



德龙控股

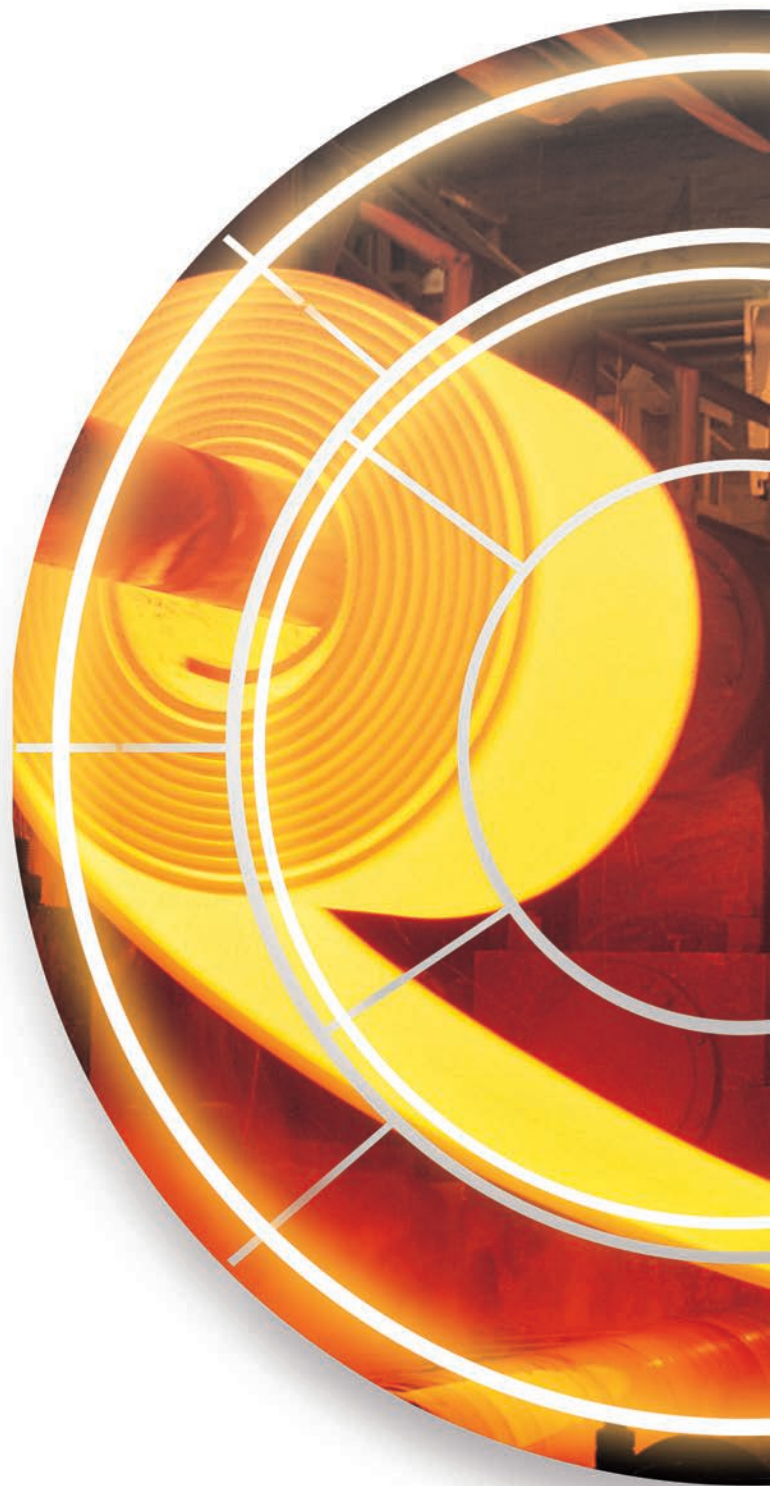
DELONG HOLDINGS

ANNUAL REPORT 2015



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OUR VISION

Headquartered in Beijing, China, Delong Holdings Limited is a steel manufacturing group committed to playing its part in growing the Chinese steel industry through progressive thinking and sustainable practices.

We envision Delong as one of the leading steel companies in China, contributing strategically to the country's economic landscape and creating long-term value for our stakeholders.

CHAIRMAN'S LETTER TO SHAREHOLDERS

“ FY2015 was a tumultuous year for the steel-making industry. China's economy grew at the slowest rate in 25 years and conditions in the People's Republic of China and global steel industries remained weak. ”



DEAR SHAREHOLDERS,

On behalf of the Board of Directors (the “Board”) of Delong Holdings Limited (“Delong”, and together with its subsidiaries, the “Group”), I present to you our annual report for the financial year ended 31 December 2015 (“FY2015”).

Without a doubt, FY2015 was a tumultuous year for the steel-making industry. China's economy grew at the slowest rate in 25 years and conditions in the People's Republic of China (the “PRC”) and global steel industries remained weak. The PRC registered a gross domestic product (“GDP”) growth of 6.9% in 2015, well below 7.3% achieved in the prior year, affirming a multiyear slowdown in the world's second largest economy. The slowing PRC economy further cooled demand in an already weakening commodities market, with the steel industry faring poorly as a result of softening steel prices as well as persistent overcapacity and environmental concerns. According to data from the World Steel Association, crude steel output in China fell 2.3% to 808.3 million tonnes in 2015, contracting for the first time in almost 35 years.

Under these challenging circumstances which significantly affected selling prices of our core hot-rolled coil (“HRC”) products, the Group reported a 27.0% decline in revenue to RMB7.0 billion in FY2015,

from RMB9.5 billion a year ago. Consequentially, the Group slipped into losses, ending the financial year with a net loss after tax and non-controlling interest of RMB392.8 million, compared to a net profit of RMB100.9 million in FY2014.

Details of our FY2015 financial performance are outlined below.

FINANCIAL REVIEW

For the year in review, the Group's overall sales volume increased by 1.0% to approximately 3.39 million tonnes of steel products, compared to 3.36 million tonnes a year ago. On a breakdown basis, HRC sales rose from 2.92 million tonnes in FY2014 to 3.39 million tonnes in FY2015, while the sale of steel billets correspondingly decreased to 1,096 tonnes in FY2015 compared to 437,331 tonnes in the prior year. The change in product mix was largely due to production upgrades at Aoyu Steel, Delong's second manufacturing plant, which has equipped it with HRC manufacturing capabilities since mid-2014. However, the marginally higher sales volume was offset by a significant drop in steel product prices, resulting in the overall decrease of RMB2.5 billion in topline performance.

Cost of sales in FY2015 decreased 21.8% in FY2015 to RMB6.9 billion, compared to RMB8.9 billion a year ago, due mainly to

CHAIRMAN'S LETTER TO SHAREHOLDERS

significantly lower prices of key raw materials such as iron and coking coal. However, the lower cost of sales was insufficient to compensate for the differences in selling prices, resulting in a 96.8% decrease in gross profit to RMB21.0 million in FY2015, compared to RMB660.1 million in FY2014. Correspondingly, the Group's gross profit margin slipped to 0.3% in FY2015 compared to 6.9% in the prior financial year.

Distribution and marketing expenses increased by RMB13.2 million to RMB69.0 million during the year, from RMB55.8 million in FY2014. This was due mainly to higher transportation costs associated with the delivery of HRC products at Aoyu Steel to customers in the PRC. On the other hand, the Group was able to rein in administrative expenses to RMB266.3 million in FY2015, a decrease of RMB36.3 million compared to RMB302.6 million in FY2014. The decrease was partially due to the Group's successful cost containment efforts, a reduction in headcount as well as lower sewage and environmental impact assessment fees incurred during the review year.

Finance expenses was RMB178.5 million in FY2015, representing a RMB50.4 million decrease from RMB228.9 million in the prior year, due mainly to lower interest rates on banking borrowings.

As a result of the above, and taking into account taxation and non-controlling interest, the Group reported a net loss of RMB392.8 million in FY2015.

DEVELOPMENTS DURING THE YEAR

With the PRC steel industry shrouded in uncertainty, the Group's focus remained on ensuring reliability and smooth operations of its existing production facilities and at the same time, selectively target and harness suitable opportunities that can sustainably support Delong's long-term growth. In March 2015, the Group carried out a major maintenance exercise for one of the blast furnaces at one of its PRC production plants. The 85-day maintenance exercise was necessary to enhance the furnace's safety and technical features and was completed with full operations resumed in mid-2015.

2015 was also marked by a milestone development as the Group's 55%-owned steel manufacturing plant in Thailand commenced operations in the third quarter, delivering its first batch of HRC products in September. The Thailand plant, our first overseas steel producing facility, is progressively ramping up production to become a new growth engine for Delong.

Subsequent to the year end, we also undertook a successful five-into-one ordinary share consolidation exercise, which was approved by shareholders and completed in February 2016.

OUTLOOK

The outlook for the global economy as a whole remains uncertain heading into 2016, worsened by expectations that the PRC's growth will decelerate further in 2016. Prospects for the steel sector remained gloomy, with industry watchers such as the World Steel Association projecting a further 2.0% decline in Chinese steel demand in 2016. To address overcapacity concerns, the PRC State Council had in early 2016 unveiled plans to cut steel production by 100 million to 150 million tonnes over the next five years, over which may invariably create further uncertainties for industry players.

Mounting concerns over industrial pollution in the PRC and the ongoing haze issue will also continue to affect the steel industry in terms of production and steel transportation. To mitigate such challenges and to ensure the long-term sustainability of Delong's business operations, we are continually reviewing our current processes and facilities, and investing in necessary technological upgrades and enhancements to reduce emission, improve energy efficiency and recycling waste resource.

We are keeping a close watch on market movements in region and how the PRC's 13th Five-Year Plan will unfold, and will strategically invest in synergistic business opportunities to bolster our operations amid a slowing global economy. The group will also continue to be prudent, maintaining a tight control over processes and cost to ensure better margins and profitability.

APPRECIATIONS

In closing, as Chairman of the Board, I will like to take this opportunity to express my utmost appreciation to our shareholders, customers, bankers, business associates, suppliers and vendors for their unrelenting support of Delong. I will also like to thank our management and staff for their effort and dedication, and my fellow Board members for their counsel and support. We will continue to put in our best efforts to deliver value to all our stakeholders.

Ding Liguo

Executive Chairman

BOARD OF DIRECTORS

Mr Ding Ligu, age 46

Mr Ding is the Executive Chairman of the Company and is in charge of the overall management and direction of the Delong Group. From 1998 to 2003, Mr Ding was the Chairman of Tangshan Ligu Enterprise Group Co., Ltd and from 1992 to 1998, he was the Chairman of Tangshan Changcheng Rolled Steel Factory. Prior to that, Mr Ding was an employee with Shenzhen Futian District Materials Bureau from 1991 to 1992. Mr Ding received a diploma in Machinery Manufacturing from the Hebei Technological Institute in the People Republic of China ("PRC").

Mr Zuo Shuowen, age 47

Mr Zuo is the Executive Director of the Company and is responsible for overseeing the operations of the Group. He joined the Group in 2003, and was promoted to General Manager of the Group's principal subsidiary, Delong Steel, in 2007. From 2000 to August 2003, he was an accounts manager of Tangshan Hengan Enterprise Co., Limited, overseeing all financial matters in that company. Mr Zuo received a diploma in Accountancy from the Hebei Hongrun Commercial School in 1988.

Mr Hee Theng Fong, age 61

Mr Hee is an Independent Director of the Company and Chairman of Nominating Committees. He is also a member of Audit and Remuneration Committees. He is a practising lawyer with more than 20 years' experience in legal practice. He is also an arbitrator on the panel of arbitrators of the Singapore International Arbitration Centre (SIAC), China International Economic and Trade Arbitration Commission(CIETAC), and Hong Kong International Arbitration Centre(HKIAC). Mr Hee is also an independent director of several listed companies. He is regularly invited to speak on Directors' Duties and Corporate Governance in seminars organized by the Singapore Institute of Directors and the Singapore Exchange. Mr Hee holds a LLB (Honours) from the University of Singapore and also a Diploma in PRC Law.

Mr Lai Hock Meng, age 60

Mr Lai is an Independent Director of the Company and Chairman of the Audit Committee. He is also a member of the Remuneration and Nominating Committees. He is currently Chairman of Singapore based corporate advisory firm HML Consulting Group. Mr Lai is also a director of Champ Buyout III Pte Ltd, a private equity firm. Mr Lai has more than 30 years of experience in both public and private financial sectors, including central banking, investment banking, private banking, stockbroking and venture capital. In addition, he sits on the boards of several listed companies, including CFM Holdings Limited, PureCircle Ltd and ASTI Holdings Ltd. Mr Lai has a Bachelor of Arts (Honours) and a Masters of Arts from the University of Cambridge in England, majoring in Economics. He is also a Chartered Financial Analyst with the CFA Institute in the USA and a Fellow of the Chartered Institute of Marketing in the United Kingdom.



BOARD OF DIRECTORS

Mr. Yuan Weimin, age 57

Mr Yuan was appointed as Non-Executive Director on 16 April 2008. He was nominated to the Board by Evraz S.A Group. He is currently a general manager of Shanghai Besteel Imp. & Exp. Co., Ltd. Between 1992 and 1994, he was a sales manager with Mannesmann Demag Shanghai Representative Office. Between 1988 and 1991, he was an Assistant Chief Engineer with Shanghai Metallurgical Industry Authority Bureau. Mr Yuan received a Bachelor of Engineering from the Shanghai Industry University in the PRC.

Mr. Wang Tianyi, age 69

Mr Wang is an Independent Director of the Company and Chairman of Remuneration Committee. He is also a member of the Audit and Nominating Committees. He is currently the Executive Vice President of The Chinese Society For Metals. Mr. Wang has more than 40 years' experience in the steel industry. From 1995 to 2008, he was Chairman and Managing Director of Tangshan Iron and Steel Group Co., Ltd , placed in charge of the overall operations of the company. Between 2005 and 2011, Mr Wang was Vice-Chairman with Shougang Jingtang Iron and Steel Co., Ltd. Mr Wang was Vice-Chairman of Hebei Iron and Steel Group Co., Ltd from 2008 to 2011. Mr Wang received a Bachelor of Metallurgical Machinery from the University of Science and Technology of Beijing (formerly known as Beijing Institute of Iron and Steel Engineering).

EXECUTIVE OFFICERS

Ms Lan Jihong is the Chief Financial Officer of the Company. She joined the Group in 2005 and is responsible for all of its financial and accounting matters. Prior to that, Ms Lan was a Finance Manager of BHA Aero Composite Parts Co., Ltd (China) between March 2003 and June 2005. From September 1999 to March 2003, Ms Lan was a Financial Controller of Magnequench (Tianjin) Co., Ltd (China). Between August 1996 and September 1999, she was an assistant Finance Manager with Fourth Shift Asia Computer Co., Ltd (China). From August 1991 to March 1996, Ms Lan was an Accountant at Tianjin Automobile Corporation Co., Ltd (China). She received a Bachelor of Accountancy from the Tianjin Finance & Economic University, PRC.

Ms Yeo Lee Luang is the Accounts Manager and Compliance Officer of the Company. She assists the Chief Financial Officer in the Group's finance and accounting functions, as well as ensures the Company's compliance with continuing listing obligations. Ms Yeo has been with the Company since April 2000. She holds a Bachelor in Commerce majoring in Accountancy from the University of Otago, New Zealand, and is a member of the Institute of Singapore Chartered Accountants and Institute of New Zealand Chartered Accountants.

Mr Wu Yujie is the General Manager of Laiyuan County Aoyu Steel Co., Ltd ("Aoyu Steel") and is responsible for overseeing the operations of Aoyu Steel. From 2011-2014, Mr Wu was General Manager of Xingtai Delong Machinery and Mill Roll Co., Ltd. Between 2007-2011, Mr Wu was General Manager of Tangshan Hengan Enterprises Co., Ltd. Between 2004-2006, Mr Wu was administration manager of Delong Steel Limited. Prior to that, Mr Wu was a deputy general manager in charge of administration with Xingtai Delong Iron & Steel Co., Ltd from 2000 to 2004 and the head of the finance department of Tangshan Liguoguo Enterprises Group Co., Ltd from 1998 to 2000. Mr Wu holds a diploma in economic management from the Hebei Economic Management College, PRC.

Mr Sun Jian Xun is the General Manager of Xingtai Delong Machinery and Mill Roll Co., Ltd ("Xingtai Delong Mill Roll") and is responsible for overseeing the operations of Xingtai Delong Mill Roll. From 2013-2014, Mr Sun was Assistant General Manager of Xingtai Delong Mill Roll. Between 2000-2013, Mr. Sun was Assistant General Manager of Tangshan LianQiang Metallurgical Roll Co., Ltd. Mr. Sun holds a Bachelor Degree in Metallurgical from the Hebei Institute of Technology, PRC.

FIVE-YEAR FINANCIAL HIGHLIGHTS

RMB' 000	FY2015	FY2014	FY2013	FY2012	FY2011
Revenue	6,952,304	9,523,568	11,547,689	13,279,883	10,442,578
Cost of Sales	(6,931,311)	(8,863,497)	(11,033,420)	(12,561,920)	(10,139,802)
Gross Profit	20,993	660,071	514,269	717,963	302,776
Net (Loss)/ Profit After Tax and Non-controlling interest	(392,845)	100,888	(27,067)	204,776	(12,072)
EBITDA	194,563	861,467	696,496	1,018,939	587,066
Total Assets	7,829,882	8,228,105	7,349,822	7,223,071	7,104,564
Total Equity attributable to owners of the Company	2,293,773	2,683,917	2,588,110	2,609,653	2,417,460
Cash and Cash Equivalents	484,864	935,621	373,706	642,894	1,016,569

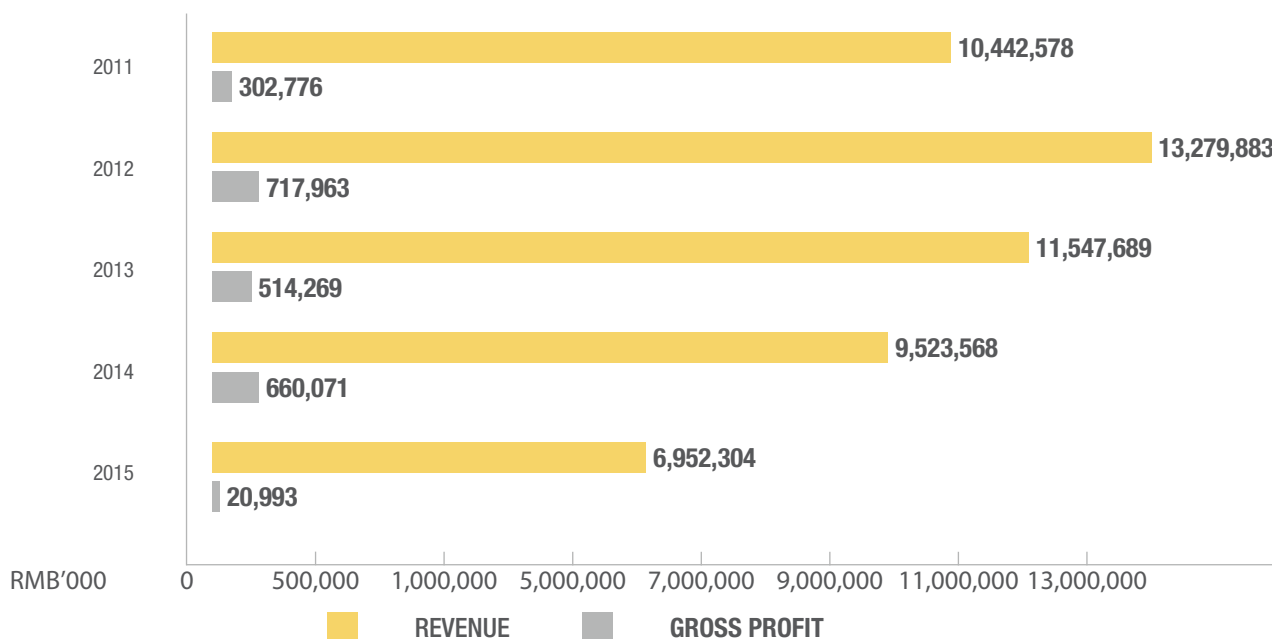
FINANCIAL RATIOS	FY2015	FY2014	FY2013	FY2012	FY2011
Gross Profit Margin	0.3%	6.9%	4.5%	5.4%	2.7%
Net Profit Margin	-	1.1%	-	1.5%	-
Basic (Losses)/ Earnings Per Share (RMB)	(3.57)	0.92	(0.25)	1.85	(0.10)
Net Tangible Assets Per Share (RMB)	20.82	24.35	23.35	23.45	21.85
Gearing (times)	1.68	1.41	1.17	1.01	1.36
Return on Total Assets	-	1.2%	-	2.8%	-
Return on Total Equity	-	3.8%	-	7.9%	-

