 2014 would become repayable on demand.

Except for the above, the Company also regularly monitors its compliance with the covenants. As at 31 December 2015, none of the covenants relating to drawn down facilities had been breached (2014: none).

29. DEFERRED TAX

Details of the deferred tax liabilities and assets recognised and movements during the current and prior years:

Deferred tax assets

	Impairment loss and discounting on trade and other receivables RMB'000
At 1 January 2014	24,777
Credited to profit or loss	15,656
At 31 December 2014 and 1 January 2015	40,433
Charged to profit or loss	(13,406)
At 31 December 2015	27,027

Deferred tax liabilities

	Fair value surplus in respect of business combination RMB'000	Capitalisation of borrowing costs RMB'000	Total RMB'000
At 1 January 2014	33,755	503	34,258
Credited to profit or loss	–	(201)	(201)
At 31 December 2014 and 1 January 2015	33,755	302	34,057
Charged to profit or loss	–	325	325
At 31 December 2015	33,755	627	34,382

No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. The tax losses of RMB18,846,000 (2014: RMB12,038,000) can be carried forward indefinitely and no tax losses (2014: nil) will expire in five years' time.

29. DEFERRED TAX *(continued)*

For the purpose of presentation in consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2015 **RMB'000**	2014 RMB'000
Deferred tax assets	**24,076**	17,572
Deferred tax liabilities	**(31,431)**	(11,196)
	(7,355)	6,376

30. SHARE CAPITAL

(a) Authorised and issued share capital

	Number of shares	**Amount** RMB'000
Ordinary shares of RMB0.1 each		
Authorised, issued and fully paid:		
At 1 January 2014	936,190,000	93,619
Bonus issue *(note i)*	468,095,000	46,810
At 31 December 2014 and 1 January 2015	1,404,285,000	140,429
Rights issue *(note ii)*	631,928,250	63,192
Bonus issue *(note iii)*	1,018,106,625	101,811
At 31 December 2015	3,054,319,875	305,432

30. SHARE CAPITAL *(continued)*

(a) Authorised and issued share capital *(continued)*

Notes:

(i) Pursuant to the special resolution passed at the annual general meeting and respective class meetings of the Company on 25 June 2014, it was approved to issue bonus shares to all the shareholders of the Company on the basis of five new bonus shares for every ten existing shares of the Company held by the members on the register of members of the Company on 9 July 2014. A total of 468,095,000 bonus shares which comprised of 228,095,000 bonus H shares and 240,000,000 bonus domestic shares were issued on 29 October 2014.

(ii) On 17 February 2015, the Company proposed to raise fund by way of a rights issue of 631,928,250 rights shares (comprising 307,928,250 H rights shares and 324,000,000 domestic rights shares) on the basis of 4.5 rights shares for every 10 existing shares held by the qualifying shareholders at the subscription price of HK$0.78 per H rights share and RMB0.62 per domestic rights share payable in full on acceptance. The rights issue was completed on 30 March 2015. As a result, approximately RMB390,720,000, net of expenses, was raised.

(iii) Pursuant to the special resolution passed at the annual general meeting and respective class meetings of the Company on 23 June 2015, it was approved to issue bonus shares to all the shareholders of the Company on the basis of five new bonus shares for every ten existing shares of the Company held by the members on the register of members of the Company on 9 July 2015. A total of 1,018,106,625 bonus shares which comprised 496,106,625 bonus H shares and 522,000,000 bonus domestic shares were issued on 27 July 2015.

