中國疏浚環保控股有限公司
China Dredging Environment Protection Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 871

ANNUAL REPORT **2015**

Contents

Corporate Information

Board of Directors

Executive Directors:

Mr. Liu Kaijin *(Chief Executive Officer and Joint Chairman)*
Ms. Zhou Shuhua

Non-Executive Director:

Mr. Liu Longhua *(Joint Chairman)*

Independent Non-Executive Directors:

Mr. Huan Xuedong
Mr. Chan Ming Sun Jonathan
Mr. Xu Hengju

Audit Committee

Mr. Chan Ming Sun Jonathan *(Chairman)*
Mr. Huan Xuedong
Mr. Xu Hengju

Remuneration Committee

Mr. Xu Hengju *(Chairman)*
Mr. Liu Longhua
Mr. Chan Ming Sun Jonathan

Nomination Committee

Mr. Liu Longhua *(Chairman)*
Mr. Chan Ming Sun Jonathan
Mr. Xu Hengju

Authorised Representatives

Mr. Liu Kaijin
Mr. Leung Kim Hung (resigned on 31 December 2015)
Ms. Lai Wai Ha of Akron Advisory Limited, external service provider (appointed on 1 January 2016)

Company Secretary

Mr. Leung Kim Hung (resigned on 31 December 2015)
Ms. Lai Wai Ha of Akron Advisory Limited, external service provider (appointed on 1 January 2016)

Legal Advisor

Chiu & Partners (as to Hong Kong Law)

Auditor

CWC CPA Limited
Certified Public Accountants

Principal Bankers

Yancheng City Branch office of Agricultural Bank of China Limited
Agricultural Bank of China Limited, Yancheng Branch
China Construction Bank Asia Corporation
China Everbright Bank (Nanjing Branch)

Registered Address

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

Headquarters and Principal Place of Business

The People's Republic of China:
No. 1 Xingyu Road, Baocai Industrial Zone,
Yandu District, Yancheng City,
Jiangsu Province, the PRC

Hong Kong:
Office 19, 36th Floor, China Merchants Tower,
Shun Tak Centre,
No.168–200 Connaught Road Central,
Hong Kong

Principal Share Registrar

Codan Trust Company (Cayman) Limited

Hong Kong Share Registrar

Tricor Investor Services Limited

Website

www.cdep.com.hk

Definitions

"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors
"CG Code"	the code provisions as contained in "Corporate Governance Code and Corporate Governance Report" set out in Appendix 14 to the Listing Rules (as amended from time to time), which are adopted (with modification) by the Board as its corporate governance code
"Company"/"China Dredging ENV"	China Dredging Environment Protection Holdings Limited
"Contractual Arrangements"	a series of contracts, brief details of which are set out in note 38 to the consolidated financial statements in this annual report, pursuant to which all economic benefits and risks arising from the business of Jiangsu Xingyu are transferred to Xiangyu PRC
"Director(s)"	director(s) of the Company
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Jiangsu Fengyu"	江蘇豐宇置業有限公司 (Jiangsu Fengyu Property Development Co., Ltd.*), a wholly-owned subsidiary of the Company
"Jiangsu Jiaolong"	江蘇蛟龍打撈航務工程有限公司 (Jiangsu Jiaolong Salvage Harbour Engineering Co. Ltd.*), a non-wholly owned subsidiary of the Company
"Jiangsu Lugang"	江蘇省路港建設工程有限公司 (Jiangsu Province Lugang Construction Project Co. Limited*) (formerly known as 江蘇興宇疏浚環保有限公司 (Jiangsu Xingyu Environment Protection Company Limited*)), a wholly-owned subsidiary of the Company
"Jiangsu Xingyu"/ "PRC Operational Entity"	江蘇興宇控股集團有限公司 (Jiangsu Xingyu Holding Group Limited*) (formerly known as 江蘇興宇港建有限公司 (Jiangsu Xingyu Port Construction Company Limited*)), a wholly-owned subsidiary of the Company
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (as amended from time to time)

"Mr. Liu"	Mr. Liu Kaijin, joint chairman, chief executive officer and an executive Director (who is the spouse of Ms. Zhou)
"Ms. Zhou"	Ms. Zhou Shuhua, an executive Director (who is the spouse of Mr. Liu)
"Nomination Committee"	the nomination committee of the Board
"PRC"	the People's Republic of China
"Remuneration Committee"	the remuneration committee of the Board
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) (as amended from time to time)
"Shareholder(s)"	shareholder(s) of the Company
"Share(s)"	ordinary share(s) of the Company
"Share Option Scheme"	the share option scheme of the Company approved by Shareholders on 24 May 2011
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Xiangyu Environment Protection"	江蘇翔宇環保設備有限公司 (Jiangsu Xiangyu Environment Protection Equipment Company Limited*), a wholly-owned subsidiary of the Company
"Xiangyu PRC"	江蘇翔宇港建工程管理有限公司 (Jiangsu Xiangyu Port Constructing Project Administration Co. Ltd.*), a wholly-owned subsidiary of the Company
"Xiangyu Water Management"	江蘇翔宇水務有限公司 (Jiangsu Xiangyu Water Management Company Limited*), a wholly-owned subsidiary of the Company

* *For identification purpose only*

Financial Summary

The following is a summary of the published results and assets and liabilities of the Group for the past five financial years.

Results

	Year ended 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)	(audited)	(audited)
Revenue	**700,996**	910,592	973,615	966,027	1,137,303
(Loss) profit before tax	**(237,333)**	162,145	259,817	294,886	415,730
Income tax credit (expense)	**46,822**	(53,566)	(78,535)	(80,494)	(112,566)
Consolidated net (loss) profit of the Group for the year and total comprehensive (expense) income for the year	**(190,511)**	108,579	181,282	214,392	303,164
Consolidated net (loss) profit of the Group for the year and total comprehensive (expense) income for the year attributable to:					
Owners of the company	**(197,864)**	92,524	164,757	199,495	303,164
Non-controlling interests	**7,353**	16,055	16,525	14,897	—
	(190,511)	108,579	181,282	214,392	303,164

Assets and Liabilities

	31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)	(audited)	(audited)
Non-current assets	**2,492,129**	2,054,209	2,026,550	1,577,510	830,877
Current assets	**1,385,034**	1,414,379	1,384,822	1,019,689	734,028
Current liabilities	**(1,601,679)**	(1,139,464)	(1,278,906)	(955,466)	(334,924)
Non-current liabilities	**(152,067)**	(394,209)	(402,315)	(97,858)	—
Net assets	**2,123,417**	1,934,915	1,730,151	1,543,875	1,229,981

Statement of Financial Position of the Company

The statement of financial position of the Company as at the end of the reporting period is as follows:

	2015 RMB'000	2014 RMB'000
ASSETS		
Unlisted investments in subsidiaries	**259,214**	163,311
Amounts due from subsidiaries	**971,202**	677,288
Other receivables	**14**	13
Bank and cash	**1,415**	159
	1,231,845	840,771
LIABILITIES		
Other payables	**8,146**	11,355
Bank borrowing	**7,698**	3,160
Amounts due to directors	**18,318**	1,358
Convertible bonds	**246,510**	198,461
Derivative financial liabilities embedded in convertible bonds	**7,030**	14,423
Derivative financial liabilities in relation to warrants	**—**	2,242
	287,702	230,999
TOTAL ASSETS LESS TOTAL LIABILITIES	**944,143**	609,772
CAPITAL AND RESERVES		
Share capital	**102,045**	71,592
Reserves *(note)*	**842,098**	538,180
	944,143	609,772

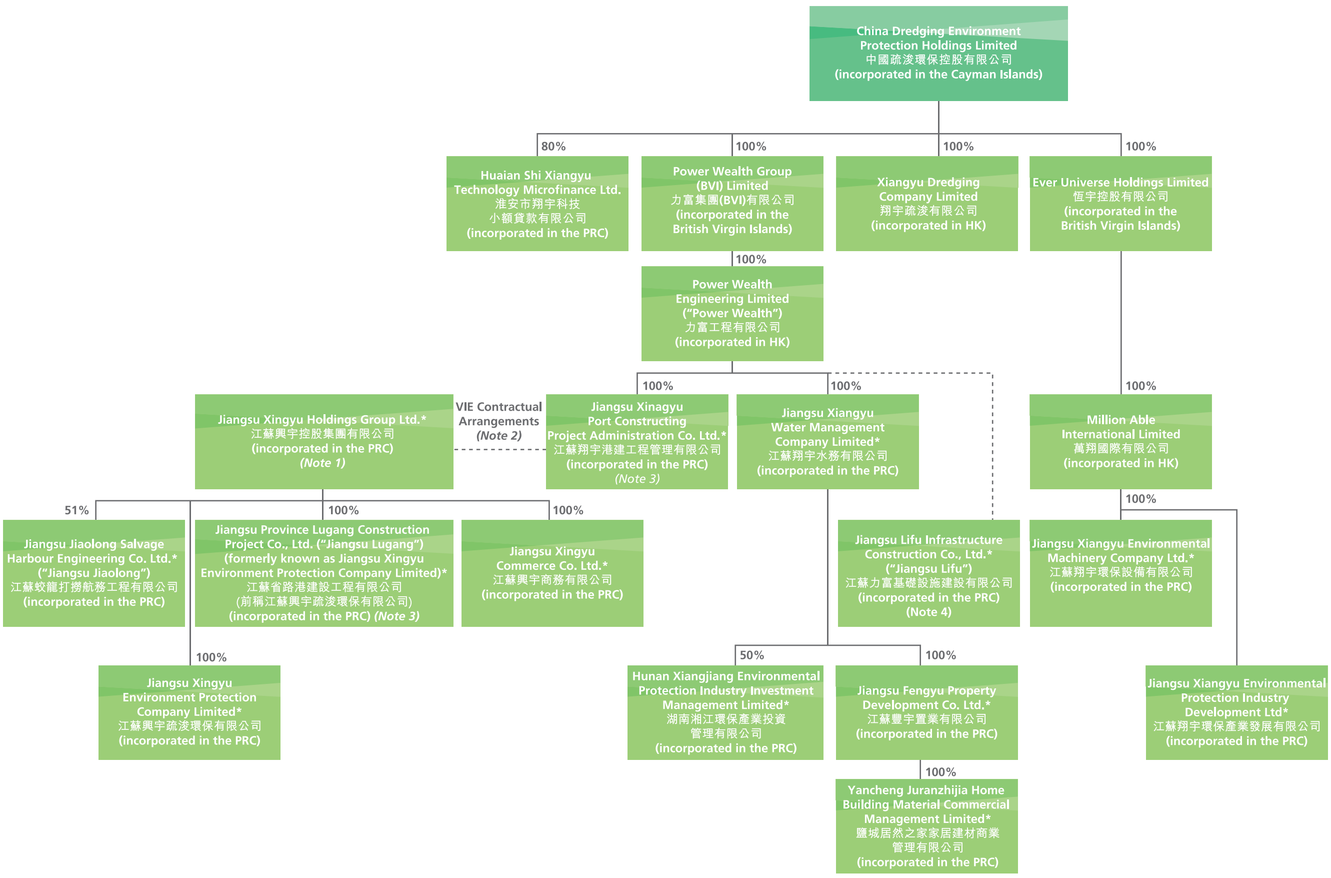
Note:

Reserves of the Company

	Share premium RMB'000	Share option reserve RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2014	418,851	14,150	165,238	(134,418)	463,821
Loss and total comprehensive expense for the year	—	—	—	(17,434)	(17,434)
Exercise of share options	101,716	(9,923)	—	—	91,793
Lapse of share options	—	(4,227)	—	4,227	—
At 31 December 2014	520,567	—	165,238	(147,625)	538,180
Loss and total comprehensive expense for the year	—	—	—	(44,642)	(44,642)
Placing of shares	348,560	—	—	—	348,560
At 31 December 2015	869,127	—	165,238	(192,267)	842,098

Group Chart

The following sets out the corporate structure of the Group as at 31 December 2015:



Notes:

1. Mr. Liu and Ms. Zhou are the registered holders of the registered capital in Jiangsu Xingyu, and Ms. Zhou holds all her equity interest in Jiangsu Xingyu as trustee for Mr. Liu.