Notes

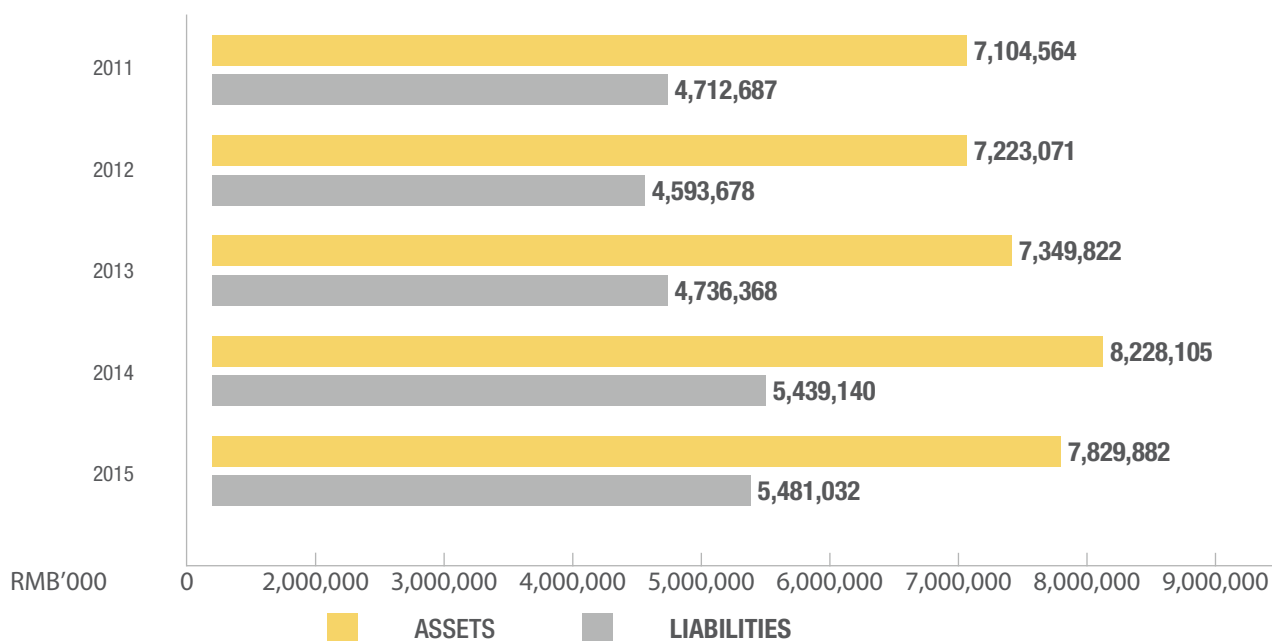
- (Losses)/earnings per share is defined as net profit after tax and non-controlling interest divided by weighted average number of shares in issue assuming that the share consolidation exercise was held and effective as at 31 December 2011.
- Net tangible assets per share is defined as total equity attributable to owners of the Company divided by total number of shares in issue assuming that the share consolidation exercise was held and effective as at 31 December 2011.
- Gearing is defined as total borrowings (including convertible bonds and convertible shares) divided by total equity attributable to owners of the Company.
- Return on assets is defined as net profit after tax and non-controlling interest divided by total assets.
- Return on equity is defined as net profit after tax and non-controlling interest divided by total equity attributable to owners of the Company.

FIVE-YEAR FINANCIAL HIGHLIGHTS

REVENUE & GROSS PROFIT

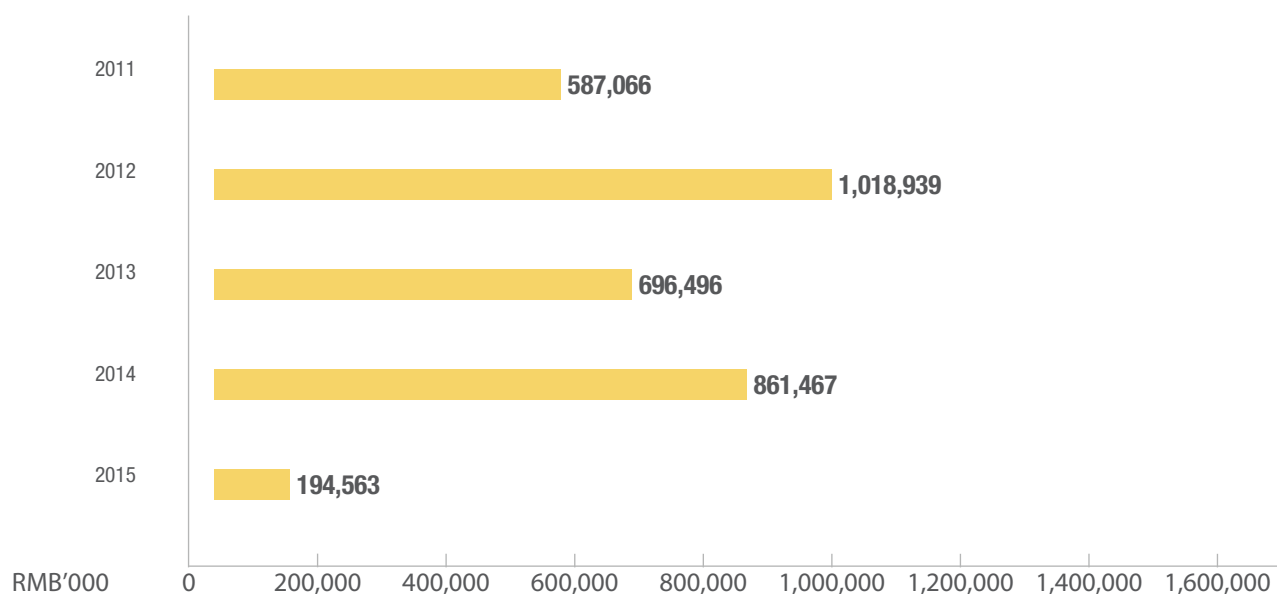


TOTAL ASSETS & LIABILITIES

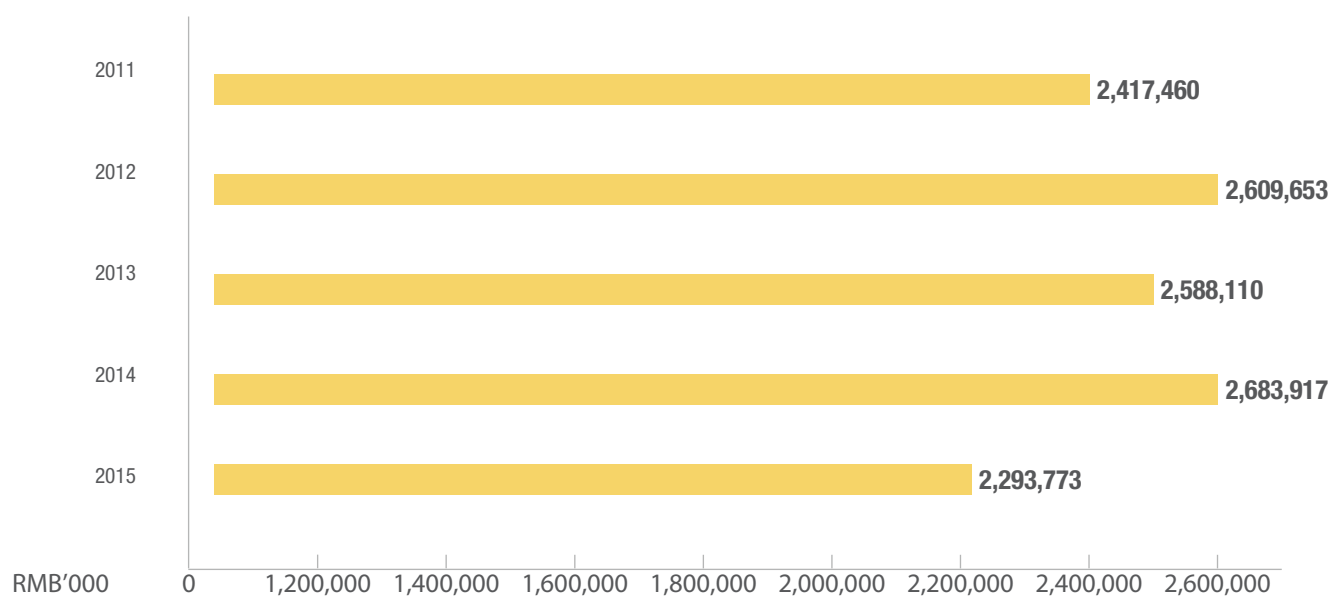


FIVE-YEAR FINANCIAL HIGHLIGHTS

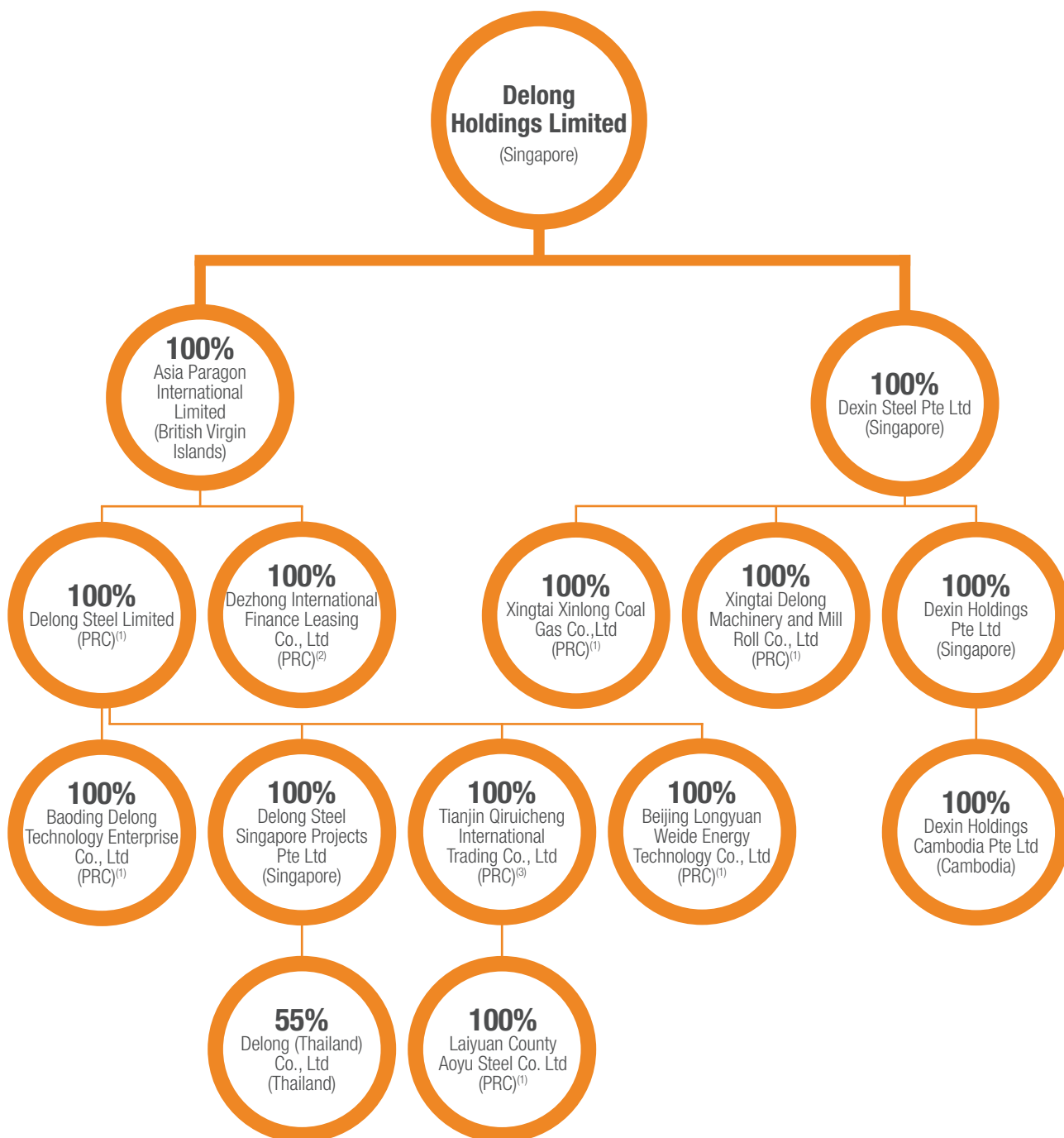
EBITDA



TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY



CORPORATE STRUCTURE



Legal Representative

- ⁽¹⁾ Mr Ding Liguo
- ⁽²⁾ Ms Lan Jihong
- ⁽³⁾ Mr Wu Yujie

Delong Holdings Limited is principally engaged in the manufacture and sale of hot-rolled steel coil ("HRC"), with the People's Republic of China as its principal market.

Asia Paragon International Limited ("Asia Paragon")

Asia Paragon is an investment holding company.

Delong Steel Limited ("Delong Steel")

Located 5km off Xingtai City in Hebei province, the People's Republic of China ("PRC"), Delong Steel is an important private enterprise in the province, employing a sizeable workforce of 4,340 and contributing significantly to the local economy. A member of the China Iron & Steel Association, Delong Steel is principally engaged in the manufacture and sale of hot-rolled coil ("HRC").

Sitting on a land area of over 900,000 square meters and ISO9001:2000-certified, the plant is outfitted with advanced steelmaking equipment, including multi-layered low-temperature sintering equipment, fully automated Programmable Logic Controller (PLC) production systems and ultrasonic cleaning technology. The Company has a fully-integrated steel plant capable of handling production from raw material processing through final product packaging. Over the years, the company has continually invested to upgrade its facilities through technological enhancement programmes.

Delong Steel's key products are HRC ranging from 350 to 1,250 mm in width and 1.4 to 25.0 mm in thickness. The products, which can be customized to clients' specifications, are mainly used for the infrastructure, pipe-making and machinery industries. As at 31 December 2015, the total HRC production from the two lines stood at 2.4 million tonnes a year.

The majority of Delong Steel's clients are located in the PRC, within a 500-kilometre radius of its plant, and the Company has benefited greatly from the rapid economic development in the northern and northeastern regions of China.

Laiyuan County Aoyu Steel Co., Ltd ("Aoyu Steel")

Located in Fengle Village, Laiyuan Town, Laiyuan County, Hebei province, the People's Republic of China ("PRC"), Aoyu Steel is principally engaged in the manufacture and sale of HRC. Aoyu Steel has a staff strength of 1,897 employees and an annual manufacturing production capacity of 1,200,000 tonnes. The main customers of Aoyu Steel are located in the Tianjin and Hebei area.

Dexin Steel Pte Ltd ("Dexin Steel")

Operationally located in Singapore, Dexin Steel is an investment holding company and iron ore trading and procurement center.

Dezhong International Financial Leasing Co., Ltd ("Dezhong Leasing")

Operationally located in the PRC, the principal activity of Dezhong Leasing is in the business of purchasing equipment and leasing such equipment to the Group subsidiaries for use in the operations or to other third parties.

Xingtai Xinlong Coal Gas Co., Ltd ("Xingtai Xinlong")

Operationally located in the PRC, the principal activity of Xingtai Xinlong is in coal gas recycling.

Xingtai Delong Machinery and Mill Roll Co., Ltd ("Xingtai Delong Mill Roll")

Operationally located in the PRC, the principal activities of Xingtai Delong Mill Roll are in the design, development, manufacture and sale of large diameter steel mill rollers and large cast steel articles.

CORPORATE PROFILE



Tianjin Qiruicheng International Trading Co., Ltd (“Tianjin Qiruicheng”)

Operationally located in the PRC, the principal activities of Tianjin Qiruicheng are in the trading of steel and steel related products and investment in resource-related projects.

Dexin Holdings Pte Ltd (“Dexin Holdings”)

Operationally located in Singapore, Dexin Holdings is an investment holding company.

Delong Steel Singapore Projects Pte Ltd (“Delong Steel Singapore”)

Operationally located in Singapore, Delong Steel Singapore is an investment holding company.

Delong (Thailand) Co., Ltd (“Delong Thailand”)

Located in Mabyangporn Sub-district, Pluak Daeng District, Rayong, Thailand, Delong Thailand is principally engaged in the manufacturing and sale of hot-rolled narrow strip steel products. Delong Thailand has a staff strength of 340 employees and an annual manufacturing production capacity of 600,000 tonnes.

Beijing Longyuan Weide Energy Technology Co., Ltd (“Longyuan Weide”)

Operationally located in the PRC, Longyuan Weide is engaged in the technology development, technology services, technology advisory and investments.

Baoding Delong Technology Enterprise Co., Ltd (“Baoding Delong”)

Operationally located in the PRC, Baoding Delong is principally engaged in the manufacture and sale of hot-rolled coils.

BOARD OF DIRECTORS

Ding Liguo
Executive Chairman and Non-Independent
First appointed: 8 March 2005
(re-appointed on 29 April 2015)

Zuo Shuowen
Executive Director and Non-Independent
First appointed: 1 January 2010
(re-appointed on 28 April 2014)

Yuan Weimin
Non-Executive Director and Non-Independent
First appointed: 16 April 2008
(re-appointed on 28 April 2014)

Hee Theng Fong
Non-Executive Director and Independent
First appointed: 1 June 2006
(re-appointed on 30 April 2013)

Lai Hock Meng
Non-Executive Director and Independent
First appointed: 15 June 2007
(re-appointed on 29 April 2015)

Wang Tianyi
Non-Executive Director and Independent
First appointed on 15 August 2013
(re-appointed on 28 April 2014)

AUDIT COMMITTEE

Lai Hock Meng (Chairman)
Hee Theng Fong
Wang Tianyi

NOMINATING COMMITTEE

Hee Theng Fong (Chairman)
Lai Hock Meng
Wang Tianyi

REMUNERATION COMMITTEE

Wang Tianyi (Chairman)
Hee Theng Fong
Lai Hock Meng

COMPANY SECRETARY

Yeo Lee Luang
Chartered Accountant

SHARE REGISTRAR

B.A.C.S Private Limited
8 Robinson Road #03-00
ASO Building
Singapore 048544
Tel: (65) 65934848
Fax: (65) 65934847

REGISTERED OFFICE

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Level 10
Singapore 048941
Tel: (65) 65212964
Fax: (65) 65357505
Website: www.delongsteel.com
Investor Relations Website: delong.listedcompany.com

COMPANY REGISTRATION NUMBER

199705215G

AUDITORS

Deloitte & Touche LLP
6 Shenton Way #33-00
OUE Downtown 2
Singapore 068809
Tel: (65) 62248288

Partner-in-charge: Mr. Yang Chi Chih
(Appointed since 2012)

PRINCIPAL BANKERS

Agricultural Bank of China
Industrial and Commercial Bank of China
Bank of China
China Minseng Bank
DBS Singapore

CORPORATE GOVERNANCE REPORT

The Board of Directors and Management of Delong Holdings Limited are committed to a high standard of corporate governance and transparency and to the protection of shareholders' interest. The Company's corporate governance policies and processes are in line with the revised Code of Corporate Governance (the "Code") released by the Council on Corporate Disclosure and Governance in May 2012. Explanations have been provided for any deviation from the Code and how such alternative governance practices achieve the objectives of the principles and conform to the guidelines in the Code.

This report describes the Company's corporate governance policies and processes for the financial year ended 31 December 2015 with specific reference to specific guideline in the Code.

BOARD MATTERS

The Board's Conduct on Affairs Board, Composition and Guidance

Guideline 2.1

The Board of Directors (the "Board") comprises six directors of whom three are independent directors. The particulars of the directors are set out on pages 4 and 5. The directors are not related to one another.

Guideline 1.1

The Board believes that its primary role is to protect and enhance long-term shareholder value. To this end, it sets the overall strategy for the Company and its subsidiaries (collectively, the "Group") and oversees management. To fulfill this objective, the Board takes responsibility for implementing and maintaining sound corporate governance practices for the Group. The Board provides leadership, sets strategic direction, establishes risk policies and procedures and requires goals from management as well as monitors the achievement of those goals.

Guideline 1.3

To assist the Board in the execution of its responsibilities, the Board has established an Audit Committee, a Nominating Committee and a Remuneration Committee (the "Board Committees"). These committees are chaired by independent directors and function within clearly defined terms of reference and operating procedures. The Board and the Board Committees meet regularly and, if necessary, on an ad hoc basis.