(iv) On 29 July 2015, the Company and Shenzhen Dasheng Agricultural Group Co., Ltd. ("Shenzhen Dasheng"), which holds approximately 29.86% equity interests of the Company as at 31 December 2015, entered into a share subscription agreement pursuant to which the Company has conditionally agreed to allot and issue and Shenzhen Dasheng has conditionally agreed to subscribe for 1,500,000,000 H shares at a price of not less than HK$0.8 per share. On the same day, the Company entered into a placing agreement with a placing agent, pursuant to which the Company has conditionally agreed to place through the placing agent, on a best efforts basis, of 1,500,000,000 H shares at a price of not less than HK$0.8 per share. The new shares proposed to be subscribed or placed will rank pari passu in all respects with the existing H shares in issue. The aggregated gross proceeds from the subscription and the placing shall be no less than HK$2.4 billion. The proceeds shall be mainly used for developing and exploring new business of providing financial services in agricultural sector. For details, please refer to the announcement issued by the Company on 5 August 2015. The subscription as well as the placing were completed on 26 February 2016 and 7 March 2016, respectively.

30. SHARE CAPITAL *(continued)*

(b) Capital management policy

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 and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The Group monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated as total borrowings as described in note 28 divided by total capital. The Group regards its equity attributable to the Company's owners as its capital.

	2015 **RMB'000**	2014 RMB'000
Total borrowings	**1,052,867**	892,000
Equity attributable to the Company's owners	**1,479,713**	892,596
Debt-to-equity ratio	**71.15%**	99.9%

The Group is also subject to externally imposed requirements in relation to certain bank covenants. Please refer to note 28 for details.

31. RESERVES

Company	Capital reserve *(note (a))* RMB'000	Statutory reserve fund *(note (b))* RMB'000	Retained earnings *(note (e))* RMB'000	Total RMB'000
At 1 January 2014	221,766	53,360	204,897	480,023
Profit for the year	–	–	104,894	104,894
Bonus issue *(note 30(a)(i))*	(46,810)	–	–	(46,810)
Transfer to statutory reserve fund	–	10,489	(10,489)	–
2013 final dividends paid	–	–	(41,192)	(41,192)
At 31 December 2014 and 1 January 2015	174,956	63,849	258,110	496,915
Profit for the year	–	–	126,144	126,144
Rights issue *(note 30(a)(ii))*	327,528	–	–	327,528
Bonus issue *(note 30(a)(iii))*	(101,811)	–	–	(101,811)
Transfer to statutory reserve fund	–	12,614	(12,614)	–
2014 final dividends paid *(note 14)*	–	–	(50,905)	(50,905)
At 31 December 2015	400,673	76,463	320,735	797,871

Notes:

(a) The amount represents share capital in excess of nominal value. On 13 November 2007, the Company issued 250,190,000 shares to the subscribers and the H share shareholders, at an issue price of HK$1.10 per share. On 29 October 2014 and 27 July 2015, 468,095,000 bonus shares and 1,018,106,625 bonus shares were issued respectively, the amount of RMB46,810,000 and RMB101,811,000 were transferred from capital reserve to share capital (see note 30(a)(i) & (iii)). On 30 March 2015, 631,928,250 rights shares were issued with proceeds of approximately RMB390,720,000. Accordingly, the Company's issued share capital was increased by RMB63,192,000 and the balance of the proceeds RMB327,528,000 was credit to the capital reserve account (see note 30(a)(ii)).

(b) Pursuant to the relevant PRC regulations and the Articles of Association of the PRC companies within the Group, each of the PRC companies within the Group is required to transfer 10% of its net profit, as determined under the PRC accounting regulations, to a statutory reserve fund until the fund aggregates to 50% of its registered capital. The transfer to this reserve shall be made before distribution of dividends to shareholders.

The statutory reserve fund shall only be used to make good previous years' losses, to expand its production operations, or to increase its capital. Upon approval by a resolution of the shareholders' general meeting, each of the PRC companies within the Group may convert its statutory reserve fund into share capital and issue bonus shares to existing shareholders in proportion to their original shareholdings, or to increase the nominal value of each share currently held by the shareholders, provided that the balance of the statutory reserve fund after such issue is not less than 25% of the registered capital.

(c) The Group's other reserve represents its share of revaluation surplus recognised as a result of fair value change in identifiable asset and liabilities when the Group acquired additional equity interests of certain subsidiaries in 2008.