2. On 19 April 2011, Jiangsu Xingyu, Xiangyu PRC, Mr. Liu and Ms. Zhou entered into the Contractual Arrangements, pursuant to which all economic benefits and risks arising from the business of Jiangsu Xingyu are transferred to Xiangyu PRC.

3. Jiangsu Lugang was subsequently disposed of in March 2016.

4. As at 31 December 2015, no capital had been injected into Jiangsu Lifu by its registered shareholder, Power Wealth.

* *For identification purpose only*

CEO Statement

To Shareholders, customers and employees,

The year 2015 was a tough year. Although we were still optimistic about the future prospect of the infrastructure and reclamation dredging business and the environmental protection dredging business, as described in the 2014 annual report, the delay and/or the prolongment of the tendering and/or the decision-making process for construction of government projects resulted in a slowdown in achieving the goal of bringing positive progress to the Company through the infrastructure and reclamation dredging business and the environmental protection dredging business. Under the backdrop of the macro environment where the global economy has remained relatively weak since the financial crisis, with continued slowdown in domestic economic growth, we had to adopt more robust and prudent strategies when selecting and taking up new projects, which in turn squeezed the room for expansion in our operation scale.

The year 2016 is the first year to implement the 13th Five-Year Plan. The overall macro environment will see improvement compared with that of 2015. The "Central Committee's Proposal for Formulating the 13th Five-Year Plan for National Economic and Social Development" recently published by the PRC government has set a tone of perseverance to further reforms as a goal to comprehensively build a moderately prosperous society on schedule. In particular, there are reforms of streamlining procedures and delegating powers, of the investment and financing systems and of the supply side. These reforms not only are the macro policy direction that the PRC government will uphold in 2016, but also the policy principle to be sustained for the next five years. As the reform measures further advance, on the one hand, accountability for slippage in administration and policy implementation is expected to enhance the government's administrative efficiency and accelerate its decision-making process, while on the other hand, the country's motivation to invest in and construct infrastructure as well as facilities in the public service sector is expected to be strengthened, which will bring promising prospects. In addition to the heightened awareness and expectation of environmental governance from the PRC government and the entire society, the formal establishment and operation of Asian Infrastructure Investment Bank as well as the advancement in establishing the Maritime Silk Road under the "One Belt One Road" strategy, the demand for traditional dredging business including reclamation and environmental protection dredging business is expected to continue to increase.

As a supplier that has provided professional dredging services for years and a frontrunner with advanced management, quality clients and an excellent reputation in the industry, we will adhere to the traditional dredging business and environmental protection dredging business, our two principal businesses, and stay loyal to our clients to provide them with quality service while adhering to robust and prudent operation strategies. We firmly believe that opportunities co-exist with challenges. Pulling the fingers together is for keeping our fist tight. The periodic adjustment of this round is bound to provide wider and broader room for the entire industry to develop in the future.

Liu Kaijin
Joint Chairman, Chief Executive Offer and Executive Director

29 March 2016

Management Discussion and Analysis

Financial Review

The Group has four main operating and reportable segments, namely, (i) capital and reclamation dredging business ("CRD Business"); (ii) environmental protection dredging and water management business ("EPD and Water Management Business"); (iii) ancillary construction work related to the capital and reclamation dredging ("Dredging Related Construction Business"); and (iv) other works operated in marine sites such as salvage and hoisting works ("Other Marine Business").

Revenue

During the reporting period, the Group recorded a drop by about 23.0% amounting to approximately RMB209,600,000 in total revenue from RMB910,600,000 in the financial year of 2014 to about RMB701,000,000. As regards the CRD Business segment, the revenue generated during the reporting period was approximately RMB367,300,000, which represented a decrease of approximately 22.6% compared to the revenue in the year ended 31 December 2014. The decrease was due to the slowdown of the implementation of the construction projects in the domestic dredging industry, and the drop in number of new contracted construction projects as the Group implemented a more prudent and careful policy in selecting new projects. The EPD and Water Management Business segment recorded revenue of RMB179,500,000, which represented a decrease of approximately 13.9% from the corresponding segment's revenue in the year ended 31 December 2014. The decrease was due to the slow progress in implementing certain EPD projects.

During the reporting period, the Group's Dredging Related Construction Business did not generate any revenue as the Group did not take up any new projects. The revenue from the corresponding segment was approximately RMB53,300,000 for the year ended 31 December 2014. The Other Marine Business of the Group generated a revenue of approximately RMB154,200,000, decreased by 11.6% from the revenue of approximately RMB174,400,000 in the year ended 31 December 2014.

Operating Cost and Gross Profit

The Group's operating cost decreased from about RMB648.3 million for the year ended 31 December 2014 to about RMB474.3 million for the reporting period, representing a decrease of about 26.8%. Coupled with the drop of the revenue as mentioned above, the Group recorded a gross profit of about RMB226.7 million for the reporting period, representing a decrease of about 13.6% as compared with the year ended 31 December 2014 of about RMB262.3 million.

The profit margin of CRD Business segment increased from about 30.0% for the year ended 31 December 2014 to about 35.9% for the reporting period. The approximately 19.7% increase of profit margin of CRD Business segment in the reporting period as compared to the year ended 31 December 2014 was due to the Group adopting higher thresholds for vetting and selection of the new projects during the reporting period.

The profit margin of EPD and Water Management Business decreased from about 31.8% for the year ended 31 December 2014 to about 29.9% for the reporting period, which is considered by the Directors to be acceptable.

During the reporting period, the profit margin of the Group's Other Marine Business decreased from 28.0% for the year ended 31 December 2014 to about 14.4% for the reporting period. The profit margin decreased by approximately 48.6% as compared to the year ended 31 December 2014. The relatively big drop in the profit margin was due to more intensive business competition and the rising staff costs during the reporting period.

Financial Review (Continued)

Other Income

Other income decreased by about RMB5.9 million to about RMB38.0 million for the reporting period which was mainly due to the decrease in interest income for the receivables.

Net Gain Due to Fair Value Changes of Derivative Financial Liabilities

There was a non-cash gain of about RMB7.9 million due to the change of fair value of an unsecured convertible bonds which was issued to CITIC Capital China Access Fund Limited in November 2013 assessed as at 31 December 2014 and 31 December 2015, and a non-cash gain of about RMB2.2 million due to the change of fair value of warrants which were issued to several placees in January 2014 (expired and ceasing to be exercisable on 18 January 2016) assessed as at 31 December 2014 and 31 December 2015. Therefore, a non-cash net gain of about RMB10.1 million under the category of other gains and losses was derived (2014: non-cash net gain of about RMB21.3 million). Regarding the details of the unsecured convertible bonds and the warrants, please refer to the Company's announcements dated 28 October 2013, 8 November 2013, 24 December 2013, 9 January 2014, 17 January 2014 and 18 January 2016 respectively.

Allowance for doubtful debts

As a further prudent measure in managing the account receivables, an allowance for doubtful debts of aggregate sum of about RMB376.6 million was made based on the recoverability of the receivables for the reporting period (allowance for doubtful debts in 2014 was approximately RMB49.3 million in total). The allowance for receivables was made based on the assessment in recoverability and the judgement by the management after considering the estimated future cash flows discounted at the present value of the original effective interest rate.

Marketing and Promotion Expenses

Marketing and promotion expenses decreased by about RMB2.1 million from about RMB10.7 million for the year ended 31 December 2014 to about RMB8.6 million for the reporting period due to the marketing activities in the year conducted in a more cost effective way.

Administrative Expenses

Administrative expenses for the reporting period amounted to about RMB41.2 million, representing an increase of about 2.1% from RMB40.4 million for the year ended 31 December 2014.

Foreign Exchange Difference

Due to the fluctuation in the foreign exchange rate during the reporting period, part of the Group's bank borrowings and bank deposits were denominated in United States dollars and Hong Kong dollars. The foreign exchange difference of RMB30.2 million was recognised in the reporting period (2014: Nil).

Financial Review (Continued)

Income Tax Expense

Due to the increase in loss before tax, income tax credit for the reporting period amounted to about RMB46.8 million, representing an increase of about RMB100.4 million compared with tax expense of RMB53.6 million in the year ended 31 December 2014. The increase was due to the deferred tax credit in respect of allowance for doubtful debts of approximately RMB93.2 million.

Loss for the Year

As a combination effect of the above, the loss for the reporting period was about RMB190,500,000, decreased by 275.4% as compared to profit of about RMB108,600,000 in the year ended 31 December 2014. If the impact of the non-cash net loss due to fair value changes of derivative financial liabilities, allowance for doubtful debts and the non-operating losses including foreign exchange difference not taken into account, the operating profit was decreased by about 15.0% as compared to that of the financial year of 2014.

Loss Per Share

Loss per share for the reporting period was RMB0.19 per share, representing a decrease of about 272.7% as compared to earnings per share of RMB0.11 per share in the year ended 31 December 2014.

Financial Management Policies

The Group in its ordinary course of business is exposed to market risks such as currency risk and interest rate risk. The Group's risk management strategy aims to mitigate the adverse effects of these risks on its financial performance in full measure.