Guideline 1.4

To facilitate the ease, frequency and speed of Board meetings, the Company's Articles of Association allow Board members to attend meetings via any electronic or telegraphic methods of simultaneous communication including via tele-conference.

The following table shows the number of meetings held and directors' attendances since the date of the previous Report of the Directors:

	Board	Audit Committee	Remuneration Committee	Nominating Committee
Number of meetings held	6	4	1	1
Number of Meetings Attended				
Directors:				
Ding Liguo	6	4*	-	-
Zuo Shuowen	6	4*	-	-
Hee Theng Fong	5	3	1	1
Lai Hock Meng	6	4	1	1
Yuan Weimin	6	4*	-	-
Wang Tianyi	5	3	1	1

*-Attendance by invitation to the Committee

Guideline 1.5

The Board regularly reviews all matters within its purview including but not limited to business strategies, development plans and the performance of the Group. Reviews are also made of the annual budget, announcement of financial results, annual reports and any acquisition or disposal of material assets. There are internal guidelines on matters that require the Board's approval. These guidelines were approved by the Board and review annually.

Continuing Education

Guideline 1.6

The Board recognizes the importance of appropriate orientation training and continuing education for its directors. Newly appointed directors are fully briefed as to the business activities of the Group and its strategic directions. Newly appointed directors receive a formal letter explaining their statutory duties and responsibilities as a director.

The directors also updated in a timely manner on regulatory changes which have a bearing on the Company and the directors' obligations towards the Company.

All directors are encouraged to obtain at least 3 hours continuing education each financial year by way of seminars, courses and other programs relating to the discharge of their duties as directors. The Company is prepared to undertake funding for such continuing education. During FY2015, directors met the continuing education target.

Guideline 2.5

The Nominating Committee ("NC") is responsible for examining the size and composition of the Board and the Board Committees. Having considered the scope and nature of the Group's businesses, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and the Board Committees, the Board, in concurrence with the NC, considers that a board size of between five to seven members as appropriate.

The Board believes that its current board size and the existing composition of the Board Committees effectively serve the Group. It provides sufficient diversity without interfering with efficient decision-making.

Guideline 2.6

To assist the NC in its annual review of the directors' mix of skills and experiences that the Board requires to function competently and efficiently, all directors submitted a Director Competency Form, providing information of their areas of specialization and expertise. The NC, having reviewed the completed forms, is satisfied that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies to lead and govern the Group effectively. Each director has been appointed on the strength of his calibre, experience and stature and is expected to bring a valuable range of experience and expertise to contribute the development of the Group strategy and the performance of its business.

Guideline 2.8

The independent directors meet on a need-basis without the present of the management to discuss matters such as the Group's financial performance, corporate governance initiatives, board processes, succession planning as well as leadership development and the remuneration of the executive directors.

Chairman and Chief Executive Officer

Guideline 3.1

The Board is of the view that it is in the best interests of the Group to adopt a single leadership structure, whereby the CEO and Chairman of the Board is the same person, so as to ensure that the decision-making process of the Group would not be unnecessarily hindered.

All major proposals and decisions made by the Executive Chairman and CEO are discussed and reviewed by the AC. His performance and appointment to the Board is reviewed periodically by the NC and his remuneration package is reviewed periodically by the RC. As the AC, NC and RC consist of all independent directors, the Board believes that there are sufficient strong and independent elements and adequate safeguards in place against an uneven concentration of power and authority in a single individual.

CORPORATE GOVERNANCE REPORT

Guideline 3.2

The Group's Executive Chairman, Mr Ding Liguo, plays an instrumental role in developing the business of the Group and provides the Group with strong leadership and vision. In addition to managing day-to-day business operations of the Group, he is to ensure that each member of the Board and the Management works well together with integrity and competency.

As the Executive Chairman and CEO, he, with the assistance of the Company Secretary, schedules Board meetings as and when required and prepares the agenda of the Board meetings and ensures sufficient allocation of time for thorough discussion of each agenda item, in particular strategic issues. In addition, he sets guidelines and exercise control over the quality, quantity, accurateness and timeline of information flow between the Board and the Management. He also takes a leading role in ensuring the Company's drive to achieve and maintain a high standard of corporate governance practices with the full support of the Board, Company Secretary and the Management.

Guideline 3.3

The Board has appointed Mr Lai Hock Meng as the lead independent non-executive director to co-ordinate and to lead the independent directors, to provide a non-executive perspective and contribute a balance of view points to the Board. He is the principal liaison on Board issues between the independent directors and the Executive Chairman. He is available to shareholders where they have concerns with contact through the normal channels of the Executive Chairman and CEO or CFO has failed to resolve or is inappropriate.

Guideline 2.2

Where the Chairman and the CEO is the same person, the independent directors should make up at least half of the Board. The Company has complied with the guideline in the Code as half of the Board is make up of independent directors.

Board Membership and Performance

Guideline 4.1

The Nominating Committee ("NC") has three members, all of whom are independent directors. The members are:

Chairman : Hee Theng Fong

Member : Lai Hock Meng

Member : Wang Tianyi

The NC's written terms of reference, which describe its major responsibilities are:

- review the nominations and recommend to the Board the appointment and re-appointment;
- annual review of balance and diversify of skills, experience, gender and knowledge required by the Board, determine the suitable size of the Board which would facilitate decision-making after taking into consideration the scope and nature of the operations of the Company;
- annual review of independence of each director, and to ensure that the Board comprises at least one –third independent directors. In this connection, the NC should conduct particularly rigorous review of the independence of any director who has served on the Board beyond nine years from the date of his first appointment;
- where a director has multiple listed companies board representation and/or other principal commitments, to decide whether the director is able to and has been adequately carrying out his duties as director of the Company;
- recommend to the Board the process for the evaluation of the performance of the Board, the Board Committees and individual directors, and propose objective performance criteria to assess the effectiveness of the Board as a whole and the contribution of each director;
- annual assessment of the effectiveness of the Board as a whole and the individual directors; and
- perform such other functions as the Board may determine.

Guideline 4.2 and 4.6

The NC is responsible for identifying candidates and reviewing all nominations for the appointments of new directors.

When an existing director chooses to retire or the need for a new director arises, either to replace a retiring director or to enhance the Board's strength, the NC, in consultation with the Board, evaluates and determines the selection criteria so as to identify candidates with the appropriate expertise and experience for the appointment as new director. The selection criterion includes integrity, diversity of competencies, expertise, industry experience and financial literacy. The NC seeks potential candidates widely and beyond directors/management recommendations and is empowered to engage external parties, such as professional research firms, to undertake research on or assessment of candidates as it deems necessary.

The NC then meets with the shortlisted potential candidates with the appropriate profile to assess suitability and to ensure that the candidates are aware of the expectation and the level of commitment required, before nominating the most suitable candidate to the Board for approval and appointment as director.

The role of the NC also includes the responsibility of reviewing the renomination of directors who retire by rotation, taking into consideration the director's integrity, independence mindedness, contribution and performance (such as attendance, participation and preparedness) and any other factors as may be determined by the NC.

All directors, including the Executive Chairman and CEO, submit themselves for re-nomination and re-appointment at regular intervals of at least every three years. Pursuant to the Article 89 of the Company's Articles of Association, one third of the Board are to retire from office by rotation and be subject to re-appointment at the Company's AGM.

The Board recognizes the contribution of its independent directors who over time have developed deep insight into the Group's businesses and operations and who are therefore able to provide invaluable contributions to the Group. As such, the Board has not set a fixed term of office for each of its independent directors so as to be able to retain the services of the directors as necessary.

Guideline 4.4

All directors are required to declare their board representations. When a director has multiple board representation, the NC will consider whether the director is able to adequately carry out his duties as a director of the Company, taking into consideration the director's number of listed company board representations and other principal commitments.

The NC has reviewed and is satisfied that Mr Hee Theng Fong and Mr Lai Hock Meng, who sit on multiple boards, have been able to devote sufficient time and attention to the affairs of the Company to adequately discharge their duties as directors of the Company, notwithstanding her multiple board appointments.

The Company's current policy stipulates that a director should not have in aggregate more than six listed company board representations and other principal commitments concurrently so as to be able to devote sufficient time and attention to the affairs of the Company to adequately discharge his duties as director of the Company.

CORPORATE GOVERNANCE REPORT

Guideline 4.4

The following lists the present and past directorships of our directors in listed companies other than directorships held in our Company.

Name of director	Present Directorships	Past Directorships (preceding 3 years)
Ding Ligu	-	-
Zuo Shuowen	-	-
Hee Theng Fong	Datapulse Technology Limited Tye Soon Limited YHI International Limited First Resources Limited	-
Lai Hock Meng	CFM Holdings Limited PureCircle Ltd ASTI Holdings Limited	China Energy Limited China Essence Group Ltd China Oilfield Technology Services Group Ltd
Yuan Weimin	-	-
Wang Tianyi	China Oriental Group Co Ltd	-

Guideline 4.7

Directors who are seeking re-appointment at the forthcoming AGM to be held on 29 April 2016 are stated in the Notice of AGM set out on page 93 of this Annual Report.

Each member of the NC abstains from voting on any resolutions and making any recommendation and/or participating in respect of matters on which he is interested.

Guideline 5.1

The NC is charged with carrying out an annual Board Appraisal. Briefly, the process followed is for each Board Member to complete an evaluation form within a stipulated period. The completed form is returned by each member to the Chairman of the NC who compiles a consolidated report after discussion with the NC members. The NC's report and any recommendations are then tabled for discussion by the whole Board. The Board takes this evaluation process seriously. The evaluation form and process have been designed to obtain constructive feedback and initiate dialogue among Board Members with a view to enhancing shareholder value, the effectiveness of the Board as a whole and the discharge of each Member's duties. The evaluation tracks and reviews quantitative as well as qualitative indicators to measure the Board's performance. The contribution of each director to the effectiveness of the Board is tracked via their attendance at Board and Board Committees meetings.

Policy on the independence of Independent Directors

The Company is committed to have a strong independent element on the Board and has adopted a policy and established a process to obtain and maintain the requisite degree of independent representation for good and sound governance. As prescribed by the policy, the process:

- establishes the methodology the Board shall use to assess the independence of each independent director bearing in mind the definition of independence in the Code;
- identifies the information that shall be collected from each independent director to make the assessment of independence; and
- fixes the elements of disclosure to shareholders with regard to the assessment to be made, including the disclosure of any relationships and associations that may be perceived to affect the independence or objectivity of an independent director.

CORPORATE GOVERNANCE REPORT

The process requires the NC to make a formal assessment and report to the Board their findings as to whether the independent directors are independent of management and independent in character and judgment and whether there are any business or other relationships that could materially affect or interfere with the exercise of objective, unfettered or independent judgment by the independent directors or the independent directors' ability to fulfill their mandate and duties. The Board's rigorous review of the process is an important element in this process as the NC itself comprises only independent directors. The key features of the process are briefly set out below.

On an annual basis, the NC shall require each independent director to complete, confirm and sign a Declaration of Independence, the content and form of which has been approved.

Each declaration shall be reviewed by the other members of the NC. This forms the basis of the assessment. All relevant facts and circumstances shall be considered in making the assessment.

Generally (but without limiting the scope of the factors which may be taken into account), in accordance with best practices, independence is, prima facie, established if the criteria set out below is met.

A director is independent if he or she:

- a) is not an executive director of the Company or any of its related corporations and have not been employed by the Company or any of its related corporations in the current or any of the past three financial years;
- b) does not have an immediate family member, who is, or has been in any of the past three financial years, employed by the Company or any of its related corporations as a senior executive officer whose remuneration is determined by the RC;
- c) does not accept any significant compensation from the Company or any of its related corporation for the provision of services, for the current or immediate past financial year, other than compensation for board service;
- d) does not have an immediate family who is accepting any compensation from the Company or any of its related corporation for the provision of services, for the current or immediate past financial year, other than compensation for board service;
- e) is not a shareholder of or a partner in (with 10% or more stake), or an executive director of, or a director of any organisation to which the Company or any of its subsidiaries made or from which the Company or any of its subsidiaries received, significant payments or materials services (in excess of an aggregate of S\$200,000 per annum) in the current or immediate past financial year;
- f) does not have a relationship with the Company, its related corporations or its officers that could interfere or be reasonably perceived to interfere, with my exercise of independent business judgment with a view to the best interests of the Company and in carrying out my functions as an independent director and a member of any Board committee(s);
- g) is not directly associated with a 10% shareholder of the Company in the current or immediate past financial year; and
- h) has not served on the Board for a period which could, or could reasonably be perceived to , materially interfere with the independent director's ability to act in the best interests of the Company

Independent directors are obliged to update the Board with any new information in relation to interests or relationships relevant to independence. The Board shall re-assess independence as and when any new interests or relationships are disclosed or come to light, as well as annually.

Following this process, the NC shall report to the Board, drawing to its attention in particular any failure to meet any of the above criteria and to any other relevant circumstances and the NC shall make recommendations. However, it is the Board's duty and prerogative to determine the sufficiency or otherwise of independence and to determine its composition. In accordance with best practices and the Code, the Board shall provide a justification if an appointee fails to meet any of the criteria above, but the Board still considers the appointee as an independent director.

CORPORATE GOVERNANCE REPORT

The Board shall make the following disclosure to shareholders in the Company's Annual Report with regard to the matter of independent directors:

- the status of each of its members, that is whether each is an independent or non-independent director (and any change in status that occurred during the year) and their period of office.
- the justification for designating any member an independent director who fails to meet all the criteria stated above or whose status requires an explanation for any reason;
- the policy and criteria mentioned above.

Independent and non-independent directors standing for re-election will be so identified in the Notice of Annual General Meeting. If the Board's assessment of a director's independence changes, that change will be disclosed immediately through an announcement on the Singapore Exchange website and the Company's website.

Guideline 2.3

There is no director deemed to be independent notwithstanding the existence of a relationship.

Mr Hee Theng Fong, Mr Lai Hock Meng and Mr Wang Tianyi have satisfied the criteria stipulated in the above policy and the Board is of the view they are in fact independent and non-executive directors. For key information relating to the directors, please refer to the particulars of the Directors as set out on pages 4 and 5. The dates of the first appointment and last re-appointment of each director are provided in the corporate information section on page 13.

Guideline 2.4

The Board recognizes that independent directors may over time develop significant insights in the Group's business and operations, and can continue to provide noteworthy and valuable contribution to the Board. The independence of the independent directors must be based on the substance of their professionalism, integrity, and objectivity, and not merely based on form, such as the number of years which they have served on the Board.

Currently, Mr Hee Theng Fong has served on the Board for more than 9 years from the date of his first appointment. The Board has subjected his independence to a particularly rigorous review.

The Board is of the view that Mr Hee Theng Fong has demonstrated strong independence character and judgement over the years in discharging his duties and responsibilities as independent director of the Company with the utmost commitment in upholding the interest of the non-controlling shareholders. He has expressed individual viewpoints, debated issues and objectively scrutinized and challenged Management.

Taking into account the above, and also having weighed the need for the Board's refreshment against tenure for relative benefit, the Board has resolved that Mr Hee continues to be considered independent director, notwithstanding he has served on the Board for more than nine years from the date of his first appointment.

ACCESS TO INFORMATION

Guideline 6.1

All directors have unrestricted access to the Company's records and information. From time to time, they are furnished with accurate and detailed information in a timely manner concerning the Group to enable them to be fully cognisant of the decisions and actions of the Group's key management personnel. The Board receives monthly management reports, quarterly financial statements, annual budgets and explanation on material forecasts variances to enable them to oversee the Group's operational and financial performance.

The directors have separate and independent access to the Company Secretary and to other key management personnel of the Group at all times through email, telephone and face-to-face meetings. Any additional materials or information requested by the directors to make informed decisions is promptly furnished.

Guideline 6.2

The Board and the Board Committees are furnished with complete, adequate and reliable board papers and information in a timely manner prior to any meeting so as to facilitate directors in the proper and effective discharge of their duties. Detailed Board papers are prepared for each meeting and are circulated in advance for each meeting. The Board papers include sufficient information from management on financial, business and corporate issues to enable the directors to properly consider these matters before the Board meetings.

Guideline 6.3

The company secretary attends and minutes all Board meetings. She assists with proper procedure and compliance with the Companies Act, the Company's Memorandum and Articles of Association, the Listing Rules of the SGX-ST, and other applicable rules and regulations. The directors have access to the Company Secretary with regard to any corporate issues.

Guideline 6.4

The appointment and the removal of the Company Secretary is subject to the approval of the Board.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Level and Mix of Remuneration

Guideline 7.1

The Remuneration Committee ("RC") has three members, all of whom are independent directors. The members are:

Chairman :	Wang Tianyi
Member :	Hee Theng Fong
Member :	Lai Hock Meng

Guideline 7.2

The RC's written terms of reference which describe its major responsibilities, are:

- to make recommendations to the Board on the framework of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses and benefits in kind for the Board and key executives and to determine specific remuneration packages for each executive director;
- to review all benefits and long term incentive schemes (including share option), whether directors should be eligible for benefits under long-term incentive schemes and compensation/ remuneration packages for the Board and key executives; and
- to review service contracts of the executive directors.

Principle 8 and 9

The Company adopts a remuneration package for employees including executive directors, which is made up of a fixed and a variable component. The fixed component is the basic salary and the variable component is the performance bonus that is linked to the Group's performance and individual performance.

Guideline 9.1

Service contracts with the executive directors are for a fixed appointment period. There are no onerous clauses or 'golden handshake' provisions in connection with termination. There are no termination, retirement and post employment benefits that are granted to the executive directors and the key management personnel. These service contracts are subject to the review and approval of the Remuneration Committee. An overriding principle of our remuneration policy is that no director is involved in deciding his own remuneration.

CORPORATE GOVERNANCE REPORT

Disclosure of Remuneration

Guideline 9.2

Remuneration of Directors

The Board supports and is keenly aware of the need for transparency. However, after deliberation and debate, the Board is of the view that full disclosure of the specific remuneration of each director (including the Executive Chairman) and the key management personnel is not in the best interests of the Company and therefore shareholders. Inter alia, the Board took into account the very sensitive nature of the matter, the relative size of our Group, the competitive business environment we operate in and the irrevocable negative impact such disclosure would have on the Group.

The breakdown of the level and mix of remuneration of each director for the year ended 31 December 2015 is as follows:

Remuneration band & name of director	Director's fees	Salary	Bonus	Total
S\$900,000 -S\$999,999				
Ding Liguo	-	100%	-	100%
S\$100,000-S\$199,999				
Zuo Shuwen	-	100%	-	100%
Below S\$99,999				
Hee Theng Fong	100%	-	-	100%
Lai Hock Meng	100%	-	-	100%
Yuan Weimin	100%	-	-	100%
Wang Tianyi	100%	-	-	100%

Guideline 8.3

The non-executive directors receive directors' fees in line with the level of contribution, time spent, effort and responsibilities of each non-executive director. The calculation of director's fees for each non-executive director is as follows:

- the base director's fee for each Committee Member
- additional S\$5,000 per annum for each Committee Chairperson
- additional S\$10,000 per annum for Lead Independent Director

The aggregate directors' fees payable to the non-executive directors for the year ended 31 December 2015 is S\$265,000.

The directors' fees are subject to approval by shareholders at the Annual General Meeting.

Guideline 8.4

Having reviewed and considered the variable components of the executive directors and key management personnel, which are moderate, the RC is of the view that there is no requirement to institute contractual provisions to allow the Company to reclaim incentive components of the remuneration paid in prior years in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss.

In addition, the executive directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the executive directors in the event of such breach of fiduciary duties.

Guideline 9.3

Remuneration of key management personnel

The breakdown of the level and mix remuneration of the top four key management personnel (who are not directors) for the year ended 31 December 2015 is set out below:

Remuneration band & name of executive officer	Salary	Bonus	Allowances/ Benefits	Total
S\$400,000-S\$499,999				
Lan Jihong	92%	8%	-	100%
S\$100,000-S\$199,999				
Yeo Lee Luang	86%	14%	-	100%
Wu Yujie	100%	-	-	100%
Below S\$99,999				
Sun Jian Xun	100%	-	-	100%

The aggregate remuneration paid to the top 4 key management personnel for the year 31 December 2015 was S\$850,670.

The Company discloses the above information using a narrower band of S\$100,000 to improve transparency as compared to the S\$250,000 bands stipulated in the Code.

Guideline 9.4

No employee of the Group is an immediate family member of the substantial shareholders, a director or the Executive Chairman in the financial year under review, earning remuneration more than S\$50,000 during the year.

Guideline 9.5

The Group does not have any share-based compensation scheme or any long-term scheme involving the offer of shares or options in place.