(d) The Group's currency translation reserve represents gain or loss arising on retranslating the net assets of foreign operations into RMB, the presentation currency of the financial statements.

(e) The amount represents cumulative net gains and losses recognised in profit or loss.

32. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2015 RMB'000	2014 RMB'000
Assets			
Non-current assets			
Property, plant and equipment		7,942	9,087
Investment property		10,418	11,328
Investment in subsidiaries	33	758,269	460,399
Investment in associates		27,313	17,764
Available-for-sale financial assets		800	800
Deferred tax assets		–	23
Total non-current assets		804,742	499,401
Current assets			
Inventories		2	2
Trade and other receivables		2,057,162	765,850
Restricted bank deposits		40,000	22,600
Cash and cash equivalents		6,166	10,501
Total current assets		2,103,330	798,953
Total assets		2,908,072	1,298,354
Liabilities			
Current liabilities			
Trade and other payables		1,519,541	616,922
Borrowings		280,000	43,000
Current tax liabilities		5,228	1,088
Total current liabilities		1,804,769	661,010
Net current assets		298,561	137,943
NET ASSETS		1,103,303	637,344
Capital and reserves			
Share capital	30	305,432	140,429
Reserves	31	797,871	496,915
TOTAL EQUITY		1,103,303	637,344

33. INVESTMENT IN SUBSIDIARIES

	2015 RMB'000	2014 RMB'000
Unlisted equity investments, at cost	**758,269**	460,399

The following are the details of the Group's principal subsidiaries at 31 December 2015:

Name	Place of incorporation and type of legal entity	Principal activities and place of operation	Issued share capital/ registered capital	Equity interests held Directly	Equity interests held Indirectly
南通路橋工程有限公司 Nantong Road and Bridge Engineering Co., Ltd. ("Nantong Road and Bridge")	PRC, limited liability company	Construction of roads and bridges in the PRC	RMB300,080,000	74.87%	–
江蘇九州市政工程有限公司 Jiangsu Jiuzhou Municipal Engineering Co., Ltd.	PRC, limited liability company	Construction of roads and bridges in the PRC	RMB50,000,000	–	74.87%
香港大生農業控股有限公司 （前稱：棟華(香港)有限公司） Hong Kong Dasheng Agriculture Holding Company Limited (formerly known as Donghua (Hong Kong) Limited)	Hong Kong, limited liability company	Investment holding in Hong Kong	HK$39,000,000 of 39,000,000 ordinary shares	100%	–
武漢華隆公路物資有限公司 Wuhan Hualong Highway Resources Company Limited	PRC, limited liability company	Petrochemical trading in the PRC	RMB30,000,000	100%	–

33. INVESTMENT IN SUBSIDIARIES *(continued)*

Name	Place of incorporation and type of legal entity	Principal activities and place of operation	Issued share capital/ registered capital	Equity interests held	
				Directly	Indirectly
上海大生農化有限公司（前稱：上海棟華瀝青有限公司） Shanghai Dasheng Agro-chemical Co., Ltd. (formerly known as Shanghai Tonva Asphalt Company Limited)	PRC, limited liability company	Petrochemical trading in the PRC	RMB80,000,000	100%	–
上海泰華石油化工有限公司 Shanghai Taihua Petrochemical Co., Ltd.	PRC, limited liability company	Petrochemical trading in the PRC	RMB60,000,000	100%	–
上海大生農產品有限公司（前稱：上海神華物流有限公司） Shanghai Dasheng Agriculture Products Co., Ltd. (formerly known as Shanghai Shenhua Logistics Company Limited)	PRC, limited liability company	Petrochemical trading in the PRC	RMB108,000,000	100%	–
香港大生實業發展有限公司（前稱：棟華貿易(香港)有限公司） Hong Kong Dasheng Industrial Development Co., Ltd. (formerly known as Tonva Trading (Hong Kong) Limited)	Hong Kong, limited liability company	Petrochemical trading in Hong Kong	HK$100,000 of 100,000 ordinary shares	–	100%
深圳市大生金融控股有限公司 Shenzhen Dasheng Financial Holding Company Limited	PRC, limited liability company	Finance lease business in the PRC	RMB500,000,000	100%	–