As most of the Group's trading transactions, monetary assets and liabilities are denominated mainly in Renminbi, which is the Group's functional and reporting currency, and save for convertible bonds and certain bank borrowing and deposits denominated in United States dollars and Hong Kong dollars, the foreign exchange difference recognised during the reporting period was RMB30.1 million (2014: Nil). As at the end of the reporting period, no related hedge was made by the Group. However, the Group is giving full attention to respond to the related foreign exchange rate risks.

As current interest rates stay at relatively low levels, the Group has not entered into any interest rate hedging contracts or any other interest rate related derivative financial instrument. However, the Group continues to monitor its related interest rate exposure closely.

Financial Position

As at 31 December 2015, the total equity of the Group amounted to about RMB2,123.4 million (2014: RMB1,934.9 million). The increase was mainly attributable to the increase of capital due to new shares issued during the reporting period.

The Group's net current liabilities as at 31 December 2015 amounted to about RMB216.6 million (2014: net current assets of RMB274.9 million). The current ratio, which is calculated by dividing current assets by current liabilities, as at 31 December 2015 was 0.86 (2014: 1.24).

Financial Review (Continued)

Liquidity and Financial Resources

The Group adopts a prudent cash and financial management policy. In order to achieve better cost control and reduce the costs of funds as far as possible, the Group's treasury activities are under central management and cash is generally deposited with banks and denominated mostly in Renminbi and Hong Kong dollars.

Included in net current assets were cash and various bank deposits which was about RMB201.1 million in total as at 31 December 2015, representing an increase of about RMB22.0 million as compared with that of about RMB179.1 million as at 31 December 2014.

Pursuant to the issue of new shares during the reporting period, an aggregate sum of about HK$470.3 million (equivalent to about RMB379.0 million) being the subscription price for the shares issued was received by the Company.

The Group's accounts receivables as at 31 December 2015 amounted to about RMB1,121.5 million (2014: RMB1,272.6 million).

The overdue receivables as at 31 December 2015 decreased to about RMB780.2 million (2014: RMB800.7 million). To take a further prudent measure in managing the account receivables, the Group has decided to make an allowance for doubtful debts in an aggregate sum of about RMB376.6 million (2014: RMB49.3 million) during the reporting period.

Total liabilities of the Group as at 31 December 2015 were about RMB1,753.7 million (2014: RMB1,533.7 million). The increase was mainly attributable to the increase in bank loans in the sum of about RMB103.2 million and the increase in accounts payables by about RMB70 million.

The Group's gearing ratio (calculated by bank borrowings divided by total assets) increased to about 18.9% (2014: 16.5%), which the Board believes is at a healthy level.

Further, as stated below, up the date of this report, the Group has fully recovered the debt and agreed interest from one of its major trade debtors regarding trade debts. On 31 December 2012, the Group entered into a conditional agreement with one of its major trade debtors (the "Debtor") whereby the Debtor would transfer to the Group its (i) 95% equity interest in Yongheng (as defined below), and (ii) its shareholder's loan therein, in lieu of settlement for certain trade debts due to the Group (the "1st Agreement"). The amount of such trade debts to be settled in this manner is RMB288,293,000 (comprising current portion of RMB251,798,000 and non-current portion of RMB36,495,000) as determined with reference to the adjusted net assets value of Yongheng based on a valuation report issued by Jiangsu Renhe Asset Valuation Company Limited* (江蘇仁和資產評估有限公司), a registered valuation firm in the PRC which is independent to the Group.

Yancheng City Yongheng Properties Co., Ltd* (鹽城市咏恒置業有限公司) ("Yongheng") is a limited liability company established in the PRC, the sole assets of which are two parcels of land in the PRC. The scope of business of Yongheng includes construction and development of properties.

Financial Review (Continued)

Liquidity and Financial Resources (Continued)

Concurrent with the above arrangement, the Group also entered into another conditional agreement to acquire the remaining 5% equity interest in Yongheng from the non-controlling interest therein for a cash consideration of RMB400,000 (the "2nd Agreement").

On 22 March 2013, the Group entered into a conditional sale and purchase agreement with Yancheng City Hongji Construction Installation Engineering Company Limited* (鹽城市鴻基建築安裝工程有限責任公司) ("Hongji Construction"), an independent third party, whereby the Group has agreed to transfer to Hongji Construction its 85% equity interest in Yongheng together with 85% of the shareholder's loan for a total consideration of RMB252,968,000 (the "Consideration") (the "3rd Agreement"), to be settled in the following manner:

(i) a deposit of RMB10 million within three business days upon signing of the 3rd Agreement;

(ii) payment of not less than RMB70 million (not including the deposit) before 31 December 2013;

(iii) a further payment of not less than RMB100 million during the year ending 31 December 2014; and

(iv) payment of any outstanding balance before 31 December 2015.

Interest is payable by Hongji Construction to the Group at a rate of 6% per annum on the amount of unpaid balance starting from 1 January 2014. The payment terms per points (i), (ii), (iii) and (iv) were fully settled before the date of this report.

Charge Over Assets of the Group

As at 31 December 2015, the Group's bank borrowings are secured by pledged bank deposits of about RMB62.6 million, charges over certain dredgers and land owned by the Group; properties owned by certain non-controlling shareholders of the Company's subsidiary; and personal guarantees by Mr. Liu and Ms. Zhou. There were also intra-group charges between two of the Company's wholly-owned subsidiaries as a result of the Contractual Arrangements, pursuant to which all economic benefits and risks arising from the business of Jiangsu Xingyu have been transferred to Xiangyu PRC.

Material acquisitions and disposals

No material acquisitions and/or disposals were made during the reporting period.

Financial Review (Continued)

Capital Commitments and Contingent Liabilities

As at 31 December 2015, the Group had the following substantial capital commitments:

(i) RMB24.0 million in relation to the investment in Hunan Xiangjiang Environmental Asset Investment Management Co Ltd* (湖南湘江環保產業投資管理有限公司) ("Hunan Investment"), a joint venture established with Zhuzhou Cyclic Economy Investment and Development Group Co., Ltd.* (株洲循環經濟投資發展集團有限公司) (formerly known as Zhuzhou Cyclic Economy Investment and Development Co., Ltd.* (株洲循環經濟投資發展有限責任公司), a State-owned enterprise established by the Committee of Zhuzhou Qingshuitang Cyclic Economy Industrial Zone* (株洲清水塘循環經濟工業區委員會) ("Zhuzhou Investment") in the PRC (31 December 2014: RMB24.0 million). The Group has decided to suspend the capital injection to Hunan projects after taking into account the owner's difficulty in obtaining funds in due course.

(ii) The Group acquired the engineering, procurement and construction of part of the commercial buildings on the site at Yancheng National High-tech Industrial Development Zone, Yandu District, Yancheng* (鹽城市鹽都區鹽城國家高新技術產業開發區), Jiangsu Province, the PRC, with an area of about 46,000 square metres in May 2012 (the "Commercial Buildings") for its own use including relocating the Group's central headquarters to the Commercial Buildings. As at the date of this announcement, the management is considering that part of the Commercial Buildings not used by the Group will be leased out to third party tenants for diversifying our business and enhancing and providing alternative source of revenue income of the Group in the future. The Group has arranged the cooperation between certain commercial buildings and the brand of "Juranzhijia" to launch the property leasing business. The source of funding for engineering, procurement and construction includes the liquidity of the Group and the proceeds from debt financing and equity financing.

(iii) The Group has invested US$16 million in a joint venture company, Huaian Shi Xiangyu Technology Microfinance Ltd., to conduct micro-financing business with current paid-in fund of US$14.9 million. For further details, please refer to the Company's announcements dated 16 May 2015 and 18 September 2015 respectively. The source of funding are proceeds generated from the placing of shares in November 2015. For the details, please refer to the Company's announcements dated 13 November 2015 and 27 November 2015 respectively.

As at 31 December 2015, the Group did not have any material contingent liability.

Employees and Remuneration Policy

The sustained development of our business is owing to the ongoing contributions of the our employees. The Board regards employees as the Group's most valuable wealth and is committed to improving their growth environment, providing them competitive remuneration packages and safeguarding their health and safety.

As at 31 December 2015, the Group had a workforce of 620 (2014: 630). The decrease in number of employees was just ordinary staff turnover. The total staff cost for the reporting period was about RMB53.6 million (2014: RMB57.2 million).

The Group's remuneration policy is basically determined by the Directors based on the performance of individual employees and the market conditions. In addition to salaries and discretionary bonuses, employee benefits included pension contributions and options which may be granted under share option scheme (under which options to subscribe for Shares that could be granted to independent non-executive Directors would be subject to the applicable conditions and independence restrictions as set out in the Listing Rules).

During the year under review, the Group did not experience any strikes, work stoppages or significant labour disputes which affected its operations in the past and it did not experience any significant difficulties in recruiting and retaining qualified staff.

Financial Review (Continued)

Event after end of Reporting Period

As disclosed in the Company's announcement dated 9 March 2016, following the approval of Xiangyu PRC, the Jiangsu Xingyu sold all of its interests in Jiangsu Lugang to an independent third party for a total consideration of RMB85.8 million. The transaction was completed on 17 March 2016.

Business Review

The Group recorded an operating revenue of about RMB701.0 million and gross profit of about RMB226.7 million, representing a decrease of about 23.0% and 13.6% respectively compared with those in the previous year. Due to the impact of a total net loss of RMB283.4 million as a result of the allowance for doubtful debts of overdue receivables in the sum of RMB376.6 million and its relevant deferred tax credit of about RMB93.2 million, the Group's loss after tax for the financial year of 2015 amounted to RMB190,511,000, representing a decrease of about 275% compared with our net profit after tax for the financial year of 2014 of about RMB108,579,000 (or 14% if the net loss arisen from the above doubtful debt allowance was not taken into account).

The decrease in revenue was mainly due to the slow-down of implementation of dredging projects in the mainland and the decrease in the number of new construction projects taken up as a result of a more prudent and careful operating policy taken by the Group in the selection of new projects. In addition to the above, the decrease in profit after tax of the Group was also attributable to (i) an aggregate net loss of about RMB283.4 million for the allowance for doubtful debts of overdue receivable (net of deferred tax effect); (ii) the foreign loss arisen from the exposure to foreign exchange fluctuations.

Although the revenue generated from the CRD Business segment decreased, the gross profit rate from the segment increased by 19.7% compared with that for the year ended 31 December 2014. Due to our prudent and careful operating policy, we gained boarder and deeper understanding of the background of the new constructions and conducted greater extent of due diligence, including the feasibility of the fund raising for the projects, the natural conditions of the construction projects and the construction status etc., to ensure reliable return on equity of new constructions and a more controllable level of gross profit.