ACCOUNTABILITY AND AUDIT

Accountability

Guideline 10.1

The Company announces its quarterly results and annual financial reports as required by the Code within the mandatory period.

In presenting the annual financial statements and quarterly announcements to shareholders, it is the aim of the Board to provide shareholders with detailed analysis and a balanced and understandable assessment of the Company's performance, position and prospect. Financial reports and other price-sensitive information are disseminated to shareholders through announcement via SGXNET, press releases and the Company's website.

Guideline 10.2

In accordance with SGX-ST's requirements, the Board issued negative assurance statements in its quarterly financial results announcements, confirming to the best of the knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect.

CORPORATE GOVERNANCE REPORT

Guideline 10.3

The Management updated the Board on the Group's financial performance through monthly management reports. Such reports compare the Group's actual performance against the results of the previous year. They also highlighted key issues that are relevant to the Group's performance from time to time in order for the Board to make balanced and informed assessments of the Company's performance, position and prospects.

Audit Committee

Guideline 12.1

The Audit Committee ("AC") comprises three members, all of whom are independent directors.

Chairman : Lai Hock Meng

Member : Hee Theng Fong

Member : Wang Tianyi

All the members have had many years of experience in senior positions in financial, legal and/or commercial sectors. They have sufficient financial expertise and experience to discharge the AC's functions. The Chairman has many years of finance, banking and listed company experience.

The AC's written terms of reference which describe its major responsibilities are:

- to review the scope, approach and results of the audit carried out by external auditors;
- to review (i) the quarterly and audited financial statements, SGXNET announcements, and all related disclosures to shareholders, before submission to the Board for approval;
- to review and discuss with external auditors any suspected fraud or irregularities, or failure of internal controls or rule and regulation which has or is likely to have a material impact on the Company's operating results and/or financial position;
- to make recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and approve the remuneration and terms of engagement of the external auditors;
- to review the independence of the external auditors annually including the nature and extent of non-audit services provided by the external auditors;
- to review interested person transactions falling within the scope of Chapter 9 of the SGX-ST listing Manual;
- to review the scope of work of the internal auditors;
- to review annually the adequacy and effectiveness of the internal audit function to ensure that the internal audit resources are adequate and that the internal audits are performed effectively;
- to oversee the Company's risk management framework and policies, to determine the Company's overall levels of risk tolerance and risk policies;
- to review the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology annually, either internally or with the assistance of any competent third parties;

- to review assurance from the CEO and CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances and regarding the effectiveness of the Company's risk management and internal control systems; and
- perform such other functions as the Board may determine.

Guideline 12.5

The AC meets with the external auditors separately at least once a year without the presence of the Management, to discuss the reasonableness of the financial reporting process, to review the adequacy of audit arrangements with particular emphasis on the observations and recommendations of the external auditors, the scope and quality of their audits and the independence and objectivity of the external auditors.

Guideline 12.6

The AC confirms that there was no non-audit services provided by the Company's auditors during the year. The AC has recommended their re-appointment at the forthcoming AGM.

One of the subsidiaries in the Group is being audited by external auditors other than those of the Company. The AC is satisfied that there are sound internal controls applied in this subsidiary and the scope of audit performed by these other external auditors is adequate.

The following information relates to remuneration of the auditor of the Company during the financial year:

	2015	2014
	RMB'000	RMB'000
Fees on audit services paid/payable to:		
- Auditor of the Company	2,332	2,512
Fees on non-audit services paid /payable to		
- Other auditors	247	287

The Group has complied with Rule 712, Rule 715 and Rule 716 of the Listing Manual issued by Singapore Exchange Securities Trading Limited in relation to its auditors.

Guideline 12.8

It is the Company's practice for our external auditor to present the AC with their audit plan and with updates relating to any change of accounting standards impacting on the financial statements before an audit commences. It is also the responsibility of the CFO to update the Board on any changes in accounting standards which may have an impact on the financial statements. During the financial year in review, the changes in accounting standards did not have any impact on the Company's financial statements.

Guideline 12.7

The Board has formulated a written and comprehensive Whistle Blowing policy which has been disseminated through the Group and is an integral part of the Company Handbook. The Board believes that this policy will, inter alia, act as a deterrent to malpractice and wrongdoing, encourage openness, promote transparency and underpin the risk management systems of the Group.

The Whistle Blowing Officers are the internal auditors of the Company. Any Whistle Blowing Officer to whom a concern has been raised is obliged to make a report to the Audit Committee of the substance of the concern without breaching employee confidentiality. The AC is obliged to review all reports received and take or approve appropriate action.

The policy requires that the Whistle Blowing Officer shall consider any concern raised seriously even if made anonymously.

CORPORATE GOVERNANCE REPORT

The policy covers all and any improprieties and wrongdoings:

- affecting the financial position of the company;
- relating to the honesty and integrity of the company's dealings;
- relating to the honesty and integrity of any employee or director in the course of his or her employment or dealing with or on behalf of the Company.

A whistle blower can choose to raise a concern by any means convenient including sending a letter or email or by telephone to any Whistle Blowing officer directly. The concern is appropriately and expeditiously dealt with and could be referred to the police or an independent investigator depending on the nature of the disclosure and the outcome of preliminary investigations.

All concerns raised must be referred to the AC in a timely manner.

INTERNAL CONTROLS

Guideline 13.1

The Board recognizes its responsibility in ensuring a sound system of internal controls to safeguard shareholders' investments and the Group's assets. For the financial year under review, the Board is of the view that there is no significant weakness or breakdown in the Group's existing system of internal controls and they provide reasonable, but no absolute assurance that the Group will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. However, the Board notes that no system of internal controls could provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision making, human error, losses, fraud and other irregularities.

As part of the annual statutory audit of the financial statements, the independent auditor also reports to the AC and management on material internal control weaknesses which have come to their attention during the course of the statutory audit. The independent auditor carries out, in the course of the statutory audit, an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the independent auditor considers internal control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate to the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Guideline 11.3 and Listing Rule 1207 (10)

During the financial year, based on the work performed by the internal and external auditors, and reviews conducted by the Audit Committee, the Board is confident that the Company's framework of internal controls, including financial, operational, compliance and information technology controls, and risk management systems, is adequate to provide reasonable assurance of the integrity and effectiveness of the Company in safeguarding its assets and shareholders' value. This framework serves to provide reasonable assurance against material misrepresentation or loss.

The Board is of the view, with the concurrence of the AC, that there are adequate internal controls in place to address financial, operational, compliance and information technology controls, and risk management systems during the financial year and up to the date of this report after considering the following:

- work done and reports by the internal and external auditors given during the year;
- no reported incidents pertaining to whistle-blowing for FY2015;
- assurances obtained from the CEO and CFO that (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances and (b) the Group's risk management and internal control systems in place is adequate and effective in addressing the material risks in the Group in its current business environment including financial, operational, compliance and information technology risks.

Guideline 11.4

The responsibility of overseeing the Company's risk management framework and policies is undertaken by the AC with the assistance of the internal auditors. Having considered the Company's business operations as well as its existing internal control and risk management systems, the Board is of the view that a separate risk committee is not required for the time being.

INTERNAL AUDIT

Guideline 13.4

The AC is assisted by the Internal Audit Group ("IAG") of Delong Steel in reviewing and testing during the year the proper functioning and adequacy of the Company's risk management and internal control systems. The Company's IAG is staffed by suitably qualified and experienced professionals with the relevant experience. The IAG reports directly to the AC on internal audit matters and may request from it the necessary resources to adequately perform its functions. The AC endeavours to ensure that internal audit functions are adequately resourced and given an appropriate standing within the Company.

To ensure the adequacy and effectiveness of the risk management and internal audit functions, the AC reviews the IAG's activities on a quarterly basis.

Since 2011, the Company has also engaged PricewaterhouseCoopers Business Advisory Services Pte Ltd ("PwC") to perform a limited review on internal controls over the Group's cash and bank management, promissory notes management etc on a yearly basis of our main subsidiaries in the PRC. Any material non-compliance or lapses in internal controls, together with recommendation for improvement are reported to the AC.

SHAREHOLDER RIGHTS AND COMMUNICATION WITH SHAREHOLDERS

CONDUCT OF SHAREHOLDER MEETINGS

Principle 15

Investor Relations Practices and Guideline

The main objectives of the Company's Investor Relations (IR) are to:

- maintain an open and active dialogue with existing and potential shareholders; and
- ensure all investors have equal and adequate access to clear, comprehensive, and relevant information on a timely basis.

Guideline 15.2

The Company's primary communication platforms are its annual report, announcement posted on the SGXNET and Company website, and Annual General Meeting. The Company augments its communications via regular analyst/media briefing, one-on-one meetings and conference calls.

The Company announces its financial results via SGXNET and strives to provide material information beyond the mandatory regulatory requirements of the SGX-ST Listing Manual.

Guideline 15.4

Regular media and analyst briefings are organized to enable a better appreciation of the Group's performance and developments. The Company holds investor briefings, inviting the media and analyst, after the release of the quarterly and full year financial results.

CORPORATE GOVERNANCE REPORT

Our website www.delongsteel.com is updated in a timely manner with the Group's latest announcements. In addition, shareholders can also view our latest financial highlights, financial reports, company presentations, investor factsheet, annual reports and stock quote under our investor portal, www.delong.listedcompany.com. Anyone may subscribe to the Company's announcements by registering for "email alerts" via our website.

Guideline 15.3

To enhance and encourage communication with investors, the Company provides contact details of our Investor Relations Consultants in our annual report and investor portal.

The Company conducts its IR on the following principles:

- Information deemed to be price-sensitive is disseminated without delay via announcements and/or press releases on SGXNET;
- Discuss only publicly-available and publicly known information during dialogues with investors and analyst, principally following announcement of financial results;
- Maintain a blackout period prior to the planned release of financial statements during which no meetings and presentations will be held with analysts or investors. The blackout period is two weeks for quarterly financial results and one month for the full-year financial results;
- Endeavour to provide comprehensive information in financial results announcements to help shareholders and potential investors make informed decisions;
- Announce the date of release of quarterly financial reports at least a week in advance;
- Operate an open policy with regard to investor/email enquiries; and
- Management and IR team are accessible to requests for one-on-one meetings and conference calls with investors and analysts.

Guideline 15.5

The Company does not have a dividend policy at present.

The Board does not recommend that a dividend be paid for the year ended 31 December 2015 after taking into consideration the need to conserve cash for its working capital and the retention of its prior year profits for investment into the future for long-term capital growth.

Encouraging Greater Shareholder Participation

Annual reports and notices of AGMs will be sent to all shareholders. Such notices are also published in the local newspapers and announced via SGXNET. Shareholders are encouraged to attend the Company's AGMs.

Guideline 16.3

At AGMs, the CEO will conduct a presentation on the Company's developments, financial results, outlook and strategy to provide shareholders with updates on the Company's progress. Shareholders also have the opportunity to share with and communicate their views to the Board. The Chairpersons of the Audit, Nominating and Remuneration Committees as well as the external auditors are requested to be present and available to address any queries by shareholders.

Guideline 16.2 and 16.5

With effect from the forthcoming AGM, all resolution tabled at the AGM will be voted by poll. The Board takes note that there should be a separate resolution at general meetings on each substantially separate issue and will provide reasons and material implications where resolutions are interlinked.

Guideline 16.4 and 16.5

The Company will public the results of the voting on each resolution tabled via SGXNET.

To enhance shareholders' participation, the Company holds its AGM at central locations that are easily accessible.

OTHER CORPORATE GOVERNANCE MATTERS

DEALING IN SECURITIES & COMPLIANCE WITH BEST PRACTICES GUIDE

The Company has adopted Internal Code of Conduct on dealing in the Company's securities. The Code has been modelled along the rules in the listing manual of the SGX-ST in respect of dealing in securities. The Group has procedures in place prohibiting directors and senior executives of the Group from dealing in the Company's shares during the periods commencing two weeks before the announcement of the Company's quarterly results and one month before full year financial results, and ending on the date of the announcement of the results, or if they are in possession of unpublished material price-sensitive information of the Company. Directors and senior executives are also expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period. Officers and directors are also prohibited from dealing in the Company's shares on short-term considerations.

The Board confirms that for the financial year ended 31 December 2015, the Company has complied with the listing rules of the SGX-ST in respect of dealing in securities.

MATERIAL CONTRACTS

There were no material contracts of the Company, or its subsidiaries involving the interests of the Executive Chairman, each director or controlling shareholder, either director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, entering into since the end of previous financial year.

INTERESTED PERSON TRANSACTIONS

The Company has adopted a policy in respect of any transactions with interested persons and requires that all such transactions are at arm's length and reviewed by the AC quarterly.

During the financial year under review, there were no interested person transactions relating to any director, substantial shareholders and their immediate family members as defined by the SGX Listing Manual (Chapter 9A "Interested Person Transactions").

RISK MANAGEMENT

The Company has put in place internal controls necessary to identify and manage significant business risks. The Company's IAG reports to the AC by highlighting any areas of concern discovered during the course of performing such internal audit process.

Management regularly reviews the Company's business and operational activities to identify areas of financial, operational and compliance as well as measures to control these risks. These include detailed financial and management reporting and detailed operational reports.

The Company's assets and our employees are insured under a comprehensive insurance program which is renewed annually. These also include directors and officers liability insurance.

Financial risk management is discussed in Note 4 to the Financial Statements set out on pages 59 to 66.

The Board is satisfied with the risk management practice and that risks facing the Group had been adequately addressed.

CORPORATE GOVERNANCE REPORT

CORPORATE SOCIAL RESPONSIBILITY

Delong has been actively performing its corporate social responsibility ("CSR") while pursuing the best possible profitability, safeguarding the interests of our shareholders, employees, customers, business partners and the society in general, striving to improve our execution efficiency and quality in virtue of our expertise and competitive superiority and combining the performance of our social responsibility with the enhancement of our competitive edges.

Environmental Protection and Sustainable Development

The Group places much importance on environmental protection, energy-saving and emission-reduction, and has continuously formulated and improved a series of regulatory policies to improve our environmental management, laying a solid foundation for future development.

Over the years, to comply with the stringent environmental guidelines, the Group has continually invested in technological upgrades and enhancements to reduce emission, improve energy efficiency and recycling waste resource, which showed that the Group performed its social responsibility.

The Group's energy and environmental indicators such as energy consumption, wastewater emission, dust particle emission and etc, are within the benchmark set by the Ministry of Industry and Information Technology in the PRC.

The Group carefully implemented the government's energy saving and environmental protection policies. The Group will make sure the policies of energy saving and environmental protection carried out throughout the process of production by prescribing objectives and positions and responsibilities, as a result of which agreeable results have been achieved both in the improvement of energy-saving and environmental protection technology and scientific management.

Contribution to Society

Delong honors integrity in business operations and lawful and faithful tax paying, which is the philosophy of social responsibility. In 2015, the Group paid RMB6.9 million taxes in total. Meanwhile, the Group is keen to support the local communities through various channels such as educational, cultural, sports and sanitation activities. The Group is dedicated to keeping heart-felt sincerity and passion to contribute to society. In 2015, the Group donated a total amount of about RMB1.48 million, of which, RMB0.98 million to the Beijing Cihong Charitable Aid foundation and RMB0.5 million to Beijing XiuYuan Economic.

STATEMENT OF COMPLIANCE

The Board confirms that for the financial year ended 31 December 2015, the Company has generally adhered to the principles and guidelines as set out in the revised Code of Corporate Governance May 2012.

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DIRECTORS' STATEMENT

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

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 36 to 90 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at December 31, 2015, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

1 DIRECTORS

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

Ding Liguo
Zuo Shuowen
Hee Theng Fong
Lai Hock Meng
Yuan Weimin
Wang Tianyi

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

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

	Shareholdings registered in the name of directors		Shareholdings in which directors are deemed to have an interest	
	At beginning of year	At end of year	At beginning of year	At end of year
Ordinary shares of the Company				
Ding Liguo	–	–	320,817,502	320,817,502
Ultimate holding company				
- Honest Joy International Ltd (Ordinary shares of US\$1 each)				
Ding Liguo	700	700	300	300
Immediate holding company				
- Best Decade Holdings Limited (Ordinary shares of US\$1 each)				
Ding Liguo	–	–	1,000	1,000

By virtue of Section 7 of the Singapore Companies Act, Mr Ding Liguo is deemed to have an interest in all the related corporations of the Company.

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

4 SHARE OPTIONS

(a) *Options to take up unissued shares*

During the financial year, no option to take up unissued shares of the Company was granted.

(b) *Options exercised*

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

(c) *Unissued shares under options*

At the end of the financial year, there were no unissued shares of the Company under options.

5 AUDIT COMMITTEE

The Audit Committee of the Company is chaired by Mr Lai Hock Meng, an independent director, and includes Mr Hee Theng Fong and Mr Wang Tianyi, who are all independent directors. The Audit Committee has met four times since the last Directors' report and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the Company:

- to review the scope, approach and results of the audit carried out by external auditors;
- to review (i) the quarterly and audited financial statements, SGXNET announcements, and all related disclosures to shareholders, before submission to the Board for approval;
- to review and discuss with external auditors any suspected fraud or irregularities, or failure of internal controls or rule and regulation which has or is likely to have a material impact on the Company's operating results and/or financial position;
- to make recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and approve the remuneration and terms of engagement of the external auditors;
- to review the independence of the external auditors annually including the nature and extent of non-audit services provided by the external auditors;
- to review interested person transactions falling within the scope of Chapter 9 of the SGX-ST listing Manual;
- to review the scope of work of the internal auditors;
- to review annually the adequacy and effectiveness of the internal audit function to ensure that the internal audit resources are adequate and that the internal audits are performed effectively;
- to oversee the Company's risk management framework and policies, to determine the Company's overall levels of risk tolerance and risk policies;
- to review the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology annually, either internally or with the assistance of any competent third parties;
- to review assurance from the CEO and CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances and regarding the effectiveness of the Company's risk management and internal control systems; and
- perform such other functions as the Board may determine.