33. INVESTMENT IN SUBSIDIARIES *(continued)*

Name	Place of incorporation and type of legal entity	Principal activities and place of operation	Issued share capital/ registered capital	Equity interests held	
				Directly	Indirectly
瑞盈信融(深圳)融資租賃有限公司 Ever Fortune Financial Leasing Co., Ltd. ("Ever Fortune") *(note (a))*	PRC, limited liability company	Finance lease business in the PRC	RMB200,000,000	–	53%
瑞盈信融(深圳)商業保理有限公司 Ever Fortune Commercial Factoring Co., Ltd. ("Ever Fortune Commercial Factoring") *(note (a))*	PRC, limited liability company	Commercial factoring business in the PRC	RMB500,000,000	–	53%

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of the other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Note:

(a) During the year ended 31 December 2015, the Group acquired 53% equity interests of Ever Fortune. See note 35 for details.

33. INVESTMENT IN SUBSIDIARIES *(continued)*

Nantong Road and Bridge, a 74.87% (2014: 74.87%) owned subsidiary of the Company, has material non-controlling interests ("NCI"). Summarised financial information in relation to the NCI of Nantong Road and Bridge, before intra-group eliminations, is presented below:

	2015 **RMB'000**	2014 RMB'000
For the year ended 31 December		
Revenue	**1,263,654**	1,286,935
Profit	**143,445**	128,313
Total comprehensive income	**143,445**	128,313
Profit allocated to NCI	**36,052**	34,440
Dividends paid to NCI	**7,541**	11,312
For the year ended 31 December		
Cash flows from operating activities	**321,707**	168,432
Cash flows from/(used in) investing activities	**7,884**	(48,470)
Cash flows used in financing activities	**(79,008)**	(185,508)
Net cash inflow/(outflows)	**250,583**	(65,546)
As at 31 December		
Current assets	**1,531,671**	1,384,812
Non-current assets	**890,896**	858,048
Current liabilities	**(1,755,440)**	(1,642,615)
Non-current liabilities	**(15,070)**	(81,196)
Net assets	**652,057**	519,049
Accumulated non-controlling interests	**163,445**	134,934

On 16 July 2014, the Group acquired additional 6% equity interests in Nantong Road and Bridge from its NCI. Following the acquisition, the Group had 74.87% equity interests. The transaction has been accounted for as an equity transaction with the NCI as follows:

	RMB'000
Cash consideration paid for 6% equity interests	29,088
Net assets attributable to 6% equity interests	(29,267)
Increase in equity attributable to owners of the Company (included in retained earnings)	(179)

33. INVESTMENT IN SUBSIDIARIES *(continued)*

Ever Fortune, a 53% (2014: nil) owned subsidiary of the Company, has material NCI. Summarised financial information in relation to the NCI of Ever Fortune, before intra-group eliminations, is presented below:

	2015 RMB'000
For the year ended 31 December	
Revenue	3,418
Profit	1,448
Total comprehensive income	1,448
Profit allocated to NCI	683
Dividends paid to NCI	–
For the year ended 31 December	
Cash flows used in operating activities	(119,973)
Cash flows from investing activities	13
Cash flows from financing activities	121,833
Net cash inflow	1,873
As at 31 December	
Current assets	264,002
Non-current assets	37,803
Current liabilities	(58,792)
Non-current liabilities	(31,667)
Net assets	211,346
Accumulated non-controlling interests	104,102

34. DISPOSAL OF A SUBSIDIARY

On 9 May 2014, the Group disposed of its 100% equity interests in the subsidiary, 鄭州華盛石油制品有限公司 (Zhengzhou Huasheng Petroleum Products Co., Ltd.) ("Zhengzhou Huasheng"), which is engaged in the petrochemical trading in the PRC, to an independent third party. Net assets of Zhengzhou Huasheng at the date of disposal are as follows:

	Carrying amount RMB'000
Payments for leasehold land held for own use under operating leases	7,115
Deferred tax assets	1,341
Inventories	1,694
Cash and cash equivalents	69
Other payables	(69)
Net assets disposed	10,150
Total consideration	(95,000)
Gain on disposal of a subsidiary	84,850

Satisfied by:

	RMB'000
Cash consideration received	95,000

Net cash inflow arising on disposal:

	RMB'000
Cash and cash equivalents disposed	(69)
Cash consideration received	95,000
	94,931

Zhengzhou Huasheng contributed a turnover of RMB36,990,000 and net profit of RMB1,628,000 to the Group for the period from 1 January 2014 to the date of disposal.

35. BUSINESS ACQUISITION DURING THE YEAR

On 28 October 2015, the Group acquired 53% of the equity interests of Ever Fortune, a company whose principal activity is financial leasing. The acquisition was made with the aims to enrich the Group's portfolio in the area of financial business.

The fair values of identifiable assets and liabilities of the acquiree as at the date of acquisition were:

	RMB'000
Property, plant and equipment *(note 16)*	567
Intangible assets *(note 19)*	4
Trade and other receivables	187,883
Restricted bank deposits	3,800
Cash and cash equivalents	12,409
Trade and other payables	(58,734)
Borrowings	(45,033)
NCI	(47,421)
	53,475
Satisfied by:	
Cash consideration paid	53,000
Excess of the Group's share of fair value of interests acquired over the cost of acquisition *(note)*	475
Cash flow:	
Cash payment	53,000
Cash and cash equivalents acquired	(12,409)
Net cash outflow arising from acquisition	40,591

Note: The bargain purchase of RMB475,000 is recognised in the other income and gains (note 7) of the consolidated statement of comprehensive income. The Group agreed a favourable price with the seller as the seller is intended to realise its equity interests of Ever Fortune in a short time.

The Group has elected to measure the NCI in Ever Fortune at the NCI's proportionate share of Ever Fortune's identifiable net assets.

The fair value of trade and other receivables amounted to approximately RMB187,883,000. In the opinion of the Directors, no receivable is expected to be uncollectible.

Since the acquisition date, Ever Fortune and its subsidiaries have contributed RMB3,418,000 and RMB1,901,000 to Group's revenue and profit before income tax expense. If the acquisition had occurred on 1 January 2015, Group's revenue and profit before income tax expense would have been RMB8,226,472,000 and RMB383,537,000 respectively. 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 2015, nor is it intended to be a projection of future performance.

The acquisition-related costs were not material, and have been expensed and are included in administrative expenses.

36. OPERATING LEASE COMMITMENTS

Operating leases – lessee

At the reporting date, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of transportation facilities, machineries, office premises and warehouse facilities as follows:

	2015 RMB'000	2014 RMB'000
Not later than one year	2,213	5,560
Later than one year and not later than five years	432	1,472
Later than five years	–	–
	2,645	7,032

The leases typically run for an initial period of 1 to 5 years without extension option. None of these leases includes contingent rentals.

Operating leases – lessor

At the reporting date, the Group had future aggregate minimum lease receivable under non-cancellable operating leases in respect of the investment properties as follows:

	2015 RMB'000	2014 RMB'000
Not later than one year	2,043	1,140
Later than one year and not later than five years	555	1,045
	2,598	2,185

The Group's investment properties are leased to a tenant, with a lease term of two years, and there is no contingent rental.

37. CONTINGENT LIABILITIES

	2015 RMB'000	2014 RMB'000
Guarantees in respect of performance bonds and advance payment bonds issued by banks	286,601	296,683

The guarantees in respect of performance bonds and advance payment bonds issued by banks, which are fully secured by restricted bank deposits, are related to the construction projects of the Group's non-wholly owned subsidiary, Nantong Road and Bridge.