In addition, as new projects in the EPD and water management segment were made and commenced new projects during the reporting period with limited volatility of construction in progress, the revenue during the reporting period maintained steady compared with the previous year. The commencement of new sizable EPD projects of the government in and after 2016 is expected to provide support for the segment and the Group in terms of revenue growth. Regarding the production of sludge de-watering equipment for the EPD works, our dredging capacity in relation to EPD works has increased up to about 6,000,000 cubic meters per annum in the reporting period. The Group has planned to increase its annual dredging capacity for EPD works to around 10,000,000 cubic meters by the end of 2016.

Outlook

In 2015, the global economy showed a modest recovery but the growth rate has fallen short of expectations. The PRC economy experienced a number of difficulties and challenges, both expected and unexpected, placing more downside pressure on the economy. In 2016, from the global perspective, the global economy will remain in a deep consolidation phase after the financial crisis, and the weak economic condition will be hard to improve in the short term. From the domestic perspective, amid a complex and severe environment and under an increasing capital outflow pressure, the macro-economic controls and structural reforms will have greater difficulty in striking a balance between economic stability and risk avoidance. Mr. Li Keqiang, Premier of the State Council of the PRC, indicated an annual economic growth rate target at 6.5% to 7% in the government work report for the year, which raises the limit on acceptable level of economic growth rate and represents a new expectation of the PRC government on the volatility of economic growth rate.

With a profound reform adopted in the PRC, the enhancement of administrative efficiency and the acceleration in the progress of government projects can speed up the order acquisition and project introduction processes of the CRD business segment and the EPD and water management segment, directly conducive to the Group in terms of revenue growth.

In recent years, the hot topics relating to the environmental governance and the environmental issues continue to be the major concerns of the government, the mainstream media and the general public. The State Council proposed in the Government Work Report for 2016: to vigorously develop the energy conservation and environmental protection industry and to support and promote advanced technologies and equipment for energy conservation and environmental protection; to implement the third party supervision of environmental pollution in an extensive way; and that every community member should take conscious actions to contribute to the creation of a beautiful China. In the coming years, it is expected that there will be a potential and huge demand in the EPD industry. Although we are unable to estimate the number of EPD projects to be assigned to our Group and the schedule and timetable of commencement of those EPD projects, we are confident about the potential growth of the EPD and water management business with our ongoing contribution to the sludge de-watering equipment and proven and advanced technologies together with our accumulated skills and experience in EPD works.

In addition, the Group is increasing its investment in research and development of environmental aspects and broadening the range of research areas to cover the technological development and research of integrated usage of relevant resources including soil management and heavy metal regulation. With the expansion of Maritime Silk Road under the “One Belt One Road” strategy and the official operation of Asian Infrastructure Investment Bank, the Group is expanding the business to foreign markets including Southeast market.

Directors' and Senior Management's Profile

Board of Directors

Executive Directors

Mr. Liu Kaijin (劉開進先生), aged 55, the founder of the Group, was appointed as an executive Director, the chief executive officer and the joint chairman of the Board of the Group. Mr. Liu entered into a service agreement with the Company for an initial term of three years with effect from 1 June 2011 and 1 June 2014 respectively. The current salary of Mr. Liu is RMB1,200,000 per annum. Mr. Liu is the spouse of Ms. Zhou, an executive Director.

Mr. Liu completed his secondary education in 1977. In 2003, Mr. Liu obtained a certificate as a senior construction engineer from the Human Resources Bureau of Yancheng City* (鹽城市人事局). As his experience and knowledge in the PRC dredging business grew, Mr. Liu established Jiangsu Xingyu in 2007. Mr. Liu worked in the dredging industry of the PRC for approximately 20 years.

Mr. Liu is a member of the 7th session of the committee of the Chinese People's Political Consultative Conference of Yancheng City, Jiangsu Province* (中國人民政治協商會議江蘇省鹽城市第七屆委員會委員).

Mr. Liu is the chairman of Jiangsu Xingyu, Huaian Shi Xiangyu Technology Microfinance Ltd.* (淮安市翔宇科技小額貸款有限公司) ("Huaian Technology Microfinance") and Hunan Xiangjiang Environmental Protection Industry Investment Management Limited* (湖南湘江環保產業投資管理有限公司) and the chairman and general manager of Xiangyu PRC, Xiangyu Water Management, Xiangyu Environment Protection, Jiangsu Fengyu, Jiangsu Xingyu Commerce Co. Ltd.* (江蘇興宇商務有限公司), Jiangsu Lifu Infrastructure Construction Co., Ltd.* (江蘇力富基礎設施建設有限公司), Jiangsu Xiangyu Environmental Protection Industry Development Ltd.* (江蘇翔宇環保產業發展有限公司) ("Xiangyu Environmental Protection Industry") and Jiangsu Xingyu Environment Protection Company Limited* (江蘇興宇疏浚環保有限公司); and has been responsible for overseeing their daily operations and planning their business strategies. Other than the above mentioned companies, Mr. Liu is the director of Power Wealth Group (BVI) Limited, Xiangyu Dredging Company Limited, Ever Universe Holdings Limited, power Wealth Engineering Limited and Million Able International Limited. Mr. Liu acted as the chairman and general manager of Jiangsu Lugang and ceased to perform such duties after the transfer of all of Jiangsu Lugang's equity to third parties in March 2016.

Please refer to the "Directors' Report" for details of his discloseable interests in the Company under the provisions of the SFO.

Board of Directors (Continued)

Executive Directors (Continued)

Ms. Zhou Shuhua (周淑華女士), aged 53, was appointed as an executive Director of the Company. Ms. Zhou entered into a service agreement with the Company for an initial term of three years with effect from 1 June 2011 and 1 June 2014 respectively. The current salary of Ms. Zhou is RMB600,000 per annum. Ms. Zhou is mainly responsible for general administrative work of our Group. She is the spouse of Mr. Liu, joint chairman of the Board, an executive Director and chief executive officer of the Group.

Ms. Zhou graduated from The Correspondence Institute of the Party School of the Central Committee of the Communist Party of China* (中共中央黨校函授學院), the PRC in December 1999 and obtained a graduation certificate for undergraduate courses in administrative management. She also obtained a graduation certificate for undergraduate courses in broadcasting in May 2001 from Nanjing Normal University* (南京師範大學), the PRC.

Ms. Zhou is a director of Jiangsu Xingyu, a wholly-owned subsidiary of the Company. Ms. Zhou also acted as Director for Xiangyu Environment Protection, Xiangyu Environmental Protection Industry and Jiangsu Jiaolong.

Please refer to the "Directors' Report" for details of her discloseable interests in the Company under the provisions of the SFO.

Non-executive Director

Mr. Liu Longhua (劉龍華先生), aged 64, was appointed as the Company's non-executive Director and joint chairman on 25 April 2012. He is also the chairman of the Nomination Committee and member of the Remuneration Committee. Mr. Liu entered into an appointment letter with the Company for a term of three years commencing from 25 April 2012 and 25 April 2015 respectively.

Mr. Liu graduated from Tsinghua University and he was accredited with the qualification of senior engineer. Mr. Liu was the chairman of Beijing Urban Construction Investment Development Co., Ltd. ("Beijing Urban Construction"), a company listed on the Shanghai Stock Exchange (stock code: 600266) and acted as the vice chairman and general manager of Beijing Construction Engineering Group Co., Limited* (北京建工集團有限責任公司) and the chairman and party secretary of Beijing Urban Construction Group Co., Ltd. (a major shareholder of Beijing Urban Construction). He has extensive experience in corporate governance of sizeable state-owned enterprises.

Mr. Liu was the vice chairman of China Construction Industry Association* (中國建築業協會副會長) and the chairman of the Constructor Committee of China Construction Industry Association* (中國建築業協會建造師分會會長).

Board of Directors (Continued)

Independent Non-executive Directors

Mr. Huan Xuedong (還學東先生), aged 65, was appointed as the Company's independent non-executive Director on 25 April 2012. He is also the member of the Audit Committee. Mr. Huan entered into an appointment letter with the Company for a term of three years commencing from 25 April 2012 and 25 April 2015 respectively.

Mr. Huan graduated from the Correspondence Institute of the Party School of the Central Committee of the Communist Party of China (中共中央黨校函授學院), the PRC with a graduation certificate for undergraduate courses in party administration. He also completed his postgraduate studies in Applied Sociology in Nanjing University (南京大學).

Mr. Huan has served as the Head of Bureau of Township Enterprises of Yan Cheng City* (鹽城市鄉鎮企業局) and the Head of Bureau of Water Management of Yan Cheng City* (鹽城市水利局). Currently, Mr. Huan is the chairman of the Agricultural and Water Enterprises Association of Yan Cheng City* (鹽城市農水企業協會).

Mr. Xu Hengju (徐恒菊先生), age 66, was appointed as the Company's independent non-executive Director and a member of the Audit Committee and the Nomination Committee and the chairman of the Remuneration Committee on 17 January 2014. Mr. Xu entered into an appointment letter with the Company for an initial term of three years commencing from 17 January 2014.

Mr. Xu received a bachelor's degree in Chinese from the Yancheng Normal College (now the Yancheng Normal University after its incorporation with other colleges in 1999). Mr. Xu held the positions of Deputy Director of the Office of Municipal Party Committee of Yancheng and Deputy Secretary-general of the Municipal Party Committee of Yancheng, the Director of Office of the Municipal Party Committee of Yancheng, the Secretary of Xiangshui County Party Committee of the Chinese Communist Party and was the Vice-mayor of the People's Government of Yancheng Municipality.

Mr. Chan Ming Sun Jonathan (陳銘燊先生), aged 43, was appointed as the Company's independent non-executive Director in November 2012. He is a member of the Remuneration Committee and the Nomination Committee and the chairman of Audit committee. Mr. Chan entered into an appointment letter with the Company for a term of three years commencing from 30 November 2012 and 1 December 2015 respectively.

Mr. Chan graduated from the University of New South Wales, Australia with a Bachelor of Commerce degree in Accounting and Computer Information Systems. Mr. Chan is both a member of the Hong Kong Institute of Certified Public Accountants and Certified Public Accountants, Australia. He has extensive working experience in accounting, investment and corporate finance. Mr. Chan worked in an international accounting firm for about five years and currently, he is an associate director of Go-To-Asia Investment Limited.