DIRECTORS' STATEMENT

5 AUDIT COMMITTEE (cont'd)

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

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

6 AUDITORS

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

ON BEHALF OF THE DIRECTORS

Ding Liguo
Director

Zuo Shuowen
Director

March 24, 2016

INDEPENDENT AUDITORS' REPORT

To The Members Of Delong Holdings Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Delong Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at December 31, 2015, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 36 to 90.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

March 24, 2016

STATEMENTS OF FINANCIAL POSITION

31 December 2015

	Note	Group		Company	
		2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
ASSETS					
Current assets					
Cash and cash equivalents	6	484,864	935,621	13,400	19,185
Bank balances pledged	7	1,231,877	1,322,112	–	–
Held for trading investments	8	232,873	–	–	–
Held-to-maturity financial asset	9	200,000	300,000	–	–
Trade and other receivables	10	484,192	642,232	214,923	220,797
Inventories	12	540,113	655,885	–	–
Other assets	13	867,426	601,105	170	704
Total current assets		4,041,345	4,456,955	228,493	240,686
Non-current assets					
Bank balances pledged	7	206,000	206,000	–	–
Trade and other receivables	10	23,683	29,736	–	–
Other assets	13	15,383	34,513	–	–
Available-for-sale financial assets	14	157,539	266,941	–	–
Investments in subsidiaries	15	–	–	1,984,916	1,984,916
Investment in an associate	16	4,340	4,577	–	–
Property, plant and equipment	17	3,374,392	3,213,779	114	64
Intangible asset	18	7,200	12,960	–	–
Deferred tax assets	19	–	2,644	–	–
Total non-current assets		3,788,537	3,771,150	1,985,030	1,984,980
Total assets		7,829,882	8,228,105	2,213,523	2,225,666
LIABILITIES AND EQUITY					
Current liabilities					
Trade and other payables	20	1,595,934	1,502,295	4,543	4,861
Borrowings and notes payables	21	3,519,179	3,164,771	9	13
Purchase consideration payable	23	–	113,514	–	–
Total current liabilities		5,115,113	4,780,580	4,552	4,874
Non-current liabilities					
Borrowings	21	341,230	632,563	42	14
Deferred tax liabilities	19	24,689	25,997	–	–
Total non-current liabilities		365,919	658,560	42	14
Total liabilities		5,481,032	5,439,140	4,594	4,888
Net assets		2,348,850	2,788,965	2,208,929	2,220,778
Capital reserves and non-controlling interests					
Share capital	24	406,644	406,644	2,112,480	2,112,480
Capital reserve	25	261,613	249,218	249,218	249,218
Statutory reserve	25	141,072	141,072	–	–
Currency translation reserve		8,650	6,101	–	–
Fair value reserve	25	(23,098)	(10,855)	–	–
Retained earnings		1,498,892	1,891,737	(152,769)	(140,920)
Equity attributable to owners of the Company		2,293,773	2,683,917	2,208,929	2,220,778
Non-controlling interests		55,077	195,433	–	–
Capital reserve	25	–	(90,385)	–	–
Total equity		2,348,850	2,788,965	2,208,929	2,220,778

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year Ended 31 December 2015

	Note	Group	
		2015 RMB'000	2014 RMB'000
Revenue	26	6,952,304	9,523,568
Cost of sales	29	(6,931,311)	(8,863,497)
Gross profit		20,993	660,071
Other income	27	85,431	95,034
Other (losses) gains - net	28	(15,509)	3,242
Distribution and marketing costs	29	(68,962)	(55,756)
Administrative expenses	29	(266,309)	(302,621)
Finance costs	30	(178,464)	(228,932)
Share of loss of an associate		(237)	(323)
(Loss) Profit before tax		(423,057)	170,715
Income tax expenses	31	(8,204)	(75,853)
(Loss) Profit for the year	32	(431,261)	94,862
Other comprehensive (loss) income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Currency translation differences		(1,320)	(486)
Fair value change on available-for-sale financial assets	14	(12,243)	(1,986)
Other comprehensive loss for the year, net of tax		(13,563)	(2,472)
Total comprehensive (loss) income for the year		(444,824)	92,390
(Loss) Profit attributable to:			
Owners of the Company		(392,845)	100,888
Non-controlling interests		(38,416)	(6,026)
		(431,261)	94,862
Total comprehensive (loss) income attributable to:			
Owners of the Company		(402,539)	98,416
Non-controlling interests		(42,285)	(6,026)
		(444,824)	92,390
(Losses) Earnings per share	33		
(expressed in RMB per share)			
- Basic		(3.57)	0.92
- Diluted		(3.57)	0.92

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year Ended 31 December 2015

	Share capital	Capital reserve	Fair value reserve	Currency translation reserve	Statutory reserve	Retained earnings	Total	Capital reserve	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group										
Balance as at January 1, 2014	405,147	253,324	(8,869)	6,587	141,072	1,790,849	2,588,110	(90,385)	115,729	2,613,454
Total comprehensive income (loss) for the year:										
Profit (Loss) for the year	-	-	-	-	-	100,888	100,888	-	(6,026)	94,862
Other comprehensive loss	-	-	(1,986)	(486)	-	-	(2,472)	-	-	(2,472)
Total	-	-	(1,986)	(486)	-	100,888	98,416	-	(6,026)	92,390
Transactions with owners, recognised directly in equity:										
Issue of shares pursuant to exercise of convertible shares	1,497	(4,106)	-	-	-	-	(2,609)	-	-	(2,609)
Capital contribution by non-controlling interest	-	-	-	-	-	-	-	-	85,730	85,730
Total	1,497	(4,106)	-	-	-	-	(2,609)	-	85,730	83,121
Balance as at December 31, 2014	406,644	249,218	(10,855)	6,101	141,072	1,891,737	2,683,917	(90,385)	195,433	2,788,965
Total comprehensive (loss) income for the year:										
Loss for the year	-	-	-	-	-	(392,845)	(392,845)	-	(38,416)	(431,261)
Other comprehensive (loss) income	-	-	(12,243)	2,549	-	-	(9,694)	-	(3,869)	(13,563)
Total	-	-	(12,243)	2,549	-	(392,845)	(402,539)	-	(42,285)	(444,824)
Effect of acquiring non-controlling interest in a subsidiary, representing transaction with owners, recognised directly in equity	-	12,395	-	-	-	-	12,395	90,385	(98,071)	4,709
Balance as at December 31, 2015	406,644	261,613	(23,098)	8,650	141,072	1,498,892	2,293,773	-	55,077	2,348,850

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year Ended 31 December 2015

	Share capital RMB'000	Capital reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Company				
Balance at January 1, 2014	2,110,983	253,324	(130,533)	2,233,774
Transaction with owners, recognised directly in equity:				
Issue of share pursuant to exercise of convertible shares	1,497	(4,106)	–	(2,609)
Loss for the year, representing total comprehensive loss for the year	–	–	(10,387)	(10,387)
Balance at December 31, 2014	2,112,480	249,218	(140,920)	2,220,778
Loss for the year, representing total comprehensive loss for the year	–	–	(11,849)	(11,849)
Balance at December 31, 2015	2,112,480	249,218	(152,769)	2,208,929

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 31 December 2015

	Note	Group	
		2015 RMB'000	2014 RMB'000
Operating activities			
(Loss) Profit for the year		(431,261)	94,862
Adjustments for:			
Income tax expenses	31	8,204	75,853
Depreciation	17	433,396	456,055
Amortisation of intangible assets	18	5,760	5,760
Reversal of impairment charge for property, plant and equipment	17	–	(38,273)
Allowance for inventories - net	12	6,055	10,652
Loss on disposal of property, plant and equipment	28	18,125	31,876
Prepaid leases written off	28	27,319	–
Gain on disposal of financial assets, fair value through profit or loss	28	–	(15)
Fair value gain on financial assets, fair value through profit or loss	28	–	(23)
Fair value loss on convertible shares	22	–	314
Fair value changes on purchase consideration payable	28	(15,443)	(2,215)
Share of loss of an associate		237	323
Currency realignment difference on convertible shares	22	–	84
Interest income	27	(79,074)	(85,218)
Interest expenses	30	178,464	228,932
Unrealised exchange differences		8,266	1,044
Operating cash flow before movements in working capital		160,048	780,011
Bank balances pledged		90,235	(704,804)
Receivables		(126,226)	375,946
Inventories		109,717	202,771
Payables (Note A)		64,639	1,298,166
Cash generated from operations		298,413	1,952,090
Income taxes paid		(6,868)	(78,725)
Net cash from operating activities		291,545	1,873,365

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 31 December 2015

	Group	
	2015 RMB'000	2014 RMB'000
Investing activities		
Payments for property, plant and equipment (Note A)	(723,690)	(627,158)
Proceeds from disposal of financial assets, fair value through profit or loss	–	442
Proceeds from disposal of available-for-sale financial assets	109,159	–
Proceeds from disposal of property, plant and equipment	137,251	48,661
Purchase of investments held for trading	(232,873)	–
Purchase of available-for-sale financial assets	(12,000)	(54,192)
Proceeds from held-to-maturity financial assets	100,000	–
Acquisition of non-controlling interest in a subsidiary	(93,362)	–
Investment in an associate	–	(4,900)
Interest received	79,074	85,218
Net cash used in investing activities	<u>(636,441)</u>	<u>(551,929)</u>
Financing activities		
Proceeds from borrowings from banks, non-controlling shareholders and other financial institutions	2,127,585	2,196,707
Repayment of borrowings from banks and other financial institutions	(2,064,510)	(2,790,301)
Repayment of convertible shares	–	(13,687)
Capital contribution by non-controlling interest	8,615	77,050
Interest paid	(178,464)	(228,468)
Net cash used in financing activities	<u>(106,774)</u>	<u>(758,699)</u>
Net (decrease) increase in cash and cash equivalents	(451,670)	562,737
Cash and cash equivalents at the beginning of the year	935,621	373,706
Effects of currency translation on cash and cash equivalents	913	(822)
Cash and cash equivalents at the end of the year (Note 6)	<u>484,864</u>	<u>935,621</u>

Note A:

In 2015, total additions of property, plant and equipment was RMB787,203,000 (2014 : RMB871,798,000) and an amount of RMB29,000,000 (2014 : RMB55,740,000) remained unpaid as at end of the reporting period. The Group had also prepaid plant and equipment amounting to RMB63,260,000 (2014 : RMB34,513,000) at the end of the reporting period.

See accompanying notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

1 GENERAL

The Company (Registration Number 199705215G) is incorporated in Singapore with its principal place of business and registered office at 55 Market Street, Level 10, Singapore 048941. The Company is listed on the Singapore Exchange Securities Trading Limited. The financial statements are expressed in Chinese Renminbi.

The principal activity of the company is that of investment holding.

The principal activities of the subsidiaries and associate are disclosed in Notes 15 and 16 to the financial statements respectively.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended December 31, 2015 were authorised for issue by the Board of Directors on March 24, 2016.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

At the date of authorisation of these financial statements, the following FRS and amendments to FRS that are relevant to the Group and the Company were issued but not effective:

- *FRS 109 Financial Instruments*²
- *FRS 115 Revenue from Contracts with Customers*²
- *Amendments to FRS 1 Presentation of Financial Statements: Disclosure Initiative*¹
- *Amendments to FRS 27 Separate Financial Statements: Equity Method in Separate Financial Statements*¹

¹ Applies to annual periods beginning on or after January 1, 2016, with early application permitted.

² Applies to annual periods beginning on or after January 1, 2018, with early application permitted.

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

The management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption except for the following where management is still assessing the effects:

FRS 109 Financial Instruments

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

All recognised financial assets that are within the scope of FRS 39 are now required to be subsequently measured at amortised cost or fair value through profit or loss (FVTPL). Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured at FVTPL at the end of subsequent accounting periods.

In addition, under FRS 109, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.

With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as FVTPL, FRS 109 requires that the amount of change in fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under FRS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL is presented in profit or loss.

In relation to the impairment of financial assets, FRS 109 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Management is currently assessing the effects of FRS 109 on its financial statements in its initial period of adoption.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FRS 115 Revenue From Contracts with Customers

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

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

- Step 1: Identify the contract (s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

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

It is currently impracticable to disclose any information on the known or reasonably estimable impact to the Group's and the Company's financial statements in the period of initial adoption as management has yet to complete its detailed assessment on the impact of the initial adoption of FRS 115 on the financial statements of the Group and the Company.

Amendments to FRS 1 Presentation of Financial Statements: Disclosure Initiative

The amendments have been made to the following:

- Materiality and aggregation - An entity shall not obscure useful information by aggregating or disaggregating information and materiality considerations apply to the primary statements, notes and any specific disclosure requirements in FRSs.
- Statements of financial position and statement of profit or loss and other comprehensive income – The list of line items to be presented in these statements can be aggregated or disaggregated as relevant. Guidance on subtotals in these statements has also been included.
- Presentation of items of other comprehensive income (“OCI”) arising from equity-accounted investments - An entity's share of OCT of equity-accounted associates and joint ventures should be presented in aggregate as single items based on whether or not it will be subsequently be reclassified to profit or loss.
- Notes - Entities have flexibility when designing the structure of the notes and guidance is introduced on how to determine a systematic order of the notes. In addition, unhelpful guidance and examples with regard to the identification of significant accounting policies are removed.

Management is currently evaluating the potential impact of the application of these amendments to FRS 1 on the financial statements of the Group and the Company in the period of initial application.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Amendments to FRS 27 Separate Financial Statements: Equity Method in Separate Financial Statements

FRS 27 requires an entity to account for its investments in subsidiaries, joint ventures and associates either at cost or in accordance with FRS 39 (or FRS 109 when effective). The amendments allow an additional option for an entity to account for these investees in its separate financial statements using the equity method as described in FRS 28.

The accounting option must be applied by category of investments.

Management is currently evaluating the potential impact of the application of these amendments to FRS 27 on the financial statements of the Group and the Company in the period of initial application.

BASIS OF CONSOLIDATION - Pursuant to the reverse acquisition ("Reverse Acquisition") of the Company by Asia Paragon International Limited ("Asia Paragon") effected on January 1, 2005, the Group's consolidated statements of comprehensive income, consolidated statement of financial position, consolidated statements of changes in equity and consolidated statements of cash flows for the year ended December 31, 2005 and after the business combination have been prepared as continuation of Asia Paragon's financial statements.

Since such consolidated financial statements represent a continuation of the financial statements of the legal subsidiary (i.e. Asia Paragon Group), the assets and liabilities and equity (including issued equity and retained profits) at the date of Acquisition are accounted for as follows:

- (i) the assets and liabilities of Asia Paragon Group are recognised and measured in the consolidated statement of financial position at their pre-combination carrying amounts; and
- (ii) the retained profits and equity balances recognised in those consolidated financial statements are the retained profits and equity balances of the Asia Paragon Group immediately before the business combination. However, the equity structure appearing in those consolidated financial statements (i.e. the number and type of equity instruments issued) reflects the equity structure of the Company as the legal parent.

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

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

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

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

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS.

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

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

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

Effective interest method

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

Financial assets

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

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss", "held-to-maturity investments", "available-for-sale" financial assets and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near future; or
- On initial recognition, it is a part of an identified portfolio of financial instruments that the group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and FRS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in 'other (losses) gains - net' line in the statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 4.

Held-to-maturity investments

Bonds with fixed or determinable payments and fixed maturity dates where the Group has a positive intent and ability to hold to maturity are classified as held-to-maturity investments. Subsequent to initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

Available-for-sale financial assets

Certain shares and debt securities held by the Group are classified as being available for sale and are stated at fair value. Fair value is determined in the manner described in Note 4. Gains and losses arising from changes in fair value are recognised in other comprehensive income with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income and accumulated in revaluation reserve is reclassified to profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established. The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at end of the reporting period. The change in fair value attributable to translation differences that result from a change in amortised cost of the available-for-sale monetary asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Loans and receivables

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

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

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

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

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

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

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

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

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any subsequent increase in fair value after an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserves. In respect of available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Derecognition of financial assets

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

Offsetting arrangements

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

Financial liabilities are classified as either financial liabilities "at fair value through profit or loss" or other financial liabilities.

Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of repurchasing in the near future; or
- It is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- On initial recognition, the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and FRS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at fair value through profit or loss are initially measured at fair value and subsequently stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other (losses) gains - net' line in the statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 4.

Other financial liabilities

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

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

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL, subsequently at the higher of the amount of obligation under the contract recognised as a provision in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation in accordance with FRS 18 *Revenue*.

Derecognition of financial liabilities

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

Convertible shares

Convertible shares, which are shares convertible into ordinary shares and redeemable at the holder's option on specific dates, are classified as financial liabilities. The embedded conversion option, which is denominated in a currency other than the Company's functional currency, is accounted for as a derivative liability.

The liability component is recognised initially at its fair value, determined using a market interest rate for an equivalent non-convertible borrowing. It is subsequently carried at amortised cost using the effective interest method until the liability is extinguished on conversion or redemption of the convertible shares.

The derivative liability is recognised initially at its fair value, and subsequently carried at its fair value at the end of each financial period. Gains or losses arising from the change in the fair value of the derivative liability are recognised as "other (losses) gains - net" in profit or loss in the financial period in which the change in fair value arises.

When the conversion option is exercised, the carrying amounts of both the liability component and the derivative liability component are transferred to the share capital account.

NOTES TO THE FINANCIAL STATEMENTS

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

The Group as lessor

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

The Group as lessee

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

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

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

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

PROPERTY, PLANT AND EQUIPMENT - Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at cost less accumulated depreciation and any accumulated impairment loss.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any accumulated impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

Prepaid leases	–	over the terms of leases which are from 21 to 50 years
Leasehold buildings	–	the shorter of 20 years or the lease term
Plant and equipment	–	10 years
Motor vehicles	–	5 years

Prepaid lease pertains to the prepayment of land rental for the total land rental period. Prepaid lease is measured at the total land rental cost less any accumulated impairment loss and is charge to profit or loss on a straight-line basis over their rental period.

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

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

INTANGIBLE ASSETS ACQUIRED IN A BUSINESS COMBINATION - Intangible assets acquired in a business combination are identified and recognised separately from goodwill. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses.

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

Sale of goods and scrap materials

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

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

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income

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

Rental income

The Group's policy for recognition of revenue from operating leases is described above.

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

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

RETIREMENT BENEFIT COSTS - Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund and social security bureaus in People's Republic of China ("PRC") as described below, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The Group participates in retirement insurance scheme organised by the social security bureau in the PRC pursuant to the relevant provisions. The subsidiaries in PRC are required to make monthly contribution in respect of the above insurance schemes to the PRC social security bureau based on the monthly salaries of its employees.

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

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

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

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

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

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

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

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

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

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

CASH AND CASH EQUIVALENTS - Cash and cash equivalents in the statement of cash flows, comprise cash on hand and demand deposits, bank overdrafts, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. 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.

Critical judgements in applying the entity's accounting policies

Apart from those involving estimations (see below) and the critical judgement used for the Group to continue as a going concern as disclosed in liquidity risk management in Note 4(v) to the financial statements, management is of the view that there are no other critical judgements that have a significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

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

Impairment review of available-for-sale investments

The Group follows the guidance of FRS 39 in determining whether available-for-sale investments are considered impaired. The Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, the financial health of and the near-term business outlook of the investee, including factors such as industry and sector performance that the investee is operating in, changes in technology and operational and financing cash flows. As the evaluation is based on both prospective financial information and non-financial factors that are beyond the investees' and management's control, it requires considerable judgement and is highly subjective. Accordingly, actual outcome could be different from that anticipated since forecasted events and judgment taken by management on the industry and sector performance may not occur as expected. Based on management's judgement and estimates at December 31, 2015, they believe that there is no impairment to the available-for-sale investments. The fair values of available-for-sale investments are disclosed in Note 14 to the financial statements.

Impairment review of non-financial assets

Property, plant and equipment and investments in subsidiaries are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. The recoverable amounts of these assets and where applicable, cash-generating units ("CGU") have been determined based on value-in-use calculations. A wholly-owned subsidiary of the Group, Xingtai Delong Machinery and Mill Roll Co., Ltd ("Mill Roll"), had performed below expectations and incurred net losses for the years ended December 31, 2015 and 2014. Accordingly, management of the company performed a valuation of Mill Roll's property, plant and equipment based on the asset's value-in-use, which is the future cash flow that the plant and equipment is expected to generate and the expected costs thereof over its remaining useful life. Based on the valuation performed, the value-in-use of the plant and equipment of Mill Roll approximate its net carrying amount of the plant and equipment. As such, no further impairment was made for the year ended December 31, 2015.

The discount rate used in the value-in-use calculation was approximately 10.8% (2014 : 10.8%) which management believes reflect the specific risks relating to the Mill Roll CGU.

As at December 31, 2015, the Mill Roll's property, plant and equipment has a carrying amount of approximately RMB131.4 million (2014 : RMB152.3 million), net of impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

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

Allowance for inventories

The carrying amount of inventories is progressively reduced based on the age and type of stocks. These estimates of realisable values are made by management after taking into account historical and forecast selling prices. The carrying amount of inventories of the Group is set out in Note 12 to the financial statements.

Allowance for doubtful trade and other receivables

The Group and Company make allowances for bad and doubtful debts based on on-going evaluation of collectability and aging analysis of individual receivables by reference to their past default experience. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade and other receivables and doubtful debts expenses in the period in which such estimate has been changed. The carrying amounts of the Group's and Company's trade and other receivables are disclosed in Note 10 to the financial statements.

Useful lives of property, plant and equipment

Management exercises their judgement in estimating the useful lives of the depreciable assets.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight-line method. The carrying amounts of property, plant and equipment are disclosed in Note 17 to the financial statements.

Income taxes

The Group has exposure to income tax in different jurisdictions. Significant assumption is required in determining the provision for income tax. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises deferred tax assets for tax losses and other temporary differences based on estimates of whether the deferred tax assets can be realised. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of income tax recoverable and deferred tax liabilities are disclosed in Notes 13 and 19 to the financial statements.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

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

	<u>Group</u>		<u>Company</u>	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Financial Assets				
Loans and receivables (including cash and cash equivalents)	2,672,177	2,938,081	228,387	240,045
Held for trading investments	232,873	–	–	–
Held-to-maturity financial assets	200,000	300,000	–	–
Available-for sale financial assets	157,539	266,941	–	–
Total	3,262,589	3,505,022	228,387	240,045
Financial Liabilities				
At amortised cost	4,888,333	4,779,139	4,594	4,888
Financial liabilities at fair value through profit or loss	–	113,514	–	–
Total	4,888,333	4,892,653	4,594	4,888

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

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

(i) Foreign exchange risk management

The Group is exposed to foreign exchange risk as it transacts business in various foreign currencies, mainly the Hong Kong dollar, United States dollar and Singapore dollar.

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

	HKD RMB'000	USD RMB'000	SGD RMB'000
Group			
<i>At December 31, 2015</i>			
Assets	37,661	23,547	3,177
Liabilities	–	9,140	4,594
<i>At December 31, 2014</i>			
Assets	49,892	28,357	17,983
Liabilities	–	116,103	5,063
		USD RMB'000	SGD RMB'000
Company			
<i>At December 31, 2015</i>			
Assets		10,418	3,066
Liabilities		–	4,594
<i>At December 31, 2014</i>			
Assets		17,988	1,260
Liabilities		–	4,888

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

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

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

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjust their transactions at the period end for a 3% change in the foreign currency rates.