38. RELATED PARTY TRANSACTIONS

(a) During the year, apart from the related party transactions disclosed in notes 23(a)(i) and 28(b), the Group entered into the following transactions with related parties:

Sale of petrochemical products to

	2015 RMB'000	2014 RMB'000
Pudong Road and Bridge, an associate	–	2,947

(b) Key management compensation

	2015 RMB'000	2014 RMB'000
Directors' fees, basic salaries and allowances	**3,931**	4,075
Discretionary bonus	**240**	4,336
Retirement scheme contributions	**218**	121
	4,389	8,532

Remuneration for key management personnel of the Group includes amounts paid to the directors, supervisors and two (2014: three) senior management personnel of the Company. The remuneration of the directors, supervisors and two senior management personnel are disclosed in note 11. The emolument paid to the remaining two senior management personnel during the year ended 31 December 2014 was within the following band:

	2015 Number of individuals	2014 Number of individuals
Nil to HK$1,000,000	–	2

39. CAPITAL COMMITMENT

	2015 RMB'000	2014 RMB'000
Commitments for building office premises:		
– contracted for but not provided	–	17,627

40. FINANCIAL INSTRUMENTS – RISK MANAGEMENT AND FAIR VALUE

The Group's activities expose itself to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management

(a) Foreign currency risk

The Group operates mainly in the PRC, and most of the Group's commercial transactions, recognised assets and liabilities are denominated in RMB. In the opinion of the directors, the Group's exposure to the foreign currency risk is minimal.

(b) Interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to finance lease and factoring loan receivables, bank deposits and its borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The Group has not entered into any financial derivative instruments to hedge its exposure to interest rate risk.

The following tables detail the interest rate profile of the Group at the end of reporting period:

	2015		2014	
	Effective interest rate Per annum	RMB'000	Effective interest rate Per annum	RMB'000
Fixed-rate finance lease and factoring loan receivables	8.4%	258,013	–	–
Floating guaranteed deposits	–	–	12.0%	25,459
Fixed-rate bank deposits	2.1%	251,375	2.6%	269,242
Floating-rate bank deposits	0.4%	362,257	0.4%	130,217
		871,645		424,918
Fixed-rate borrowings	6.7%	470,000	6.2%	303,000
Floating-rate borrowings	5.9%	582,867	6.7%	589,000
		1,052,867		892,000

At the respective end of reporting period, if interest rates had been increased/decreased by 100 basis points and all other variables were held constant, the Group's profit after income tax expense would decrease/increase by approximately RMB1,384,000 (2014: RMB3,250,000) for the year ended 31 December 2015.

40. FINANCIAL INSTRUMENTS – RISK MANAGEMENT AND FAIR VALUE *(continued)*

Risk management *(continued)*

(c) Credit risk

The credit risk of the Group mainly arises from cash and cash equivalents, restricted bank deposits, trade and other receivables.

While the Group's trade receivables relate to a number of customers, there is concentration of credit risk. The trade receivables from the five largest debtors at 31 December 2015 represented 25% (2014: 37%) of total trade receivables, while 7% (2014: 12%) of the total receivables were due from the largest debtor. Credit risk with respect to trade receivables are limited because the Group regularly reviews the credit standing, credit terms and credit limits granted to individual customers. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets except for those mentioned in note 23(b)(iii). The Group issues financial guarantee contracts in favour of only those counterparties that are financially strong and with good credit history.

The credit risk on the bank deposits are limited because the counterparties are financial institutions with high credit ratings assigned by international credit rating agencies or state-owned banks in the PRC.

(d) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions.

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its operation needs and business commitments.

The Group also has policy to regularly monitor its liquidity requirements and its compliance with lending covenants, so as to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from financial institutions to meet its liquidity requirements in the short and long terms.