Board of Directors (Continued)

Independent Non-executive Directors (Continued)

Mr. Chan is currently an independent non-executive director of Hao Tin Resources Group Limited (stock code: 474), Far East Holdings International Limited (stock code: 36) and Shenyang Public Utility Holdings Company Limited (stock code: 747), whose securities are listed on the main board of the Stock Exchange, and of Changhong Jiahua Holdings Limited (stock code: 8016) and L & A International Holdings Limited (stock code: 8195), whose securities are listed on the growth enterprise market of the Stock Exchange. He acted as an independent non-executive director of Beautiful China Holdings Limited (whose securities are listed on the main board of the Stock Exchange, stock: 706) from 25 March 2013 to 28 February 2014 and of Capital VC Limited (stock code: 2324) from 6 August 2004 to 3 April 2012. The securities of the above two companies are listed on the main board of the Stock Exchange. Mr. Chan acted as an independent non-executive director of Focus Media Network Limited (stock code: 8112) from 21 April 2015 to 27 November 2015, whose securities are listed on the growth enterprise market of the Stock Exchange.

Senior Management

Mr. Leung Kim Hung (梁劍虹先生), aged 54, joined the Group in December 2012 and resigned all duties of the Group on 31 December 2015. Before resignation, he was the Group's general counsel and company secretary of the Company. He was appointed as the Company's company secretary on 19 April 2013.

Mr. Leung graduated with a bachelor degree of Laws from the University of London and obtained a postgraduate certificate in Laws from the University of Hong Kong in 1988 and 1989, respectively. In 1996, he was awarded the Master degree in Applied Finance from Macquarie University. He is also a holder of a Bachelor degree of Laws from China University of Political Science and Law* (中國政法大學), a Master of Science degree in Corporate Governance and Directorship from Hong Kong Baptist University and an International Diploma in Compliance from International Compliance Association.

He was admitted as solicitor in Hong Kong and in England and Wales in 1991 and 1992 respectively. He has worked as an in-house legal counsel since 1996 when he joined a sizable listed group as the head of legal department. He later served a PRC based e-Commerce company as its senior vice president and head of legal. Before joining the Group, he was the head of legal of Asian Pacific Region of a European based renewable energy group.

Mr. Xu Wenyue (徐文躍先生), aged 44, joined the Group in October 2011 and is the chief financial officer of the Company. He is the head of accounting department of the Group and is responsible for overseeing the daily accounting and financial matters of the Group, both in the PRC and Hong Kong.

Mr. Xu graduated from the profession of accounting of Nanjing Economic Institute* (南京經濟學院) in 1999. Mr. Xu is a senior accountant in the PRC (中國高級會計師) and both a member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) and the China Certified Tax Agents Association (中國註冊稅務師協會). Prior to joining the Group, Mr. Xu worked in a listed group in Hong Kong as a financial controller.

Senior Management (Continued)

Mr. Lee Chih Chiang Michael (李志強先生), aged 66, joined the Group in April 2011 and is the Group's Chief Engineer of the environmental protection dredging division.

Mr. Lee obtained a Master of Science degree in Multinational Operations Management in 1979 from the West Coast University, Los Angeles, the United States. Mr. Lee has received water treatment training organised by the National Taipei University of Technology (formerly known as National Taipei Institute of Technology) and the Foundation of Taiwan Industry Service.

Mr. Lee has been engaged in the environmental protection dredging, operation and maintenance for about 20 years. Before joining the Group, Mr. Lee has worked as a manager or a chief engineer with several water treatment and environmental protection dredging companies in Taiwan and the PRC.

Ms. Ding Jiying (丁繼穎女士), aged 41, joined the Group in December 2011 as the internal control officer. She is responsible for overseeing the internal control matters of the Group.

Ms. Ding passed the examinations of the PRC Accountant Examination (Intermediate level)* (全國中級會計師考試) and Nanjing University of Finance and Economics* (南京財經大學) in 2000 and 2007, respectively, and awarded with the Bachelor of Management. She is qualified as a PRC Certified Accountant* (全國註冊會計師) and China Real Estate Appraisers* (全國註冊房地產估價師).

Ms. Ding has about eight years' experience in accounting, financial and internal control aspects. Prior to joining the Group, she has worked in certain sizeable enterprises as financial manager and also worked in the auditing and business consulting division of a PRC accounting firm, mainly responsible for internal control review engagements.

Mr. Yang Xianbo (楊先波先生), aged 51, joined the Group as general manager of Jiangsu Xingyu in November 2012 and is responsible for overseeing the Group's dredging operations.

Mr. Yang has more than 20 years of experience in the dredging industry. Mr. Yang has been responsible for the development, implementation and management of a number of national key dredging projects and he is highly renowned in the dredging industry. Prior to joining Jiangsu Xingyu, Mr. Yang was appointed as the deputy director of Changjiang Wuhan Waterway Engineering Company* (長江武漢航道工程局副局長), a sizeable state-owned dredging enterprise under the Ministry of Transport (交通運輸部). He was awarded with the Certificate of Senior Engineer in waterways engineering* (航道工程高級工程師) by the Ministry of Communication (交通部) (now known as the Ministry of Transport (交通運輸部)) in 2006 and the Certificate of Registration of Constructor of First Class* (一級建造師) by the Ministry of Construction (建設部) in 2008.

Senior Management (Continued)

Mr. Wang Julin (王菊林先生), aged 64, joined the Group as the chief engineer in August 2010, and is responsible for the management of the engineering department of Jiangsu Xingyu. Mr. Wang studied the profession of ports and waterways at Hohai University (河海大學) of the PRC (formerly known as East China Technical University of Water Resources (華東水利學院)) from 1974 to 1978. He was awarded the Certificate of Senior Engineer in waterways engineering by the Ministry of Communications (交通部) (now known as the Ministry of Transport (交通運輸部)) in 1998 and was awarded the Certificate of Registration of Constructor of First Class by the Ministry of Construction (建設部) in 2008.

Mr. Wang has over 30 years of experience in the implementation, management and administration of waterways engineering. Before joining the Group, he worked for the engineering department of Changjiang Wuhan Waterway Engineering Company* (長江武漢航道工程局) for about 15 years and has held the positions of officer and project manager. He has been responsible for sizeable dredging projects in the PRC. Thereafter, Mr. Wang worked in a subsidiary under Changjiang Wuhan Waterway Engineering Company* (長江武漢航道工程局) as a manager for about three years. In 1996, Mr. Wang re-joined Changjiang Wuhan Waterway Engineering Company for about eight years and has held the positions of deputy chief and chief of the engineering and business department and deputy chief engineer (constructor of first class). He has been responsible for the inspection, negotiation and overseeing of various projects and entering into of relevant contracts.

Corporate Governance Report

The Board of the Company is pleased to present the corporate governance report for the year ended 31 December 2015 (the "Review Period"). This report describes how the Group has applied its corporate governance practices to its daily activities.

Corporate Governance Practices

The Group's corporate governance framework bases on two main beliefs:

- We are well-committed to maintaining good corporate governance practices and procedures; and
- We recognise the need to adopt practices that improve ourselves continuously for a quality management.

The Stock Exchange has published the amendments on CG Code contained in Appendix 14 to the Listing Rules which set out the principles and the code provisions, and was effective from 1 April 2012 onwards. The Group has applied these principles and adopted all code provisions, where applicable, of the CG Code as our own code of corporate governance. The Directors consider that the Company has complied with all applicable code provisions under the CG Code.

Compliance with the Model Code

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the Directors. In response to specific enquiry made by the Company, each of the Directors confirmed that he/she had complied with the required standard of dealings and the code of conduct regarding securities transactions by the Directors throughout the Review Period.

We believe through the operation of an effective board, sound internal controls, and accountability to Shareholders, we are able to maximise the value of all Shareholders. The following summarised the corporate governance practices adopted and observed by the Group during the Review Period.

Constitutional Documents

No amendment to the Memorandum and Articles of Association of the Company was made during the Review Period.

Board of Directors

Board Composition

As at 31 December 2015 and up to the date of this annual report, the Board comprises two executive Directors, one non-executive Director and three independent non-executive Directors.

Composition of the Board and its changes during the Review Period and up to date of this annual report are as follows:

Executive Directors:

Mr. Liu Kaijin
Ms. Zhou Shuhua

Non-executive Director:

Mr. Liu Longhua

Independent non-executive Directors:

Mr. Huan Xuedong
Mr. Chan Ming Sun Jonathan
Mr. Xu Hengju

The biographical details, relationships among them and the terms of appointment of the Directors (including non-executive Director and independent non-executive Directors) as at 31 December 2015 are set out in the section headed "Directors' and Senior Management's Profile" of this annual report.

The Board believes that it has a balanced composition of executive Directors, non-executive Director and independent non-executive Directors and there is a strong independent element on the Board, which can effectively exercise independent judgement. As at 31 December 2015, the Company has three independent non-executive Directors who provide the Group with adequate check and balance. Each of them is considered to be independent and has complied with the provisions set out in Rule 3.13 of the Listing Rules. All of them are identified as such in all communications that disclose the names of the Directors. Their functions are not only limited to a restricted scope and they have contributed to the Group with diversified industry expertise, and advised on the Group's management and proceedings.

One of the three independent non-executive Directors, namely Mr. Chan Ming Sun Jonathan, has professional qualifications in accounting or related financial management expertise.

Board of Directors (Continued)

Responsibilities of the Board and Delegation

The Board is responsible for the approval and monitoring of the Group's overall strategies and policies, approval of business plans, evaluation of its performance, overseeing the management and in charge of corporate governance function. It is also responsible for promoting the success of the Group and its businesses by directing and supervising the Group's affairs.

The Board delegates day-to-day operations of the Group to executive Directors and senior management while reserving certain key matters for its approval. Board committees for specific functions are also set up to ensure efficient Board operations. The respective functions and responsibilities reserved to the Board and those delegated to Board committees have been clearly set out in their respective terms of reference.

Decisions of the Board are communicated to the management through executive Directors who have attended the Board meetings.

Chairman and Chief Executive Officer

Mr. Liu, joint chairman and the chief executive officer of the Company, is responsible for day-to-day management of the Group's business, while Mr. Liu Longhua, another joint chairman is responsible for the management of the Board. Their roles were clearly defined and segregated to ensure balanced power and responsibilities.

Appointments, Re-election and Removal of Directors

Each of the executive Directors is engaged on a Director's service contract with the Company. The letters of appointment of non-executive Director and independent non-executive Directors also set out the specific terms and conditions relative to their respective appointment. All remuneration paid to executive Directors are covered by respective service contracts and all remuneration paid to non-executive Directors are covered by respective letters of appointment. Details of the terms of appointment of the Directors are disclosed in the section "Director's Service Contracts" of the Directors' Report in this annual report.

Pursuant to the Articles, any Director appointed by the Board shall hold office until the next following general meeting of the Company and shall then be eligible for re-election. Also, pursuant to the Articles, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director (including the non-executive Director and independent non-executive Directors) shall be subject to retirement by rotation at least once every three years.