If the value of HKD, USD and SGD had changed against the RMB by 3% (2014 : 3%) with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset position would have been as follows:

	<u>2015</u> Profit after tax RMB'000	<u>2014</u> Profit after tax RMB'000
Group		
HKD against RMB		
- strengthened	847	1,123
- weakened	(847)	(1,123)
USD against RMB		
- strengthened	322	(1,974)
- weakened	(322)	1,974
SGD against RMB		
- strengthened	(32)	(291)
- weakened	32	291
	<hr/>	<hr/>
	<u>2015</u> Profit after tax RMB'000	<u>2014</u> Profit after tax RMB'000
Company		
USD against RMB		
- strengthened	259	448
- weakened	(259)	(448)
SGD against RMB		
- strengthened	(38)	(90)
- weakened	38	90
	<hr/>	<hr/>

(ii) Interest rate risk management

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rate. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group's income and operating cash flows are to a certain extent dependent on changes in market interest rates. The Group has not entered into any hedging activity during the year. Nevertheless, the Group's exposure to fair value interest rate risk and cash flow interest rate risk are controlled and monitored on a regular basis. The Group's borrowings are at variable rates on which effective hedges have not been entered into are denominated mainly in RMB and USD. If the interest rates had increased/decreased by 1% (2014 : 1%) with all other variables including tax rate being held constant, the loss after tax would have been higher/lower by RMB16,491,000 (2014 : profit after tax would have been lower/higher by RMB15,270,000) as a result of higher/lower interest expense on these borrowings.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

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

(iii) Equity price risk management

The Group is exposed to equity securities price risk due to its investments which are classified on the consolidated statement of financial position either as available-for-sale or at fair value through profit or loss. The Group continually monitors its price risk exposure arising from its investments.

If prices for the equity securities at fair value through profit or loss had increased/decreased by 5% with all other variables including tax rate being held constant, the effect on profit after tax would have increased/decreased by RMB8,733,000 (2014 : Nil).

If prices for the available-for-sale investments had increased/decreased by 5% (2014 : 5%) with all other variables including tax rate being held constant, the effect on fair value reserves would have increased/decreased by RMB1,867,000 (2014 : RMB2,479,000).

(iv) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and the Company are bank deposits and trade and other receivables and other assets. The Group has policies in place to ensure that sale of products are either under cash in advance or cash on delivery terms for new customers. Credit terms are only granted to customers with an appropriate credit history. Cash and cash equivalents of the Group are principally deposited with reputable banks in the People's Republic of China, Hong Kong and Singapore.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the Group based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at the entity level by the respective management and by the Group.

The Group and the Company do not hold any collateral except for the finance leased assets. The maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statements of financial position grossed up for any allowance for losses, except as follows:

	<u>Group</u>		<u>Company</u>	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Corporate guarantees provided to banks on:				
- third parties' loans	230,000	300,000	-	-

The corporate guarantees are callable on demand by the banks.

As at December 31, 2015, the finance lease receivables were mainly due from 1 debtor (2014 : 1 debtor), Tangshan Delong Steel Co., Ltd., a company that is not related to the Group. The Group's credit exposure to Tangshan Delong Steel Co., Ltd at the end of the reporting period was as follows:

	<u>Group</u>	
	2015 RMB'000	2014 RMB'000
Entrusted loan (Note 13)	-	45,000
Finance lease receivables (Note 11)	6,115	25,341
Corporate guarantees provided to banks on Tangshan Delong Steel Co., Ltd's loans (Note 34)	230,000	150,000
	236,115	220,341

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

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

(iv) Credit risk management (cont'd)

The credit risk for trade and other receivables and other assets based on the information provided to key management is as follows:

	<u>Group</u>		<u>Company</u>	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
<i>By geographical areas</i>				
People's Republic of China	697,492	897,082	55,164	55,114
Singapore	9,235	94	159,823	165,747
Thailand	42,709	–	–	–
	749,436	897,176	214,987	220,861
<i>By types of customers</i>				
Non-related parties	716,573	897,176	84	87
Subsidiaries	–	–	214,903	220,774
Related parties	32,863	–	–	–
	749,436	897,176	214,987	220,861

Bank deposits that are neither past due nor impaired are mainly deposits with reputable banks in the People's Republic of China, Hong Kong and Singapore. Trade and other receivables that are neither past due nor impaired are substantially companies with a good collection record with the Group.

(v) Liquidity risk management

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

As at December 31, 2015, the current liabilities exceed the current assets of the Group by RMB1,073,768,000 (2014 : RMB323,625,000). Management has confirmed that financial institutions do not normally extend long-term borrowings to steel enterprises in the People's Republic of China ("PRC").

As at December 31, 2015, the Group has available committed credit facilities amounting to RMB2,417 million (2014 : RMB2,328 million) which are not yet utilised and all conditions precedent have been met. These facilities will be available for draw down for the purpose of meeting working capital needs or replacing its short-term borrowings when they fall due.

The Group had satisfactorily maintained its credit facilities with the financial institutions in the PRC and had successfully renewed or rolled over its short-term borrowings when they fall due during the financial year. The Group and Company have met with all covenants imposed by the financial institutions. Management is not aware of any circumstances that may cause the financial institutions not to continue with the credit facilities.

Based on the above, management and the directors are of the view that the Group and Company are able to continue to operate as going concerns.

Management monitors rolling forecasts of the liquidity reserve (comprises undrawn borrowing facility and cash and cash equivalents) on the basis of expected cash flow of the Group and the Company. This is generally carried out at local level in the operating companies of the Group in accordance with practice and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet the needs, monitoring liquidity ratios, and maintaining debt financing plans.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

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

(v) Liquidity risk management (cont'd)

The table below analyses the maturity profile of the Group's and Company's financial liabilities based on contractual undiscounted cash flows (including interest payments).

	Weighted average effective interest rate % per annum	Less than 1 year RMB'000	Later than 1 year and not later than 5 years RMB'000
Group			
<i>At December 31, 2015</i>			
Notes payables	–	1,654,818	–
Trade and other payables	–	1,595,934	–
Borrowings	4%	1,945,754	358,399
Financial guarantee contracts	–	230,000	–
<i>At December 31, 2014</i>			
Notes payables	–	1,761,250	–
Trade and other payables	–	1,502,295	–
Borrowings	7%	1,574,992	687,445
Financial guarantee contracts	–	300,000	–
Company			
<i>At December 31, 2015</i>			
Trade and other payables	–	4,543	–
Borrowings	4%	12	48
<i>At December 31, 2014</i>			
Trade and other payables	–	4,861	–
Borrowings	8%	13	15

The Group and the Company manage the liquidity risk by maintaining sufficient cash to meet the normal operating commitments and maintaining adequate amount of committed credit facilities.

(vi) Fair value of financial assets and financial liabilities

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

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

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

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Fair value measurements

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000

Group and Company

At December 31, 2015

Assets

Held for trading investments	232,873	–	–	232,873
Available-for-sale financial assets	37,343	–	–	37,343

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000

Group and Company

At December 31, 2014

Assets

Available-for-sale financial assets	49,585	–	–	49,585
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Liabilities

Purchase consideration payable (a)	–	–	113,514	113,514
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- (a) In determining the purchase consideration payable for acquisition of the remaining equity interests in a subsidiary, management had used the fair value of the share of net assets assumed by the non-controlling shareholder as at date of acquisition adjusted for its share of post-acquisition reserves.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

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

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

The following table presents the changes in Level 3 financial assets (liabilities) instruments for the financial year:

	Purchase consideration payable RMB'000
2015	
Opening balance	(113,514)
Change in fair value recognised in profit or loss	15,443
Purchase consideration paid	93,362
Discount arising from the acquisition of remaining equity interests from non-controlling interest	4,709
Closing balance	<u>–</u>
2014	
Opening balance	(115,729)
Change in fair value recognised in profit or loss	2,215
Closing balance	<u>(113,514)</u>

The carrying amounts of cash and cash equivalents, trade and other receivables and payables, and notes payables approximate their fair values. The fair value of financial liabilities (such as convertible shares) for disclosure purposes was estimated by discounting the future contractual cash flows at the current market interest rate that was available to the Group at the end of the reporting period if it were to issue a single debt instrument, instead of issuing compound financial instruments, and was determined by benchmarking with comparable debt instruments in the market (Note 22). The fair values of other borrowings approximate their carrying amounts. There were no transfers into or out of Level 3 in 2014 and 2015.

Capital risk management policies and objectives

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

The Group's overall strategy remains unchanged from prior year.

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

	<u>Group</u>		<u>Company</u>	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Net debt	3,375,545	2,861,713	(13,349)	(19,158)
Total equity	2,293,773	2,683,917	2,208,929	2,220,778
Total capital	<u>5,669,318</u>	<u>5,545,630</u>	<u>2,195,580</u>	<u>2,201,620</u>
Gearing ratio	<u>59.5%</u>	<u>51.6%</u>	<u>N.A</u>	<u>N.A</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

5a HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS

The Company is a subsidiary of Best Decade Holdings Limited, incorporated in the British Virgin Islands. The Company's ultimate holding company is Honest Joy International Ltd, incorporated in the British Virgin Islands. The controlling shareholder of Honest Joy International Ltd is Mr Ding Ligu. Related companies in these financial statements refer to members of the ultimate holding company's group of companies.

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

5b OTHER RELATED PARTY TRANSACTIONS

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

Trading transactions

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

	<u>2015</u>	<u>2014</u>
	RMB'000	RMB'000
Sales to non-controlling shareholders of a subsidiary	71,448	–
Purchases from non-controlling shareholders of a subsidiary	89,492	–
Interest expense to non-controlling shareholders of a subsidiary	334	–

Compensation of directors and key management personnel

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

	<u>Group</u>	
	<u>2015</u>	<u>2014</u>
	RMB'000	RMB'000
Salaries and other short term employee benefits	10,563	9,069
Post-employment benefits - defined contributions plans	1,696	1,896
	<u>12,259</u>	<u>10,965</u>

The remuneration of directors and key management is determined by the remuneration committee having regard to the Group's performance and individual performance.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

6 CASH AND CASH EQUIVALENTS

	<u>Group</u>		<u>Company</u>	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Cash at bank and on hand	466,901	497,034	3,064	1,675
Fixed deposits	17,963	438,587	10,336	17,510
Cash and cash equivalents in the statement of cash flows	484,864	935,621	13,400	19,185

The average effective interest rate of the fixed deposits ranging from 0.08% to 0.53% (2014 : 2.3%) per annum and for a tenure of approximately 30 days (2014 : 30 days).

The remittance of funds denominated in Renminbi ("RMB") out of the People's Republic of China ("PRC") is subject to the restrictions imposed by the State Administration of Foreign Exchange of China in PRC.

7 BANK BALANCES PLEDGED

These bank balances were pledged as security for certain bank borrowings and notes payables (Note 21) and letter of credit facilities (Note 20) amounting to RMB1,437,877,000 as at December 31, 2015 (2014 : RMB1,528,112,000).

Bank balances pledged bear average effective interest rate of 1.78% (2014 : 2%) per annum.

8 HELD FOR TRADING INVESTMENTS

	<u>Group</u>	
	2015 RMB'000	2014 RMB'000
Quoted equity shares, at fair value	232,873	–

The above investments represent investments in listed equity securities that offer the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair values of these securities were based on quoted market prices on the last market day of the financial year.

9 HELD-TO-MATURITY FINANCIAL ASSET

	<u>Group</u>	
	2015 RMB'000	2014 RMB'000
Unquoted debt security, at amortised cost	200,000	300,000

The coupon rate of the unquoted debt security is 6.55% (2014 : 6.25% to 7%) per annum and matures within 12 months (2014 : 12 months).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

10 TRADE AND OTHER RECEIVABLES

	<u>Group</u>		<u>Company</u>	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
<i>Current</i>				
Finance lease receivables (Note 11)	6,333	20,025	–	–
Trade receivables				
– Third parties	85,262	56,518	20	23
– Related parties (Note 5)	32,863	–	–	–
Notes receivables ^(c)	359,734	564,216	–	–
Loans to subsidiaries ^(b)	–	–	214,903	220,774
Other receivables from third parties ^(d)	–	1,473	–	–
	484,192	642,232	214,923	220,797
<i>Non-current</i>				
Finance lease receivables (Note 11)	1,016	7,069	–	–
Due from an investee company ^(a)	22,667	22,667	–	–
	23,683	29,736	–	–

(a) The amount due from an investee company is unsecured, bears an interest of 7.47% (2014 : 7.47%) per annum and repayable in June 2017 (2014 : June 2017).

(b) Loans to subsidiaries in 2014 and 2015 are unsecured, interest-free and are expected to be repayable on demand.

(c) Notes receivables in 2014 and 2015 are interest-free and repayable within 180 days.

(d) Other receivables from two third parties formed part of the assets acquired during the acquisition of a subsidiary, Laiyuan County Aoyu Steel Co., Ltd ("Aoyu Steel") in 2012. The balances were unsecured, interest free and non-trade in nature. These balances were fully repaid in 2015.

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

	<u>Group</u>		<u>Company</u>	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Not past due and not impaired	57	31	20	23
Past due but not impaired ^(a)	118,068	56,487	–	–
Impaired receivables individually assessed ^(b)	16,459	16,459	–	–
Less: Allowance for doubtful debts	(16,459)	(16,459)	–	–
Total trade receivables, net	118,125	56,518	20	23

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

10 TRADE AND OTHER RECEIVABLES (cont'd)

(a) Aging of trade receivables that are past due but not impaired:

	<u>Group</u>	
	2015 RMB'000	2014 RMB'000
1 to 90 days	81,158	42,750
91 to 180 days	26,258	10,254
>180 days	10,652	3,483
Total	<u>118,068</u>	<u>56,487</u>

Included in the Group's trade receivable balance are debtors which are past due at the end of the reporting period for which the Group have not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

(b) These receivables are arising from third parties and are stated before any reduction for impairment losses and are not secured by any collateral or credit enhancements.

Movement in the allowance for doubtful debts

	<u>Group</u>	
	2015 RMB'000	2014 RMB'000
Balance at beginning of the year	16,459	16,232
Increase in allowance recognised in profit or loss	–	227
Balance at end of the year	<u>16,459</u>	<u>16,459</u>

11 FINANCE LEASE RECEIVABLES

	<u>Group</u>			
	Minimum lease payments		Present value of minimum lease payments	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Amounts receivable under finance leases:				
Within one year	6,722	21,177	6,333	20,025
In the second to fifth year inclusive	1,600	6,137	1,016	7,069
	<u>8,322</u>	<u>27,314</u>	<u>7,349</u>	<u>27,094</u>
Less: Unearned finance income	(973)	(220)	–	–
Present value of minimum lease payments receivable	<u>7,349</u>	<u>27,094</u>	<u>7,349</u>	<u>27,094</u>

The finance lease arrangements entered into by the Group are mainly for the leasing of plant and equipment to third parties. The leases are denominated in the Chinese Renminbi and the term of the finance leases ranging from a period of 2 to 5 years. The effective interest rate contracted is 10.45% (2014 : 6.15% to 10.84%) per annum.

Finance lease receivable balances are secured over the plant and equipment leased to these third parties. The fair value of the Group's finance lease receivables approximately their carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

12 INVENTORIES

	<u>Group</u>	
	2015 RMB'000	2014 RMB'000
Raw materials	383,879	468,353
Work-in-progress	68,098	68,783
Finished goods	88,136	118,749
	540,113	655,885

The cost of inventories recognised as an expense includes RMB6,055,000 (2014 : RMB10,652,000) in respect of write-down of inventory to net realisable value. The finished goods amounting to RMB88,136,000 (2014 : RMB118,749,000) is carried at net realisable value.

13 OTHER ASSETS

	<u>Group</u>		<u>Company</u>	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Deposits	9,112	63	64	63
Prepayments	532,220	328,225	106	641
Entrusted loans to third parties ^(a)	80,000	125,000	–	–
VAT	69,095	88,098	–	–
Tax recoverable	39,933	5,423	–	–
Other receivables from non-controlling interest shareholders	–	13,306	–	–
Refundable deposit ^(b)	108,626	–	–	–
Others	43,823	75,503	–	–
	882,809	635,618	170	704
Analysed as:				
Current	867,426	601,105	170	704
Non-current	15,383	34,513	–	–
	882,809	635,618	170	704

(a) The Group advanced RMB80 million (2014 : RMB125 million) through a bank to a third party (2015: 2 parties). The loan is unsecured, bears interest rate of 10% (2014 : 7% to 12.9%) per annum and is due within the next twelve months. The loan agreement was renewed during the financial year.

(b) The refundable deposit was made to the Municipal Land Resources Authority of Xingtai, Hebei Province in relation to the purchase of land use rights (the "Purchase") (Note 17). The refundable deposit is non interest-bearing and will be refunded upon legal completion of the Purchase.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

14 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>Group</u>	
	2015 RMB'000	2014 RMB'000
Beginning of financial year	266,941	214,735
Additions	12,000	54,192
Disposal	(109,159)	–
Change in fair value	(12,243)	(1,986)
End of financial year	157,539	266,941
Unquoted equity shares, at cost	120,196	217,356
Quoted debt securities, at fair value	37,343	49,585
	157,539	266,941

The unquoted equity shares are carried at cost as the management and directors are of the view that the fair value cannot be reliably measured. There are no active markets for these unlisted equity investments and their fair values cannot currently be estimated within a reasonable range. There is currently no intention to dispose of these investments in the foreseeable future. As at the end of reporting period, the management and directors have assessed that no impairment is required for these investments.

15 INVESTMENTS IN SUBSIDIARIES

	<u>Company</u>	
	2015 RMB'000	2014 RMB'000
Unquoted equity shares, at cost	1,984,916	1,984,916

Details of the Company's subsidiaries at December 31, 2015 are as follows:

Name of subsidiary	Country of incorporation	Proportion of ownership interest		Proportion of voting power held		Principal activity
		2015	2014	2015	2014	
		%	%	%	%	
<u>Held by the Company</u>						
Asia Paragon International Limited ^(a)	British Virgin Islands	100	100	100	100	Investment holding
Dexin Steel Pte Ltd ^(b)	Singapore	100	100	100	100	Procurement and sale of iron ore
<u>Held by Asia Paragon International Limited</u>						
Delong Steel Limited ^(c)	PRC	100	100	100	100	Production and sales of hot-rolled steel coils
Dezhong International Financing Leasing Co., Ltd ^(c)	PRC	100	100	100	100	Finance leasing activities

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

15 INVESTMENTS IN SUBSIDIARIES (cont'd)

Name of subsidiary	Country of incorporation	Proportion of ownership interest		Proportion of voting power held		Principal activity
		2015	2014	2015	2014	
		%	%	%	%	
<u>Held by Dexin Steel Pte Ltd</u>						
Xingtai Xinlong Coal Gas Co., Ltd ^(a)	PRC	100	100	100	100	Coal gas recycling
Xingtai Delong Machinery and Mill Roll Co., Ltd ^(a)	PRC	100	100	100	100	Design, development, manufacturing and sale of large diameter steel mill rollers and large cast steel articles
Dexin Holdings Pte Ltd ^(b)	Singapore	100	100	100	100	Investment holding
<u>Held by Dexin Holdings Pte Ltd</u>						
Dexin Holdings Cambodia Pte Ltd ^(a)	Cambodia	100	100	100	100	Investment in steel-related project
<u>Held by Delong Steel Limited</u>						
Tianjin Qiruicheng International Trading Co., Ltd ^(a)	PRC	100	100	100	100	Investment in resource-related projects and trading in steel and steel-related products
Beijing Longyuan Weida Energy Technology Co., Ltd ^(a)	PRC	100	100	100	100	Technology development, technology advisory and technology related investments
Delong Steel Singapore Projects Pte Ltd ^(b)	Singapore	100	100	100	100	Investment holding
Baoding Delong Technology Enterprise Co., Ltd ^(a)	PRC	100	100	100	100	Production and sales of hot rolled coils
<u>Held by Delong Steel Singapore Projects Pte Ltd</u>						
Delong (Thailand) Co., Ltd ^(a)	Thailand	55	55	55	55	Production and sale of hot-rolled narrow strip coils
<u>Held by Tianjin Qirucheng International Trading Co., Ltd</u>						
Laiyuan County Aoyu Steel Co., Ltd ^(a)	PRC	100	80	100	80	Production and sales of hot-rolled coils

(a) Not required to be audited under the laws of the country of incorporation.

(b) Audited by Deloitte & Touche LLP, Singapore.