40. FINANCIAL INSTRUMENTS – RISK MANAGEMENT AND FAIR VALUE *(continued)*

Risk management *(continued)*

(d) Liquidity risk (continued)

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the end of reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
Group				
At 31 December 2015				
Borrowings	**1,047,166**	**35,189**	**–**	**1,082,355**
Trade and other payables	**3,347,999**	**–**	**–**	**3,347,999**
At 31 December 2014				
Borrowings	850,532	73,323	–	923,855
Trade and other payables	1,894,908	–	–	1,894,908

Fair value estimation

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and trading on active liquid markets are determined with reference to quoted market prices; and

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The directors considered that the carrying amounts of the financial assets and liabilities approximate their fair value, except for the available-for-sale financial asset which is measured at cost less impairment. The directors of the Company are of the opinion that the fair value cannot be measured reliably.

41. FINANCIAL INSTRUMENTS BY CATEGORY AND TRANSFERRED OF FINANCIAL ASSETS

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

	2015	2014
	RMB'000	RMB'000
Financial assets		
Loans and receivables	**5,674,170**	2,969,104
Available-for-sale financial assets	**5,800**	800
	5,679,970	2,969,904
Financial liabilities		
Financial liabilities measured at amortised cost	**4,276,768**	2,705,372

The Group transferred certain bills receivables accepted by banks in the PRC (the "Derecognised Bills") to banks or suppliers with a carrying amount of RMB14,000,000 (2014: RMB8,250,000) as at 31 December 2015. The Derecognised Bills generally has maturity dates of less than six months at the end of 31 December 2015 and 2014. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC bank default (the "Continuing Involvement"). In the opinion of the Directors, the Group has transferred substantial all risks and rewards relating to the Derecognised Bills and has discharged its obligations under the relevant PRC practice, rule and regulations, the Group has limited exposure in respect of the settlement obligation of the Derecognised Bills under the relevant PRC rules and regulations should the issuing banks fail to settle the bills on maturity date. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills. The Group considered the Derecognised Bills are of good credit quality and the non-settlement of the Derecognised Bills by the issuing banks on maturity is remote. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills is equal to their carrying amounts. In the opinion of the Directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the years ended 31 December 2015 and 2014, the Group has not recognised any gain or loss on the transfer of the Derecognised Bills. No gain or loss were recognised from the Continuing Involvement. The discounting of bills receivables have been made evenly throughout the years ended 31 December 2015 and 2014.

42. RESTATEMENT OF COMPARATIVE FINANCIAL STATEMENTS

During the year ended 31 December 2015, the Group has discovered a misstatement in its consolidated statement of comprehensive income for the year ended 31 December 2014. The misstatement is related to certain trading transactions in the segment of sale of petrochemical products in which the Group acted as an agent rather than a principal based on its reassessment according to note 5(a). Accordingly, the revenue and related cost of sales so recorded in 2014 are recognised in net amount instead of in gross amount. The restatement does not have any impact on the consolidated statement of financial position of the Group, thus no restated consolidated statement of financial position is presented, and no third consolidated statement of financial position as at 1 January 2014 is presented. Also, there is no impact on the earnings per share for the year ended 31 December 2014. The effects of correction of this misstatement on the Group's consolidated financial statements for the year ended 31 December 2014 are summarised as follows:

Consolidated statement of comprehensive income for the year ended 31 December 2014:

	As previously reported RMB'000	Correction of misstatement RMB'000	As restated RMB'000
Turnover	6,215,891	(923,387)	5,292,504
Cost of sales	5,827,092	(923,387)	4,903,705

43. EVENTS AFTER THE REPORTING PERIOD

(a) On 8 January 2016, the board of the Company approved the proposal to allot and issue A shares of the Company and apply for the listing of such shares on the Shanghai Stock Exchange or the Shenzhen Stock Exchange (the "Proposed Issue of A Shares"). As at the date of this report, the Company has not determined the structure of the Proposed Issue of A Shares and has not proceeded with any requisite regulatory procedures in the PRC or elsewhere for the approval of the Proposed Issue of A Shares. Details please refer to the announcement dated 11 January 2016.