Every newly appointed Director has been provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under the relevant statutes, laws, rules and regulations.

Board of Directors (Continued)

Board Meetings

The Group adopted the practice of holding Board meetings for executive Directors regularly and holding Board meetings that included both executive Directors and non-executive Directors at least four times every year. The Board will also meet on other occasions when a board-level decision on a particular matter is required.

Generally, at least 14-days' notice for the Company's regular Board meeting, and reasonable time for all other meetings, would be given prior to such meetings. Agenda for a meeting are sent to all Directors prior to the meeting. The Directors will receive details of agenda items for decision at least three days before regular Board meetings.

In order to ensure that Board procedures, and all applicable rules and regulations are followed, all Directors are able to access the Company's company secretary for advice from time to time. Moreover, upon reasonable request, the Directors will be able to seek independent professional advice in appropriate circumstances at the Company's expense. All Directors were given an opportunity to include matters in the agenda of meetings for discussion.

To ensure a competent Board operation, all Directors gave sufficient time and attention to the affairs of the Group during the Review Period. During the Review Period, 23 Board meetings (excluding delegated committees' meetings) were held and attendance of each Director is set out as follows:

Name of Director	Number of attendance	Number of meetings held during term of office
Executive Directors		
Mr. Liu Kaijin	22	23
Ms. Zhou Shuhua	22	23
Non-executive Director		
Mr. Liu Longhua	19	23
Independent non-executive Directors		
Mr. Huan Xuedong	22	23
Mr. Chan Ming Sun Jonathan	22	23
Mr. Xu Hengju	23	23

Minutes of Board meetings and meetings of Board committees are kept by the company secretary or other duly authorised person. All minutes are open for inspection by any Director on reasonable notice. Such minutes are recorded in sufficient detail of the matters considered and decisions reached. Draft and final versions of minutes of Board meetings are sent to all Directors for their comments and records.

Board of Directors (Continued)

Directors' Training

As part of an ongoing process of directors' training, the Company updates directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices.

During the Review Period, all Directors participated in appropriate continuous professional development activities summarised as follows:

Name of Director	Reading materials relevant to the Company's business or to their duties and responsibilities	Attending training courses on the topics related to corporate governance or regulations
Executive Directors:		
Mr. Liu Kaijin	√	√
Ms. Zhou Shuhua	√	√
Non-executive Director:		
Mr. Liu Longhua	√	√
Independent non-executive Directors:		
Mr. Huan Xuedong	√	√
Mr. Chan Ming Sun Jonathan	√	√
Mr. Xu Hengju	√	√

Board Committees

Remuneration Committee

The Company has set up a remuneration committee with specific terms of reference with appropriate modification when necessary, which state clearly its authority and duties. To keep the Remuneration Committee's terms of reference in line with the Listing Rules amendments, the Board adopted new terms of reference of the Remuneration Committee in March 2012.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Group's policy and structure for all remuneration of Directors and senior management and reviewing the specific remuneration packages of all executive Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time.

Board Committees (Continued)

Remuneration Committee (Continued)

During the Review Period, the Remuneration Committee conducted review of the remuneration policy and structure of the Directors and senior management which took into account the prevailing market condition and the responsibilities and performance of individual members. No change to the terms was proposed to the Board by the Remuneration Committee.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management by band for the Review Period is set out below:

In the band of	Number of individuals
Nil to HK$1,000,000	6

As at 31 December 2015, a majority of the Remuneration Committee's members are independent non-executive Directors. During the Review Period, three committee meetings were held and the attendance of each member as to the said meetings is set out as follows:

Name of Director	Number of attendance	Number of meetings held during term of office
Non-executive Directors:		
Mr. Liu Longhua	2	3
Independent Non-executive Directors:		
Mr. Chan Ming Sun Jonathan	2	3
Mr. Xu Hengju#	3	3

Mr. Xu Hengju acted as the chairman of the Remuneration Committee.

Nomination Committee

The Company has set up a nomination committee with specific terms of reference with appropriate modification when necessary, which state clearly its authority and duties. To keep the Nomination Committee's terms of reference in line with the Listing Rules amendments relating to board diversity, the Board adopted new terms of reference of the Nomination Committee including a Board Diversity Policy in August 2013.

Board Committees (Continued)

Nomination Committee (Continued)

The following measurable objectives (the "Measurable Objectives") for the purpose of implementation of the Board Diversity Policy are adopted:

(A) at least 40% of the members of the Board shall be non-executive directors or independent non-executive directors;

(B) at least 65% of the members of the Board shall have attained bachelor's degree or above;

(C) at least 30% of the members of the Board shall have obtained accounting or other professional qualifications;

(D) at least 75% of the members of the Board shall have more than seven years of experience in the industry he is specialised in;

(E) at least 50% of the members of the Board shall have China-related work experience.

The principal duties of the Nomination Committee include reviewing the size, structure and composition of the Board, developing and formulating relevant policies and procedures for nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence and appropriateness of the independent non-executive Directors based on the criteria such as reputation for integrity, accomplishment and experience in the relevant sectors, professional and educational background, and potential time commitments.

The Nomination Committee has reviewed the size and composition of the Board for the Review Period. The Measurable Objectives set out above for the purpose of implementation of the Board Diversity Policy are achieved.

During the Review Period, three committee meeting was held and the attendance of each member as to the said meetings is set out as follows:

Name of Director	Number of attendance	Number of meetings held during term of office
Non-executive Director:		
Mr. Liu Longhua#	2	3
Independent Non-executive Directors:		
Mr. Chan Ming Sun Jonathan	2	3
Mr. Xu Hengju	3	3

Mr. Liu Longhua acted as the chairman of the Nomination Committee.

Board Committees (Continued)

Audit Committee

The Company has established an audit committee with specific written terms of reference that have included the duties which are set out in CG Code provision C.3.3 with appropriate modification when necessary. To keep the Audit Committee's terms of reference in line with the Listing Rules amendments, the Board adopted new terms of reference of the Audit Committee in December 2015 to include duties regarding risk management.

The major role and function of the Audit Committee are to ensure the maintenance of proper relationship with the Company's auditor, the establishment of proper review and control arrangements relating to internal control and risk management systems, financial reporting and the compliance to applicable reporting requirements.

The Audit Committee reviewed the consolidated financial statements for the six months ended 30 June 2015 and consolidated financial statements for the Review Period of the Group, including the Group's adopted accounting principles and practices, internal control systems and financial reporting matters (in conjunction with the external auditor for the annual results). The Audit Committee also monitors the effectiveness of the external audit and oversees the appointment, remuneration and terms of engagement of the Company's external auditor, as well as its independence. The Audit Committee endorsed the accounting treatments adopted by the Company and, to the best of its ability assured itself that the disclosures of the financial information in this annual report comply with the applicable accounting standards and Appendix 16 to the Listing Rules.

As at 31 December 2015, the Audit Committee comprised three independent non-executive Directors and regular Audit Committee meetings were held pursuant to its terms of reference. During the Review Period, two committee meetings were held in the attendance of the external auditor, and the attendance of each member as to the said meetings is set out as follows:

Name of Director	Number of attendance	Number of meetings held during term of office
Independent Non-executive Directors:		
Mr. Huan Xuedong	2	2
Mr. Chan Ming Sun Jonathan#	2	2
Mr. Xu Hengju	2	2

Mr. Chan Ming Sun, Jonathan acted as the chairman of the Audit Committee.

Directors' Interests in Competing Businesses

None of the Directors or the management of the Company or their respective close associates (as defined under the Listing Rules) had any interests in a business which competes or may compete with the business of the Group, or had any other conflict of interest with the Group during the year.

The Company has received from each of the Directors an annual confirmation of his/her undertaking as to non-competition.

Non-Competition Undertakings

The then controlling Shareholders (namely Mr. Liu, Wangji Limited ("Wangji"), Mr. Dong Liyong ("Mr. Dong") and Shen Wang Limited ("Shen Wang"), through a deed of non-competition dated 24 May 2011 ("Principal Deed"), have given undertakings ("Undertakings") to the Company not to directly or indirectly engage in the business which competes or may compete with the Group, on terms and conditions as disclosed in the prospectus of the Company dated 8 June 2011 ("Prospectus"). For details of the Undertakings, please refer to page 162 to 165 of the Prospectus.

On 2 April 2015, the Company, Mr. Liu, Wangji, Mr. Dong and Shen Wang entered into a supplemental deed of non-competition (which was approved by the Shareholders in the Company's annual general meeting for the year 2014) to amend certain terms contained in the principal Deed ("Supplemental Deed"). Pursuant to the Supplemental Deed, Mr. Dong and Shen Wang were no longer bound by the Principal Deed nor were they be deemed as part of the controlling Shareholders for the purpose of the Principal Deed. For details, please refer to the Company's announcement dated 2 April 2015.

The status of compliance with the Undertakings by the controlling Shareholders during the Review Period is as follows:

(1) the Board received from each of Mr. Liu and Wangji a confirmation (i) of compliance with the Undertakings for the Review Period, and (ii) that during the Review Period, neither they nor their close associates (as defined in the Listing Rules) had any interest in any project or business opportunity (otherwise than through their interests held through the Group) which relate to the business activities by the Group;

(2) none of the Director are aware of any circumstances which indicate that the controlling Shareholders or their close associates are in breach of the Undertakings during the Review Period; and

(3) save for the terms as amended by the Supplemental Deed, the terms of the Undertakings have remained unchanged since the Company's listing on the Stock Exchange in June 2011.

Financial Reporting and Audit

The Directors acknowledged their responsibility for preparing the financial statements that give a true and fair view in accordance with applicable statutory requirements and accounting standards and the requirements of the Listing Rules. The Group adopted the going concern basis in preparing its financial statements.

A statement by the external auditor of the Company about its reporting responsibilities is set out in the section headed "Independent Auditor's Report" in this annual report.

Financial Reporting and Audit (Continued)

During the Review Period, remuneration in respect of non-audit services, namely, the review of continuing connected transactions and preliminary announcement provided by CWC CPA Limited amounted to about RMB157,000 and RMB11,000 respectively. The remuneration in respect of audit service was amounted to about RMB1,735,000.

Internal Control

The Group has an internal audit function. The Board is responsible for internal control which, as the Directors determine, is necessary to enable the preparation of the financial statements that are free from material misstatement. It has overseen the Group's internal control systems and ensure that sound and effective control systems are maintained. The Board approves and reviews internal control policies while day-to-day management of operational risks and implementation of mitigation measures lie with the management.

A review of the effectiveness of the Group's internal control and risk management systems has been conducted with the scopes recommended by the Audit Committee. The Audit Committee and the Board have reviewed the internal control report, and concluded that the key areas of the Group's internal control and risk management systems are reasonably and adequately implemented to their satisfaction, with room of improvement.