(c) Audited by overseas practices of Deloitte Touche Tohmatsu Limited for consolidation purpose.

(d) Audited by PwC, Thailand for consolidation purpose.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

15 INVESTMENTS IN SUBSIDIARIES (cont'd)

The table below shows details of non-wholly owned subsidiaries of the Group that have material non controlling interests:

Name of subsidiaries	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
		%	%	RMB'000	RMB'000	RMB'000	RMB'000
Laiyuan County Aoyu Steel Co., Ltd	PRC	–	20	(15,443)	(2,215)	–	113,514
Delong (Thailand) Co., Ltd	Thailand	45	45	(22,973)	(3,811)	55,077	81,919
Total				(38,416)	(6,026)	55,077	195,433

As at December 31, 2014, capital reserve amounting to RMB90,385,000 was attributable to the non-controlling interests of Laiyuan County Aoyu Steel Co., Ltd.

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Name of subsidiaries	Laiyuan County Aoyu Steel Co., Ltd		Delong (Thailand) Co., Ltd	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	–	1,177,008	143,017	33,379
Non-current assets	–	570,246	313,836	172,867
Current liabilities	–	(1,190,805)	(334,831)	(26,167)
Non-current liabilities	–	–	(246)	(74)
Equity	–	556,449	121,776	180,006
Total income	408,276	2,591,287	72,817	783
Total expenses	(484,409)	(2,576,536)	(123,869)	(9,252)
Loss for the year	(76,133)	(14,751)	(51,052)	(8,469)
Other comprehensive income for the year	–	–	(7,178)	(1,420)
Net cash (outflow) inflow from operating activities	(322,959)	422,960	68,062	(2,609)
Net cash outflow from investing activities	(7,846)	(163,415)	(177,798)	(141,623)
Net cash inflow from financing activities	17,098	35,981	107,055	162,496
Net cash (outflow) inflow	(313,707)	295,526	(2,681)	18,264

The Company has provided financial support to certain subsidiaries for a period of twelve months from the end of the reporting period so as to enable the subsidiaries to continue to operate as a going concern and meet their contractual obligations when they fall due.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

16 INVESTMENT IN AN ASSOCIATE

	<u>Group</u>	
	2015 RMB'000	2014 RMB'000
At beginning of the year	4,577	4,900
Share of post-acquisition loss, net of dividend received	(237)	(323)
At end of the year	4,340	4,577

Summarised financial information in respect of the Group's associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with FRS.

Name of associate	Country of incorporation	Proportion of ownership interest		Proportion of voting power held		Principal activity
		2015	2014	2015	2014	
		%	%	%	%	
<u>Held by Asia Paragon International Limited</u>						
Xingtai Xilan Zhongde Natural Gas Co., Ltd.	PRC	49	49	49	49	Constructing and operating liquefied natural gas (LNG) fueling stations

At the end of the financial year, the associate has a total current asset of RMB8,355,000 (2014 : RMB6,675,000), non-current asset of RMB604,000 (2014 : RMB2,986,000) and current liabilities of RMB100,000 (2014 : RMB320,000). The associate reported a net loss of RMB483,000 (2014 : RMB659,000) for the year ended December 31, 2015.

NOTES TO THE FINANCIAL STATEMENTS

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17 PROPERTY, PLANT AND EQUIPMENT

	Prepaid leases RMB'000	Leasehold buildings RMB'000	Plant and equipment RMB'000	Motor vehicles and others RMB'000	Construction –in–progress RMB'000	Total RMB'000
Group						
<i>Cost</i>						
At January 1, 2014	190,735	1,262,198	4,584,689	169,121	51,244	6,257,987
Additions	56,198	242,276	390,557	68,132	114,635	871,798
Disposals	(391)	(67,113)	(165,388)	(17,967)	–	(250,859)
Exchange difference	–	–	(5)	–	(713)	(718)
At December 31, 2014	246,542	1,437,361	4,809,853	219,286	165,166	6,878,208
Additions ^(a)	177,686	4,835	32,622	–	572,060	787,203
Disposals	–	(61,441)	(259,041)	(27,131)	(261)	(347,874)
Write-off ^(a)	(47,351)	–	–	–	–	(47,351)
Transfer in (out)	(32,117)	114,831	523,145	1,355	(607,214)	–
Exchange difference	(1,751)	(1,633)	(4,889)	(13)	(2,455)	(10,741)
At December 31, 2015	343,009	1,493,953	5,101,690	193,497	127,296	7,259,445
<i>Accumulated depreciation</i>						
At January 1, 2014	42,109	378,262	2,749,146	72,956	–	3,242,473
Charge for the year	4,625	73,861	354,339	23,230	–	456,055
Disposals	–	(33,560)	(127,121)	(9,642)	–	(170,323)
At December 31, 2014	46,734	418,563	2,976,364	86,544	–	3,528,205
Charge for the year	7,266	73,760	334,343	18,027	–	433,396
Disposals	(1,105)	(19,258)	(169,213)	(2,922)	–	(192,498)
Write-off ^(a)	(20,032)	–	–	–	–	(20,032)
Exchange difference	–	(26)	(214)	(2)	–	(242)
At December 31, 2015	32,863	473,039	3,141,280	101,647	–	3,748,829
<i>Accumulated impairment</i>						
At January 1, 2014	–	31,791	141,824	579	303	174,497
Reversal for the year	–	–	(38,273)	–	–	(38,273)
At December 31, 2014 and 2015	–	31,791	103,551	579	303	136,224
<i>Carrying amounts</i>						
At December 31, 2014	199,808	987,007	1,729,938	132,163	164,863	3,213,779
At December 31, 2015	310,146	989,123	1,856,859	91,271	126,993	3,374,392

- (a) During the year, the Group paid RMB172 million to the Municipal Land Resources Authority of Xingtai, Hebei Province, as purchase consideration for land-use rights (the "Purchase"). As at December 31, 2015, the Group has received acknowledgement of the transfer of land use rights. However, the official land certificate has not been issued to the Group. The Purchase is expected to be legally completed by March 2016. Accordingly, the remaining unamortised portion of the prepaid lease of RMB27.3 million (Note 28) from the previous lease arrangement was fully written off during the year.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

17 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Office renovation RMB'000	Office equipment RMB'000	Total RMB'000
Company			
<i>Cost</i>			
At January 1, 2014	428	242	670
Additions	–	67	67
Disposals	(428)	(242)	(670)
At December 31, 2014	–	67	67
Additions	–	86	86
At December 31, 2015	–	153	153
<i>Accumulated depreciation</i>			
At January 1, 2014	428	161	589
Charge for the year	–	22	22
Disposals	(428)	(180)	(608)
At December 31, 2014	–	3	3
Charge for the year	–	36	36
At December 31, 2015	–	39	39
<i>Carrying amounts</i>			
At December 31, 2014	–	64	64
At December 31, 2015	–	114	114

At December 31, 2015, certain property, plant and equipment of the Group with a total carrying amount of approximately RMB1,213 million (2014 : RMB1,144 million), are pledged as security for certain bank borrowings (Note 21(a)).

18 INTANGIBLE ASSET

	Customer Relationship RMB'000
Group	
<i>Cost</i>	
At December 31, 2014 and 2015	28,800
<i>Accumulated amortisation</i>	
At January 1, 2014	10,080
Charge for the year	5,760
At December 31, 2014	15,840
Charge for the year	5,760
At December 31, 2015	21,600
<i>Carrying amount</i>	
At December 31, 2014	12,960
At December 31, 2015	7,200

The intangible asset acquired during the acquisition of a subsidiary is amortised over five years.

NOTES TO THE FINANCIAL STATEMENTS

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19 DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the Group, and the movements thereon, during the current and prior reporting periods:

	Unutilised capital allowances RMB'000	Unremitted profits RMB'000	Revaluation of assets RMB'000	Total RMB'000
At January 1, 2014	13,804	(22,889)	(11,717)	(20,802)
(Charged) Credited to profit or loss (Note 31)	(11,160)	–	8,609	(2,551)
At December 31, 2014	2,644	(22,889)	(3,108)	(23,353)
(Charged) Credited to profit or loss (Note 31)	(2,644)	–	1,308	(1,336)
At December 31, 2015	–	(22,889)	(1,800)	(24,689)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax relates to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the statements of financial position as follows:

	Group	
	2015 RMB'000	2014 RMB'000
Deferred tax liabilities	24,689	25,997
Deferred tax assets	–	(2,644)
	24,689	23,353

Subject to the agreement by the tax authorities, at the end of the reporting period, two of the Group's subsidiaries have unutilised tax losses of RMB499.4 million (2014 : RMB206.4 million) available for offset against future profits. No deferred tax asset has been recognised in respect of this due to unpredictability of future profit streams of these subsidiaries. The tax losses arising from subsidiaries in PRC have an expiry period of five years.

NOTES TO THE FINANCIAL STATEMENTS

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20 TRADE AND OTHER PAYABLES

	<u>Group</u>		<u>Company</u>	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Trade payables				
– Third parties	585,830	499,188	–	–
– Related parties (Note 5)	70,346	–	–	–
Letters of credit ^(b)	113,532	193,856	–	–
VAT and other taxes payable	3,642	1,201	–	–
Payable to contractors for construction-in-progress	29,000	55,740	–	–
Advances from customers				
– Third parties	425,314	454,203	–	–
– Related parties (Note 5)	77,977	–	–	–
Other accrual for operating expenses	7,457	4,717	2,504	2,691
Accrual for interest expense	4,128	274	–	–
Accrual for staff cost	36,816	46,188	–	–
Due to directors (non-trade) ^(a)	2,006	2,163	2,006	2,163
Deferred income	23,388	17,706	–	–
Deferred government grant	37,689	22,340	–	–
Rental from customers	1,189	4,629	–	–
Other payables	177,620	200,090	33	7
	1,595,934	1,502,295	4,543	4,861

(a) Amounts due to directors (non-trade) are unsecured, interest-free and repayable within the next 12 months.

(b) Letters of credit bear an average interest rate of 4.9% per annum (2014 : 4.4%) and are repayable within 90 to 180 days (2014 : 90 to 180 days).

The average credit period on purchases of goods is 60 days (2014 : 60 days). No interest is charged on the trade payables. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

NOTES TO THE FINANCIAL STATEMENTS

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21 BORROWINGS AND NOTES PAYABLES

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
<i>Current</i>				
Notes payables ^(d)	1,654,818	1,761,250	–	–
Finance lease liabilities ^(f)	121	42	9	13
Bank borrowings ^(a)				
– Unsecured	13,846	9,218	–	–
– Secured ^(b)	952,804	762,000	–	–
– Guaranteed ^(c)	891,196	632,261	–	–
Non-controlling shareholders' loans ^(e)	6,394	–	–	–
	3,519,179	3,164,771	9	13
<i>Non-current</i>				
Finance lease liabilities ^(f)	288	88	42	14
Bank borrowings ^(a)				
– Unsecured	7,430	10,930	–	–
– Secured ^(b)	100,000	557,159	–	–
– Guaranteed ^(c)	233,512	64,386	–	–
	341,230	632,563	42	14
Total borrowings and notes payables	3,860,409	3,797,334	51	27

(a) Bank borrowings

Bank borrowings bear an average interest rate of 4% per annum (2014 : 7%). Bank borrowings amounting to RMB1,857,846,000 (2014: RMB1,403,479,000) are repayable within 12 months from the financial year end and have been classified as current. The remaining balances of RMB340,942,000 (2014: RMB632,475,000) are not expected to be repaid within 12 months and have been classified as non-current.

(b) Security granted

As at December 31, 2015 and 2014, the Group's bank loans were secured by certain property, plant and equipment (Note 17), pledged bank balances (Note 7) and a subsidiary's trade receivables.

(c) Credit risk

The bank loans were guaranteed by third parties, and Mr Ding Liguu, a director of the Company. In return, the Group has provided guarantees to banks for borrowings of these third parties as at December 31, 2015 and 2014 (see Note 34).

(d) Notes payables

Notes payables in 2014 and 2015 are interest-free and repayable within 180 days.

(e) Non-controlling shareholders' loans

Non-controlling shareholders' loans bear an interest rate of 8% per annum (2014 : Nil) and are repayable within 12 months from the financial year end.

NOTES TO THE FINANCIAL STATEMENTS

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21 BORROWINGS AND NOTES PAYABLES (cont'd)

(f) Minimum lease payments

Group

	Minimum lease payments		Present value of minimum lease payments	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Within one year	137	46	121	42
In the second to fifth years inclusive	320	96	288	88
	457	142	409	130
Less: Future finance charges	(48)	(12)	–	–
Present value of lease obligations	409	130	409	130
Less: Amount due for settlement within 12 months (shown under current liabilities)			(121)	(42)
Amount due for settlement after 12 months			288	88

Company

	Minimum lease payments		Present value of minimum lease payments	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Within one year	12	13	9	13
In the second to fifth years inclusive	48	15	42	14
	60	28	51	27
Less: Future finance charges	(9)	(1)	–	–
Present value of lease obligations	51	27	51	27
Less: Amount due for settlement within 12 months (shown under current liabilities)			(9)	(13)
Amount due for settlement after 12 months			42	14

22 CONVERTIBLE SHARES

On restructuring of the Old Convertible Bonds in 2009, the Company issued 43,534,458 Convertible Shares at S\$0.9211 per share which rank pari passu in all respects with the ordinary shares except as follows:

- (a) Convertible Shareholders ("Holders") had the put options to require the Company to redeem up to 50% of the Convertible Shares on each of November 26, 2013 and November 26, 2014, at S\$0.9211 per share. The put option will lapse when the Holders:
- elected to convert the Convertible Shares into new ordinary shares; or
 - sold, transferred or disposed of the Convertible Shares; or
 - elected not to sell the Convertible Shares following the exercise of call option by the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

22 CONVERTIBLE SHARES (cont'd)

(b) The Company had the call option to redeem the Convertible Shares at any time from January 1, 2010 to December 31, 2014 at a redemption price computed with an imputed interest yield of 5% on the issuance price of S\$0.9211 per share. The call option lapsed when:

- the Holders converted the Convertible Shares into new ordinary shares; or
- the Holders sold, transferred or disposed of the Convertible Shares.

The Convertible Shares were convertible at the option of the Holders, at any time into new ordinary shares of the Company at a conversion rate of one Convertible Share for one ordinary share. The new ordinary shares issued upon conversion of the Convertible Share would, in all respect, rank *pari passu* with the existing shares in issue.

The Convertible Shares were fully redeemed on 26 November 2014.

The total number of new ordinary shares of the Company issued upon full conversion of all the Convertible Bonds was 43,534,458 shares, representing 8.1% of the enlarged share capital of the Company at the date of the restructuring.

The movement of the Convertible Shares for the financial year ended December 31, 2014 was as follows:

	<u>Group and Company</u> 2014 RMB'000
<i>Non-derivative liability component</i>	
At beginning of year	9,828
Amortisation of interest expense	464
Conversion into new ordinary shares	(577)
Redemption of convertible shares	(9,799)
Expiration of the Put Option	–
Currency realignment adjustment	84
At end of year	–
<i>Derivative liability component</i>	
At beginning of year	388
Gain on change in fair value during the financial year	314
Conversion into new ordinary shares	(18)
Redemption of convertible shares	(684)
At end of year	–
Total carrying amount of Convertible Shares at end of year	–

23 PURCHASE CONSIDERATION PAYABLE

On March 31, 2012, the Group acquired 80% of the issued capital of Laiyuan County Aoyu Steel Co., Ltd (“Aoyu Steel”) for a cash consideration of RMB285.3 million (the “Acquisition”), and has been accounted for by the acquisition method of accounting.

In accordance with the sales and purchase agreement, within three years from March 31, 2012 and subject to Aoyu Steel keeping its business registration and continuous production, the Group shall acquire the remaining 20% equity interest (“Balance Equity”) from Hebei Aowei on the terms and conditions as agreed upon. The purchase consideration payable for the remaining 20% will be calculated based on the unaudited net assets of Aoyu Steel at the time of acquisition of the Balance Equity but not lower than the proportionate share of the first purchase consideration of RMB285.3 million. As at December 31, 2014, the purchase consideration payable and capital reserve recorded were RMB113,514,000 and RMB90,385,000 respectively.

On March 27, 2015, the Group and Hebei Aowei signed an agreement which specified that the purchase consideration for the remaining 20% will be RMB93.3 million.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

24 SHARE CAPITAL

	<u>Group and Company</u>		<u>Group</u>		<u>Company</u>	
	2015	2014	2015	2014	2015	2014
	Number of ordinary shares		RMB'000	RMB'000	RMB'000	RMB'000
At beginning of the financial year	550,914	550,438	406,644	405,147	2,112,480	2,110,983
Issue of shares pursuant to conversion of convertible bonds and convertible shares	–	476	–	1,497	–	1,497
At end of the financial year	550,914	550,914	406,644	406,644	2,112,480	2,112,480

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the Company. The newly issued shares rank pari passu in all respect with the previously issued shares.

On February 29, 2016, the Company completed a share consolidation exercise to consolidate every five existing ordinary shares in the capital of the Company into one ordinary share, so as to comply with the Minimum Trading Price requirement as implemented by the SGX-ST, as an additional continuing listing requirement. As a result of the exercise, the issued share capital of the Company comprises 110,182,709 shares.

25 RESERVES

Capital reserve

Capital reserve amounting to RMB249,218,000 pertains to equity component of the Old Convertible Bonds issued in June 2007. The Old Convertible Bonds were extinguished in November 2009.

Capital reserve amounting to RMB4,106,000 pertained to recognition of expiration of put option with respect to Convertible Shares (Note 22) in November 2013. As the Company was unable to locate the Convertible Share holders ("Holders") upon expiry of put option, the amount was transferred to capital reserve. In 2014, this was transferred to share capital upon issuance of new shares to the Holders.

Capital reserve (presented alongside with non-controlling interests) amounting to RMB90,385,000 at December 31, 2014 pertained to forward purchase consideration for the Balance Equity (Note 23) at the date of acquisition. In 2015, capital reserve amounting to RMB90,385,000 was extinguished upon the acquisition of the Balance Equity which was completed on May 5, 2015.

Capital reserve amounting to RMB12,395,000 pertains to the cumulative fair value change in gross obligation of the purchase consideration and the discount arising from the acquisition of Balance Equity (Note 23).

Statutory reserve

The subsidiaries in the People's Republic of China ("PRC") are required to provide for certain statutory reserve fund, which are appropriated from net profit after tax (based on the financial statements prepared in accordance with the generally accepted accounting principles of the PRC) but before dividend distribution. The reserve fund can only be used, upon approval by the relevant authority, to offset accumulated losses or to increase capital.

Retained earnings

As at December 31, 2015, approximately RMB126,974,000 (2014 : RMB126,974,000) of the total retained earnings cannot be distributed as dividends as these are accumulated before the Reserve Acquisition (Note 2).