(b) On 8 January 2016, the Group entered into a sale and purchase agreement with the vendor to acquire additional 12.5% of the equity interests of the Company's 53% owned subsidiary, Ever Fortune, at the consideration of RMB25 million in cash. At the same date, the Group entered into a joint venture agreement among the vendor and the other shareholder of Ever Fortune to agree the capital injection to Ever Fortune. Pursuant to the joint venture agreement, the Group agreed to invest RMB234 million in cash to Ever Fortune. Since one of the shareholders will not inject any capital, the shareholding of the Group to Ever Fortune will increase to 73% after the acquisition of 12.5% equity interests and capital injection. Details please refer to the announcement dated 10 January 2016.

43. EVENTS AFTER THE REPORTING PERIOD *(continued)*

(c) On 18 August 2015 and 24 December 2015, the Group entered into the sale and purchase agreement and a supplemental agreement to the sale and purchase agreement with the vendor, pursuant to which the Company has conditionally agreed to acquire 100% equity interests of Shanghai Kaiyi Corporate Management Consultancy Co., Limited and its' to be acquired subsidiary, Shanghai Runtong Industrial and Investment Co., Limited ("Shanghai Runtong"), at the consideration of RMB268 million. Completion of the acquisition is conditional upon the reorganisation (details please refer to the announcement date 18 August 2015). Since the acquisition has not been completed as at the date of this report, the directors of the Company considered that it is impractical to complete the accounting for the business combination.

(d) On 14 January 2016, the Group entered into the cooperation agreement with Shanghai Runtong and Huzhou Zhebei Agricultural By-products Trading Center Co., Ltd. ("Huzhou Zhebei") in relation to the cooperation among the Group, Shanghai Runtong and Huzhou Zhebei for the formation and business operation of the a company, proposed to be in the name of Zhenjiang Agricultural Wholesale Market Electronic Settlement Company ("JV Data Company"). Pursuant to the cooperation agreement, there are three main underlying cooperation arrangements in relation to the formation and business operation of the JV Data Company subject to the terms of the cooperation agreement: (i) the JV Data Company will be formed with registered capital as to 49% held by Shanghai Runtong and 51% held by Huzhou Zhebei; (ii) the JV Data Company will provide the transaction data to the Group for fee; and (iii) Shanghai Runtong will provide the JV Data Company with operation and maintenance service of the back-office operating system of the JV Data Company. Details please refer to the announcement dated 14 January 2016. On 16 January 2016, the Group entered into another cooperation agreement with Shanghai Runtong and Zhenjiang Agricultural By-products Wholesale Market Co., Ltd., which the details are very similar as the one dated 14 January 2016. Details please refer to the announcement dated 16 January 2016.

(e) On 26 February 2016 and 7 March 2016, the Company completed a share subscription and a placing of share respectively. Please refer to note 30(a)(iv) for details.

(f) On 16 May 2016, the Group decided not to carry on the finance leasing business through the associate, Shanghai Yi He Xu Sheng Financial Leasing Co., Ltd. which was established on 15 October 2015 and held as to 30% by Hong Kong Dasheng Agriculture Holding Company Limited. The Group is in the progress of negotiation for disposing of its shareholding in the associate to an independent third party ("the Proposed Disposal"). The Company considers that the Proposed Disposal shall have no material adverse impact on the financial and operational position of the Group.

(g) On 6 June 2016, the Group completed the discloseable transactions relating to the proposed formation of two joint venture companies, Fujian Ruiying Financial Leasing Company Limited ("Fujian JV") and Ever Fortune (Xiamen) Financial Leasing Co., Ltd. ("Xiamen JV"). The Company indirectly owns as to 79.75% equity interests of each of Fujian JV and Xiamen JV. Details please refer to the announcement dated 6 June 2016.

44. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 15 June 2016.