There is no event or condition that may cost significant doubt upon the Group's ability to continue as a going concern.

Communication with Shareholders and Investors

General Meetings with Shareholders

The Company communicates with its Shareholders through its annual report, interim report and statutory and voluntary announcements. The Directors, company secretary or appropriate members of senior management, where appropriate, also respond to inquiries from Shareholders and investors on a timely basis.

The Company's annual general meeting provides a useful platform for direct communication between the Board and Shareholders. Separate resolutions are proposed on each substantially separate issue at the general meetings. The annual general meeting for the year ended 31 December 2014 ("2014 AGM") was held on 29 May 2015. An extraordinary general meeting of the Company was held on 26 November 2015 ("2015 EGM") to approve the change of auditors of the Group.

Resolutions put to vote at the general meetings of the Company are taken by poll. Procedures regarding the conduct of the poll are explained to the Shareholders at the commencement of each general meeting. The poll results are posted on the websites of the Stock Exchange and the Company respectively on the same day as the poll.

Pursuant to Code Provision A.6.7 of the CG code, independent non-executive Directors should attend general meetings. All Directors (including independent non-executive Directors) who held office at time of respective general meetings attended the 2014 AGM and the 2015 EGM. Representative of the Company's external auditors also attended the 2014 AGM.

Communication with Shareholders and Investors (Continued)

Shareholders' Rights to Convene Extraordinary General Meeting and Put Forward Proposals at General Meetings

In accordance with Article 64 of the Articles, extraordinary general meetings shall be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Directors or the Company's company secretary for the purpose of requiring an extraordinary general meeting to be called by the Directors for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the requisitionist(s) by the Company.

There is no provision in the Articles setting out procedures for Shareholders to put forward a resolution at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

As regards proposing a person for election as a Director by Shareholders, please refer to the procedures available on the website of the Company.

Investor Relations

The Company endeavours to disclose all material information about the Group to all interested parties as widely and timely as possible. It has disclosed all necessary information to the Shareholders in compliance with the Listing Rules. When announcements are made through the Stock Exchange, the same information will be made available on the Company's website. During the year ended 31 December 2015, the Company has issued announcements which can be viewed on the Company's website.

Shareholders and investors may at any time send their enquiries and concerns to the Board in writing to the company secretary at the Company's office in Hong Kong or through the e-mail address: info@cdep.com.hk. Shareholders may also raise their enquiries in general meetings.

Directors' Report

The Directors are pleased to present their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2015.

Principal Activities

The principal activity of the Company is investment holding. Details of the principal activities of its principal subsidiaries are set out in note 38 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Business Review

For details of the Group's business review for the year ended 31 December 2015 and its outlook, please refer to the section headed "Management Discussion and Analysis" in this annual report.

Compliance with the Applicable Laws and Regulations which have a Significant Impact on the Group

The Group and its activities are subject to requirements under an array of laws, including the Tendering and Biding Law of the People's Republic of China, the Implementation Rules of Tendering and Biding Law of the People's Republic of China, the Contract Law of the People's Republic of China ("Tendering and Biding Law") and the Production Safety Law of the People's Republic of China ("Production Safety Law"), as well as other applicable regulations, guidelines, policies and terms issued or promulgated pursuant to or in respect of these formal laws. In addition, the Listing Rules are also applicable to the Group. The Group is committed to ensuring compliance with such requirements by taking various measures using specific resources at all levels, including internal monitoring and approval procedures, training and supervision over different segments. The Group always attaches paramount importance to compliance with the requirements under applicable laws and regulations, despite the fact that such measures involve a lot of internal resources and incur additional operating costs.

Tendering and Biding Law of the People's Republic of China

According to the Tendering and Biding Law and the Implementation Rules of Tendering and Biding Law, when bidding for a new project, the Group must, in accordance with the laws and regulations, have the capacity, qualifications and conditions to undertake the project and respond in details to substantive requirements and conditions under the bidding document, and must not, among others, collude with others to make a tender offer, undermine fair competition by squeezing out other bidders, bribe tenderee or any member of the bid evaluation committee, make a bid at a price lower than costs, and participate in the bidding in the event that the tenderee is interested in the Group and thus may compromise bidding fairness. In the case of any violation of relevant regulations by the Group as a bidder, its bid shall be invalid and it may be punished by the tenderee or relevant authorities.

Business Review (Continued)

Contract Law of the People's Republic of China

The Contract Law of the People's Republic of China ("Contract Law") clearly stipulates, among others, qualifications of the contract parties, contract forms, principal terms, cancellation conditions, contract validity, constituent elements of invalid and cancelable contracts, fulfillment of obligations, conditions for contract alteration and transfer, termination of rights and obligations under a contract and liability for breach of contract.

For construction contracts, the Contract Law sets out specific requirements, including: contracts for major national construction projects shall be entered into in accordance with state-stipulated procedures and state-approved documents such as investment plans and feasibility study reports; with the consent of the contractee, the contractor can sublet part of its contracted works to a third party, provided that construction of the main structure of the construction project must be completed by the contractor who is forbidden to sublet its works to an unqualified entity. After the completion of the construction project, the contractee shall timely conduct acceptance inspection of the project pursuant to construction acceptance rules and quality inspection standards issued by the state. If the project passes the acceptance inspection, the contractee shall accept it and make the agreed payment. In the case of the Group's failure to fulfill its contractual obligations (either non-fulfillment or non-agreed fulfillment) as the performing party and/or constructor, it must assume the liability for breach of contract, including continuing to fulfill the contract, taking remedial measures or compensating for any resulting losses. In the case of the construction project quality falling below the agreed level due to the constructor's fault, the contractee has the right to require the constructor to repair, revamp or rebuild it within a reasonable period, without any extra charge, and to bear the liability for breach of contract for the resulting delayed delivery (if any).

Production Safety Law of the People's Republic of China

The National People's Committee made revisions to the Production Safety Law of the People's Republic of China on August 2014, and the amendments came into force in 1 December 2014. According to the revised Production Safety Law of the People's Republic of China, for the production and operating unit held responsible, a major accident may incur a fine of up to RMB20 million in addition to typical liabilities including the required legal compensation. To ensure compliance with the newly revised Production Safety Law of the People's Republic of China, the Group avoids production safety incidents by providing training courses from time to time on production safety and emergency rescue drills to staff engaged in project design, construction, equipment repair and maintenance, safety supervision, etc. to ensure production safety.

Compliance with Laws and Regulations

During the year ended 31 December 2015 and up to the date of this report, the Group has complied with relevant laws and regulations that have a significant impact on the Group.

Major Risks and Risk Management

The Board is well aware of its responsibility to maintain the effectiveness of the Group's internal control and risk management systems. Such systems are designed to manage risks of failed business objectives and provide reasonable guarantee against material misrepresentation or losses.

Business Risks

The Group's business risk factors include changes in the overall market conditions, downward pressure on China's economy and the number and progress of domestic projects in the entire industry, which may affect the construction environment, settlement prices and capital turnover rates of its construction projects. The Board is responsible for overall business management and review of major business decisions involving disclosure of significant risks from time to time.

Financial Risks

The Group has adopted a series of financial risk management policies to manage its liquidity risk, credit term allocation risk, financing structure risk, interest rate risk and exchange rate risk. The Board also reviews the Group's management accounts, capital structure and key operational data on a monthly basis.

Compliance Risks

The Board takes effective measures to ensure compliance of the Company with the laws, regulations and rules. The Company has engaged professional consultants and advisors to keep the Company updated on the latest changes in the regulatory environment, including legal, financial, environmental and operational development. The Company also imposes strict policies to prohibit any unauthorized use or publication of confidential information or insider information.

Operational Risks

The Company has adopted effective measures to manage its operational risks such as low equipment utilization efficiency, high consumption of consumables and frequent production failures.

The Board has reviewed the effectiveness of the Group's internal control and risk management systems covering its business, financial, operational and compliance risks, and is of the view that such systems are effective.

Environmental Policies and Performance

We commit ourselves to environmental protection in all aspects of operations. Over the years, the Group has been doing its utmost to project the environment. The management of the Group has implemented various measures and regulations to make sure that we honor our responsibilities for the environment. We regularly hold special internal meetings with professional teams to review environmental issues at the construction sites and office areas and exchange ideas on environmental improvement. The management of the Group will continue its efforts in securing ongoing high environmental standards in major areas and key links.

Results and Dividends

The Group's loss for the year ended 31 December 2015 and the financial position of the Company and of the Group at that date are set out in the accompanying financial statements.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2015.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

Share Capital

During the year, the Company issued and allotted (i) 171,120,000 new shares at a price of HK$1.38 per share ("First Placing"); (ii) 97,340,000 new shares at a price of HK$1.13 per share ("Second Placing"); and (iii) 108,004,000 new shares at a price of HK$1.15 per shares ("Third Placing") by means of placing for the purpose of (a) settlement of part of the capital commitments in relation to the engineering, procurement and construction of part of the commercial buildings on the site at Yandu District of Yancheng acquired by the Group in May 2012; (b) general working capital; and (c) the settlement of part of the registered capital of the joint venture, Huaian Shi Xiangyu Technology Microfinance Ltd., contributed by the Company.

For details, please refer to the announcements of the Company's dated 29 December 2014, 29 January 2015, 30 January 2015, 2 February 2015, 27 October 2015, 5 November 2015, 13 November 2015, 27 November 2015 and 3 December 2015 respectively.

Share Capital (Continued)

As at 31 December 2015, net proceeds amounting to approximately HK$235,400,000 (equivalent to approximately RMB186,461,000) generated from the First Placing had been used for general working capital purpose. Net proceeds amounting to approximately HK$108,700,000 (equivalent to approximately RMB90,709,000) were generated from the Second Placing, among which, approximately HK$48,780,000 (equivalent to approximately RMB40,000,000) had been used to settle part of the abovementioned capital commitments and the rest had been used for general working capital purpose. Net proceeds amounting to approximately HK$122,900,000 (equivalent to approximately RMB101,842,000) received from the Third Placing had been used to settle part of the registered capital of the joint venture.

Details of movements in the Company's share capital during the year are set out in note 26 to the consolidated financial statements.

Pre-Emptive Rights

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

Permitted Indemnity Provision

The Company has taken out and maintained directors' and officers' liability insurance throughout the year, which provides appropriate cover for the Directors and officers of Group.

Tax Relief

For the year ended 31 December 2015, Shareholders were not entitled to any tax relief by virtue of their holding of the Shares.

Purchase, Redemption or Sale of Listed Securities of the Company

For the year ended 31 December 2015, neither the Company nor any of its subsidiaries purchased, redeemed or sold any listed securities of the Company.