Fair value reserve

Fair value reserve amounting to RMB23,098,000 (2014 : RMB10,855,000) at December 31, 2015 pertains to fair value changes on available-for-sale financial assets (Note 14).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

26 REVENUE

	<u>Group</u>	
	2015 RMB'000	2014 RMB'000
Sale of goods	6,952,304	9,523,568

27 OTHER INCOME

	<u>Group</u>	
	2015 RMB'000	2014 RMB'000
Government grants	2,482	–
Finance lease income	3,875	9,816
Interest income		
– bank deposits	66,216	50,868
– amount due from an investee company	3,840	1,748
– entrusted loans to third parties (Note 13)	3,098	13,737
– held-to-maturity financial assets (Note 9)	5,920	18,865
	85,431	95,034

28 OTHER (LOSSES) GAINS – NET

Other (losses) gains include the following:

	<u>Group</u>	
	2015 RMB'000	2014 RMB'000
Gain on disposal of financial assets at fair value through profit or loss – net	–	15
Fair value gain on financial assets at fair value through profit or loss	–	23
Loss on disposal of property, plant and equipment	(18,125)	(31,876)
Impairment reversal on property, plant and equipment (Note 17)	–	38,273
Net foreign exchange (loss) gain	(655)	2,255
Fair value loss on convertible shares (Note 22)	–	(314)
Fair value changes on purchase consideration payable (Note 23)	15,443	2,215
Allowance for inventories	(6,055)	(10,652)
Prepaid leases written off (Note 17)	(27,319)	–

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

29 EXPENSES BY NATURE

Cost of sales, distribution and marketing and administrative expenses have been arrived at after charging:

	<u>Group</u>	
	2015 RMB'000	2014 RMB'000
Depreciation of property, plant and equipment (Note 17)	433,396	456,055
Amortisation of intangible assets (Note 18)	5,760	5,760
Staff costs	385,992	374,979
Rental on operating leases	767	1,804
Repairs and maintenance	89,708	38,162
	89,708	38,162

30 FINANCE COSTS

	<u>Group</u>	
	2015 RMB'000	2014 RMB'000
Interest expenses:		
– Bank borrowings	122,350	160,094
– Finance lease liabilities	13	2,698
– Convertible shares	–	464
– Related parties (Note 5)	334	–
Bills discounting charges – net	32,484	33,391
Bank charges	23,283	32,285
	178,464	228,932

31 INCOME TAX EXPENSES

	<u>Group</u>	
	2015 RMB'000	2014 RMB'000
Tax expense is made up of:		
Current tax:		
– Singapore	905	–
– Foreign	15,302	72,172
Deferred tax (Note 19)	1,336	2,551
	17,543	74,723
Adjustment in respect of the preceding financial years:		
Current income tax	(9,339)	1,130
	8,204	75,853

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

31 INCOME TAX EXPENSES (cont'd)

The Group's operations are mainly in the People's Republic of China ("PRC"). The tax expense on the profit differs from the amount that would arise using the PRC income tax rate of 25% (2014 : 25%) due to the following:

	<u>Group</u>	
	2015 RMB'000	2014 RMB'000
(Loss) Profit before tax	(423,057)	170,715
Tax calculated at tax rate of 25% (2014 : 25%)	(105,764)	42,679
Effects of:		
Different tax rates in other countries	2,954	1,908
Expenses not deducted for tax	37,433	10,607
Effect of deferred tax assets not recognised	83,545	17,908
Others	(625)	1,621
Tax charge	17,543	74,723

With effect from January 1, 2008, any profit to be remitted out of China in the form of dividend to foreign enterprises is subject to withholding tax. Dividends declared out of profits earned prior to January 1, 2008 are exempted from such withholding tax.

32 (LOSS) PROFIT FOR THE YEAR

Other than items disclosed in other notes to the financial statements, (loss) profit for the year has been arrived at after charging:

	<u>Group</u>	
	2015 RMB'000	2014 RMB'000
Directors' remuneration:		
– of the Company	1,024	1,082
– of the subsidiaries	4,107	4,160
Total directors' remuneration	5,131	5,242
Audit fees:		
– paid to auditors of the Company	2,332	2,512
Non-audit fees:		
– paid to other auditors	247	287

33 (LOSSES) EARNINGS PER SHARE

The following data are used in computing basic and fully diluted (losses) earnings per share disclosed in the consolidated statement of comprehensive income.

On February 29, 2016, the Company completed a share consolidation exercise to consolidate every five existing ordinary shares in the capital of the Company into one ordinary share (Note 24).

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31 December 2015

33 (LOSSES) EARNINGS PER SHARE (cont'd)

Figures shown under the "As adjusted" columns are computed assuming that the share consolidation exercise was held and effective as at December 31, 2014.

(a) Basic (losses) earnings per share

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

	2015 RMB'000	Group	
		2014 RMB'000 (As adjusted)	2014 RMB'000 (As previously reported)
Net (loss) profit attributable to equity holders of the Company (RMB'000)	(392,845)	100,888	100,888
Weighted average number of ordinary shares in issue for basic (losses) earnings per share ('000)	110,183	110,146	550,728
Basic (losses) earnings per share (RMB)	(3.57)	0.92	0.18

(b) Diluted earnings (losses) per share

In 2015, diluted losses per share is the same as basic losses per share as there are no dilution potential ordinary shares.

In 2014, for the purpose of calculating diluted earnings per share, net profit (loss) attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding were adjusted for the effects of all dilutive potential ordinary shares. The Company had one category of dilutive potential ordinary shares: convertible shares (Note 22).

Convertible shares were assumed to have been converted into ordinary shares at issuance and the net profit was adjusted to eliminate the interest expense and the fair value gain on the derivative liability component.

	Group	
	2014 RMB'000 (As adjusted)	2014 RMB'000 (As previously reported)
Net profit attributable to equity holders of the Company	100,888	100,888
Interest expense on convertible shares	464	464
Currency translation gain on convertible shares	84	84
Fair value loss on derivative liability component of convertible shares	314	314
Net profit used to determine diluted earnings per share	101,750	101,750
Weighted average number of ordinary shares for diluted earnings per share ('000)	110,146	550,728
Diluted earnings per share (RMB)	0.92	0.18

NOTES TO THE FINANCIAL STATEMENTS

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34 CONTINGENT LIABILITIES

As at December 31, 2015, guarantees given to banks by the Group in respect of bank loans granted to third parties amounted to approximately RMB230 million (2014 : RMB300 million). In return, guarantees are obtained from these third parties for the Group's borrowings (Note 21).

The directors are of the view that the fair value of these financial guarantee contracts at the date of inception was minimal and that no material losses will arise from the guarantees given to banks at the date of these financial statements.

As at December 31, 2015 and 2014, there was no guarantee given to banks by the Company in respect of bank loans granted to subsidiaries.

35 DIVIDENDS

The company does not recommend that a dividend be paid for the year ended December 31, 2015 and 2014.

36 COMMITMENTS

Expenditures contracted for at the end of the reporting period but not recognised in the financial statements are as follows:

	Group	
	2015 RMB'000	2014 RMB'000
Property, plant and equipment	105,296	275,495
Inventories	–	43,373
	105,296	318,868

37 OPERATING LEASE ARRANGEMENTS

The Group as lessee

	Group	
	2015 RMB'000	2014 RMB'000
Payment recognised as an expense during the year	767	1,804

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group	
	2015 RMB'000	2014 RMB'000
Within one year	383	628
In the second to fifth years inclusive	114	–

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

38 SEGMENT INFORMATION

The Group is primarily operating in one single operating segment i.e. the manufacture and sale of hot-rolled steel coils and billet. This operating segment has been identified on the basis of internal management reports that are regularly reviewed by the executive directors of the Group who are the chief operating decision makers. Substantially all the Group's operations were carried out in the People's Republic of China. No other individual country contributed 10% or more of the consolidated sales and assets, and no single customer contributed 10% or more of the consolidated revenue.

Other operations of the Group, including investment holding and finance leasing, do not constitute a separate reportable segment and are included in the "Other" column.

The accounting policies of the reportable segments are the same as the Group's accounting policies as disclosed in Note 2 to the financial statements.

The segment information for the reportable segments for the year ended December 31, 2015 is as follows:

	Manufacturing RMB'000	Others RMB'000	Total RMB'000
2015			
REVENUE			
External Sales	9,253,914	–	9,253,914
Inter-segment sales	(2,301,610)	–	(2,301,610)
Sales to external parties	6,952,304	–	6,952,304
Adjusted EBITDA*	200,137	(5,337)	194,800
Depreciation and amortisation	(437,670)	(1,486)	(439,156)
Unallocated:			
Finance costs			(178,464)
Share of loss of an associate company			(237)
Loss before income tax			(423,057)
Total assets	7,529,959	299,923	7,829,882
Total assets includes:			
Additions to property, plant and equipment	780,502	6,701	787,203
Total liabilities	5,463,575	17,457	5,481,032

* EBITDA refers to earnings before interest, tax, depreciation and amortisation

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

38 SEGMENT INFORMATION (cont'd)

	Manufacturing RMB'000	Others RMB'000	Total RMB'000
2014			
REVENUE			
External Sales	13,734,331	–	13,734,331
Inter-segment sales	(4,210,763)	–	(4,210,763)
Sales to external parties	9,523,568	–	9,523,568
Adjusted EBITDA*	815,723	8,192	823,915
Depreciation and amortisation	(460,334)	(1,486)	(461,820)
Impairment property, plant and equipment	38,273	–	38,273
Unallocated:			
Finance costs			(228,932)
Share of loss of an associate			(323)
Gain on change in fair value of convertible shares			(314)
Currency exchange gain on convertible shares			(84)
Profit before income tax			<u>170,715</u>
Total assets	<u>8,114,486</u>	<u>113,619</u>	<u>8,228,105</u>
Total assets includes:			
Additions to property, plant and equipment	<u>865,159</u>	<u>6,639</u>	<u>871,798</u>
Total liabilities	<u>5,360,631</u>	<u>78,509</u>	<u>5,439,140</u>

* EBITDA refers to earnings before interest, tax, depreciation and amortisation.

STATISTICS OF SHAREHOLDINGS

As At 18 March 2016

Authorised and fully paid-up capital	:	RMB2,112,480,000
No. of shares issued	:	110,182,709
Voting rights	:	1 Vote per share
Class of shares	:	Ordinary shares
Treasury shares	:	Nil

Size of shareholdings	No. of shareholders	%	No. of shares	%
1 – 99	344	16.42	14,921	0.01
100 – 1,000	1,034	49.35	391,078	0.36
1,001 – 10,000	582	27.78	2,120,229	1.92
10,001 – 1,000,000	130	6.21	8,475,140	7.69
1,000,001 & above	5	0.24	99,181,341	90.02
Total	2,095	100.00	110,182,709	100.00

Top Twenty Shareholders	No. of shares	%
Best Decade Holdings Limited	64,163,500	58.23
HSBC (SINGAPORE) Nominees Pte Ltd	12,226,017	11.09
Raffles Nominees (Pte) Ltd	8,025,640	7.28
DB Nominees (S) Pte Ltd	7,887,751	7.16
DBS Nominees Pte Ltd	6,878,433	6.24
Phillip Securities Pte Ltd	973,120	0.88
Citibank Nominees Singapore Pte Ltd	953,669	0.87
AGC Asia 2 Ltd	600,000	0.55
Morgan Stanley Asia (S) Securities Pte Ltd	457,000	0.42
Poh Boon Kher Melvin (Fu Wenke Melvin)	400,000	0.36
UOB Kay Hian Pte Ltd	257,110	0.23
Kam Teow Chong	204,040	0.19
Teo Chee Kok	183,000	0.17
Citibank Consumer Nominees Pte Ltd	176,320	0.16
Lim Beak Leang	165,000	0.15
Singapore Nominees Pte Ltd	140,000	0.13
United Overseas Bank Nominees Pte Ltd	139,056	0.13
Shane Tang (Shane Dong)	132,400	0.12
CIMB Securities (Singapore) Pte Ltd	124,803	0.11
Maybank Kim Eng Securities Pte Ltd	113,040	0.10
	104,199,899	94.57

STATISTICS OF SHAREHOLDINGS

As At 18 March 2016

Substantial Shareholders	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of shares	%
Best Decade Holding Limited	64,163,500	58.23	–	–
Golden Top Group Limited	–	–	64,163,500 ⁽¹⁾	58.23
Honest Joy International Ltd	–	–	64,163,500 ⁽²⁾	58.23
Ding Ligu	–	–	64,163,500 ⁽³⁾	58.23
Zhao Jing	–	–	64,163,500 ⁽³⁾	58.23
Evrz S.A Group	10,711,499 ⁽⁷⁾	9.72	5,859,300 ⁽⁴⁾	5.32
Mastercraft Limited	5,859,300 ⁽⁷⁾	5.32	–	–
EVRAZ plc	–	–	16,570,799 ⁽⁵⁾	15.04
Lanebrook Limited	–	–	16,570,799 ⁽⁶⁾	15.04

Notes:

- (1) Golden Top Group Limited ("Golden Top") owns 100% of the share capital in Best Decade Holdings Limited ("Best Decade") and is therefore deemed to be interested in the shares of the Company held by Best Decade.
- (2) Honest Joy International Ltd ("Honest Joy") owns 100% of the share capital in Golden Top and is therefore deemed to be interested in the shares of the Company held by Best Decade.
- (3) Mr Ding Ligu and Madam Zhao Jing hold 70% and 30% respectively of the share capital in Honest Joy. They are therefore deemed interested in the shares of the Company held by Best Decade.
- (4) Mastercraft Limited is a subsidiary of Evraz S.A Group. As such, Evraz S.A Group is deemed to be interested in the shares of the Company held by Mastercraft Limited.
- (5) EVRAZ plc owns 100% of the share capital in Evraz S.A. Group and Mastercraft Limited and is therefore deemed to be interested in the shares of the Company held by Evraz S.A Group and Mastercraft Limited respectively.
- (6) Lanebrook is the major shareholder of EVRAZ plc and is therefore deemed interested in the shares of the Company held by Evraz S.A Group and Mastercraft Limited.
- (7) Shares are held through nominee account.

Public shareholding

Based on the register of shareholdings and to the best of the Company, as at 18 March 2016, 26.73% of the Company's shares were held in public. The Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Delong Holdings Limited will be held at Capital Tower, 168 Robinson Road, Level 9, Singapore 068912 on Friday, 29 April 2016, at 11.00 a.m. for the following purposes:-

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the year ended 31 December 2015 together with the Auditors' Report thereon. **(Resolution 1)**
2. To re-elect the following Directors retiring pursuant to Article 89 of the Company's Articles of Association:-

Mr. Hee Theng Fong (Retiring under Article 89) **(Resolution 2)**
Mr. Zuo Shuowen (Retiring under Article 89) **(Resolution 3)**

Mr. Hee Theng Fong will, upon re-election as Director of the Company, remain as Chairman of the Nominating Committee, and member of the Audit and Remuneration Committees, and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.
3. To approve the payment of Directors' fees of RMB1,211,930 for the financial year ended 31 December 2015. (2014: RMB1,424,850) **(Resolution 4)**
4. To re-appoint Messrs Deloitte & Touche LLP as the Independent Auditor of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**
5. To transact any other business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

6. To consider and, if thought fit, to pass the following resolution, with or without amendments, as an Ordinary Resolution:-

General Mandate to authorise the Directors to issue shares or convertible securities

"THAT pursuant to Section 161 of the Companies Act, Cap. 50 and the listing rules of Singapore Exchange Securities Trading Limited (the "Listing Rules"), authority be and is hereby given to the Directors of the Company to allot and issue:-

- (a) shares; or
- (b) convertible securities; or
- (c) additional convertible securities issued pursuant to Rule 829 of the Listing Rules; and/or
- (d) shares arising from the conversion of securities in (b) and (c) above,

NOTICE OF ANNUAL GENERAL MEETING

in the Company (whether by way of rights, bonus or otherwise) at any time to such persons and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that: (i) the aggregate number of shares and convertible securities to be issued pursuant to this resolution must be not more than 50% of the total number of issued shares excluding treasury shares in the capital of the Company (calculated in accordance with (ii) below); of which the aggregate number of shares and convertible securities issued other than on a pro rata basis to existing shareholders must be not more than 20% of the total number of issued shares excluding treasury shares in the capital of the Company (calculated in accordance with (ii) below); and (ii) for the purpose of determining the aggregate number of shares and convertible securities that may be issued pursuant to (i) above, the total number of issued shares excluding treasury shares shall be calculated based on the total number of issued shares excluding treasury shares in the capital of the Company at the time of the passing of this resolution after adjusting for (a) new shares arising from the conversion or exercise of convertible securities; (b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this resolution and (c) any subsequent bonus issue, consolidation or subdivision of shares. Unless revoked or varied by ordinary resolution of the shareholders of the Company in general meeting, this resolution shall remain in force until the earlier of the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier." [See Explanatory note] **(Resolution 6)**

BY ORDER OF THE BOARD

Yeo Lee Luang
Company Secretary
Singapore, 14 April 2016

EXPLANATORY NOTE:

The Ordinary Resolution proposed in item 6 above, if passed, will empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting, to issue shares and convertible securities in the Company up to an amount not exceeding in total fifty per cent (50%) of the total number of issued shares excluding treasury shares in the capital of the Company of which the aggregate number of shares to be issued other than on a pro rata basis to all existing shareholders of the Company shall not exceed 20% of the total number of issued shares excluding treasury shares in the capital of the Company.

Notes:-

1. The Chairman of the AGM will be exercising his right under Article 59 of the Company's Articles of Association to demand a poll in respect of the resolutions to be put to the vote of members at the AGM and at any adjournment thereof. Accordingly, the resolutions at the AGM will be voted on by way of poll.
2. A member of the Company (other than a relevant intermediary*) entitled to attend and vote at the AGM is entitled to appoint not more than two proxies to attend and vote instead of him. A proxy need not be a member of the Company. Where a member of the Company (other than a relevant Intermediary*) appoints more than one proxy, the proportion of shares to be represented by each proxy must be stated.
3. A relevant intermediary* may appoint more than 2 proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).
4. A member of the Company which is a corporation is entitled to appoint its authorized representative or proxies to vote on its behalf. If the member is a corporation, the instrument appointing a proxy must be executed under common seal or the hand of its duly authorized officer or attorney.
5. The instrument or form appointing a proxy or proxies, duly executed, must be deposited at the Company's registered office at 55 Market Street, Level 10, Singapore 048941 not less than forty-eight (48) hours before the time appointed for holding the AGM in order for the proxy to be entitled to attend and vote at the AGM.
6. A Depositor's name must appear on the Depository Register maintained by the Central Depository (Pte) Limited as at 72 hours before the time fixed for the holding of the AGM in order for the Depositor to be entitled to attend and vote at the AGM.

NOTICE OF ANNUAL GENERAL MEETING

*A relevant intermediary means:

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under the Central Provident Fund Act, Chapter 36 of Singapore, providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Personal Data Privacy:

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

DELONG HOLDINGS LIMITED

(Company Registration. No. 199705215G)
(Incorporated in the Republic of Singapore)

IMPORTANT:

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see Note 3 for the definition of "relevant intermediary").
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. PLEASE READ THE NOTES TO THE PROXY FORM.

Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 14 April 2016.

ANNUAL GENERAL MEETING PROXY FORM

*I/We _____ (Name) *NRIC / Passport No. _____

of _____

being a *member/members of **DELONG HOLDINGS LIMITED** ("the Company") hereby appoint

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

as *my/our *proxy/proxies to attend and to vote for *me/us on *my/our behalf, at the Annual General Meeting of the Company to be held at Capital Tower, 168 Robinson Road, Level 9, Singapore 068912 on Friday, 29 April 2016, at 11.00 a.m. and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any item arising not summarised below, the *proxy/proxies will vote or abstain from voting at *his/their discretion.

No.	Resolutions	For**	Against**
1	Directors' Statement and Audited Financial Statements for the year ended 31 December 2015		
2	Re-election of Mr Hee Theng Fong as a Director		
3	Re-election of Mr Zuo Shuowen as a Director		
4	Approval of Directors' fees amounting to RMB1,211,930		
5	Re-appointment of Messrs Deloitte & Touche LLP as Auditors		
6	Authority to allot and issue new shares		

* Delete accordingly

** Please indicate your vote "For" or "Against" with a tick (✓) within the box provided.

Dated this _____ day of _____ 2016

Shares held in:	Total No. of Shares:
(a) CDP Register	
(b) Register of Members	

Signature(s) of Member(s)/Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF



Notes:-

1. A member of the Company (other than a relevant intermediary*) entitled to attend and vote at the AGM is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company and where there is more than one proxy, the proportion of shares to be represented by each proxy must be stated.
2. Where a member (other than a relevant intermediary*) appoints two proxies, the appointments shall be invalid unless he specifies the proportion (expressed as a percentage of the whole) of his shareholding to be represented by each proxy.
3. A relevant intermediary* may appoint more than 2 proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).

*A relevant intermediary means:

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under the Central Provident Fund Act, Chapter 36 of Singapore, providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
4. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorized officer.
 5. A corporation which is a member, may authorise by resolution of its directors or other governing body, such person as it thinks fit, to act as its representative at the AGM, in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore.
 6. The instrument of appointing a proxy or proxies (together with the power of attorney (if any) under which it is signed or a certified copy thereof), must be deposited at the registered office of the Company at 55 Market Street, Level 10, Singapore 048941 not less than 48 hours before the time set for holding the meeting or adjourned meeting (as the case may be).
 7. Please insert the total number of shares held by you. If you have shares entered against your name on the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this instrument of proxy will be deemed to relate to all the shares held by you.
 8. The Company shall be entitled to reject this instrument of proxy if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Members whose shares are deposited with The Central Depository (Pte) Limited ("CDP"), the Company may reject any instrument of proxy lodged if such Member is not shown to have shares entered against the name in the Depository Register as at 72 hours before the time appointed for holding the AGM as certified by CDP to the Company.
 9. Agent Banks acting on the request of CPF Investors who wish to attend the AGM as Observers are required to submit in writing, a list with details of the investor's name, NRIC/Passport Number, addresses and number of shares held. The list, signed by an authorised signatory of the Agent Bank, should reach the Share Registrar of the Company at 8 Robinson Road #03-00, ASO Building, Singapore 048544, not less than 48 hours before the time fixed for holding the AGM.



德龙控股

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