Reserves

Details of movements in the reserves of the Company and of the Group during the year are set out in the statement of financial position of the Company on page 6 of this annual report and in the consolidated statement of changes in equity, respectively.

Distributable Reserves

As at 31 December 2015, the Company has no reserve available for distribution as calculated in accordance with the Companies Law (2001 Revision) of the Cayman Islands. Under the laws of the Cayman Islands, the share premium account is distributable to the Shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

Major Customers and Suppliers

In the year under review, revenue to the Group's five largest customers accounted for about 59% (2014: 42%) of the Group's total revenue for the year and the revenue from the largest customer included therein accounted for about 23% (2014: 14%) of the Group's total revenue.

The Group's five largest customers comprise PRC state-owned companies and private enterprises which have business relationships with the Group for a period ranging from one to six years. Services provided to them by the Group include CRD Business, and EPD and Water Management Business. Their contracts with the Group were project-based, which provided for either monthly progress payments with reference to the value of work completed each month or annual payments with a fixed percentage for each year throughout the contract period. Such credit terms were in line with those granted to other customers of the Group. No long-term agreements had been entered into between the Group's five largest customers and the Group.

As of 14 March 2016, subsequent settlement of trade receivables with the Group's five largest customers after 31 December 2015 amounted to RMB29.4 million. During the year ended 31 December 2015, the Board adopted a more prudent approach regarding the accounts receivable and resolved to make an allowance for doubtful debts of RMB376.6 million for certain receivables (2014: allowance for doubtful debts: RMB49.3 million). An underlying deferred tax credit of RMB93.2 million was also incurred. The allowance for doubtful debts was based on the assessment in recoverability and the judgement by the management after considering the estimated future cash flows discounted at the present value of the original effective interest rate. For details please refer to note 20 to the financial statement in this annual report.

Since the Group's major customers accounted for a significant portion of the Group's total revenue for the year, if in the future the Group loses one of its major customers or if any of the Group's major customers significantly reduces its volume of business with the Group while the Group is unable to get new projects from other existing and/or potential customers, net revenues and profitability of the Group would be heavily reduced. Nonetheless, the Group believes that it has developed close relationships with its major customers that they cannot easily replace the Group with other suppliers. The Group has also entered into contracts with and will continue to seek business from other customers.

In the year under review, supplies from the Group's five largest suppliers accounted for about 33% (2014: 34%) of the Group's total operating cost for the year and supplies from the largest supplier included therein accounted for about 25% (2014: 13%) of the Group's total operating cost.

None of the Directors of the Company or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and/or five largest suppliers for the year ended 31 December 2015.

Directors' Rights to Acquire Shares or Debentures

Save for those disclosed in the paragraphs headed "Share Option Scheme" and "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" in this Directors' report in this annual report, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Directors

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

Executive Directors:

Mr. Liu Kaijin
Ms. Zhou Shuhua

Non-executive Directors:

Mr. Liu Longhua

Independent Non-executive Directors:

Mr. Huan Xuedong
Mr. Chan Ming Sun Jonathan
Mr. Xu Hengju

In accordance with article 105(A) of the Articles, Mr. Liu Longhua, Mr. Huan Xuedong and Mr. Xu Hengju will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Independence Confirmations from Independent Non-Executive Directors

The Company has received, from each of the independent non-executive Directors a confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of its independent non-executive Directors to be independent.

Directors' Service Contracts

Each of the executive Directors has entered into a Director's service contract and each of the non-executive Directors signed a letter of appointment with the Company for an initial term of three years commencing from their respective date of appointment. All of them are subject to retirement by rotation and re-election in accordance with the Articles.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Remuneration

The Directors' fees are subject to Shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group.

Directors' Interests in Contracts

During the year ended 31 December 2015, save for those disclosed in the financial statements, no Director or any entity connected with the Directors had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Management Contracts

Save for the Contractual Arrangements between subsidiaries of the Group, no contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

Continuing Connected Transactions

According to relevant PRC laws, foreign investors are prohibited from owning more than a 50% equity interest in any enterprise which owns vessels for conducting dredging business. Otherwise the Maritime Safety Administration of the PRC will not register the ownership of a vessel to an enterprise. Our Group has decided that Xiangyu PRC owns 50% of interest in the relevant vessels, being the maximum percentage that a foreign investor may own under PRC laws to register the ownership of the relevant vessels for certain commercial reasons. In addition, our Group intends to participate in some dredging projects which forbid any involvement of foreign-invested companies under PRC laws. Even in certain dredging projects which foreign-invested companies are technically allowed to engage under PRC laws, the foreign-invested companies find it difficult, in common practice, to secure dredging business opportunities. Based on the above reasons, the PRC Operational Entity has not become equity-owned by our Company, but will be controlled by our Company through the Contractual Arrangements.

Continuing Connected Transactions (Continued)

The Group carried out the following continuing connected transactions (other than continuing connected transactions that are exempted under Rule 14A.33 of the Listing Rules) during the year ended 31 December 2015:

On 19 April 2011, the following entities entered into the Contractual Arrangements pursuant to which all economic benefits and risks arising from the business of Jiangsu Xingyu are transferred to Xiangyu PRC:

(i) Xiangyu PRC, a wholly foreign-owned enterprise and a wholly-owned subsidiary of the Company,
(ii) Jiangsu Xingyu, a limited liability company established in the PRC and deemed to be a wholly-owned subsidiary of the Company under the Contractual Arrangements, and mainly engages in CRD and EPD segments and is the largest subsidiary of the Group in terms of operating assets owned and construction scale, and
(iii) equity interests holders of Jiangsu Xingyu, namely Mr. Liu and Ms. Zhou (both of them are executive Directors and controlling shareholders of the Company).

Jiangsu Jiaolong, a limited liability company established in the PRC, mainly engages in the provision of marine hoisting, installation and other engineering services. It is the provider of the Group's other marine business. Jiangsu Xingyu owns a 51% equity interest in it and is its controlling shareholder.

Further details of the Contractual Arrangements are described in note 38 to the financial statements of this annual report.

The Stock Exchange has granted a waiver pursuant to Rule 14A.42(3) of the Listing Rules to the Company for all transactions under the Contractual Arrangements from strict compliance with the applicable announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The amount of revenue and assets subject to the Contractual Arrangements accounted for 76.8% and 58.4% of the Group's total revenue and assets respectively for the year ended 31 December 2015 (2014: 81.8% and 66.9%).

The followings are the major risks relating to the Contractual Arrangements:

- The Group conducts its business operation in the PRC through the PRC Operational Entity by way of the Contractual Arrangements, but certain of the terms of the Contractual Arrangements may not be enforceable under PRC laws. Therefore, in the event of breach of any agreements constituting the Contractual Arrangements by Mr. Liu, Ms. Zhou and/or the PRC Operational Entity, and if the Group is unable to enforce the Contractual Arrangements, the Group may not be able to exert effective control over the PRC Operational Entity, and the Group's ability to conduct its business may be negatively affected.

- If the PRC government finds that the Contractual Arrangements or the ownership structures or business operations of the Company or the PRC Operational Entity do not comply with any of the PRC laws and regulations, the Group's business, financial condition or results of operations could be materially and adversely affected, as revenue in relation to the Contractual Arrangements accounted for 76.8% of the Group's total revenue for the year ended 31 December 2015.

Continuing Connected Transactions (Continued)

- The Contractual Arrangements related to critical aspects of the Group's operations with the PRC Operational Entity and its shareholders which may not be as effective as direct ownership in providing operational control. In the event that the Group is unable to enforce these Contractual Arrangements, the Group may be unable to exert effective control over the PRC Operational Entity, and the Group's ability to conduct its business may be materially and adversely affected.

- Shareholders of the PRC Operational Entity, Mr. Liu and Ms. Zhou, may potentially have a conflict of interest with the Group, and they may breach their contracts with the Group. Such disputes and proceedings may significantly disrupt the Group's business operations, adversely affect its ability to control the PRC Operational Entity and/or otherwise result in negative publicity.

The Group has adopted the following measures to ensure the sound and effective operation of the Group following the implementation of the Contractual Arrangements:

- as part of the internal control measures, major issues arising from implementation of the Contractual Arrangements had been and will be reviewed by the Board on a regular basis;

- matters relating to compliance and regulatory enquiries from governmental authorities had been and will be discussed at such regular meetings or extraordinary meetings of the Board;

- the relevant business units and operation divisions of the Group reported regularly to the senior management of the Company on the compliance and performance conditions under the Contractual Arrangements and other related matters;

- legal advisors and/or other professionals had been and will continue to be retained to assist the Group to deal with specific issues arising from the Contractual Arrangements; and

- the independent non-executive Directors had and will continue to conduct annual reviews on the Contractual Arrangements to ensure that it is fair and reasonable and in the best interests of the Group and its Shareholders as a whole.

The Directors confirm that during the Review Period, the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules (save for the exemptions granted under the above-mentioned waiver).

The independent non-executive Directors have confirmed that the above-mentioned continuing connected transactions were entered into:

(i) in the ordinary and usual course of the Group's business;
(ii) in accordance with the terms of the respective agreements governing such transactions on terms that were fair and reasonable and in the interests of the Shareholders of the Company as a whole; and
(iii) either on normal commercial terms or on terms no less favorable to the Group than those available to or from independent third parties.

Continuing Connected Transactions (Continued)

Besides, the independent non-executive Directors have conducted an annual review on the Contractual Arrangements and have confirmed that:

(i) the transactions carried out during the year ended 31 December 2015 have been entered into in accordance with the relevant provisions of the Contractual Arrangements and have been operated so that all revenue generated by Jiangsu Xingyu has been retained by Xiangyu PRC;
(ii) no dividends or other distributions have been made by Jiangsu Xingyu to its equity interest holders; and
(iii) any new contracts or renewed contracts have been entered into on the same terms as the existing Contractual Arrangements and are fair and reasonable so far as the Group is concerned and in the interests of the Shareholders as a whole.

In accordance with Rule 14A.38 of the Listing Rules, the Board engaged the auditor of the Company to perform procedures on the above continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The auditor has confirmed that:

a. nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Board;
b. nothing has come to the auditor's attention that causes the auditor to believe that the said transactions were not entered into in accordance with the relevant agreements governing such transactions; and
c. nothing has come to the auditor's attention that causes the auditor to believe that dividends or other distributions have been made by Jiangsu Xingyu to the holders of its equity interests.

Related Party Transactions

Details of the related party transactions are set out in note 34 to the consolidated financial statements. None of these related party transactions constitutes a discloseable connected transaction as defined under the Listing Rules, except for those described in the paragraph headed "Continuing Connected Transactions" above, in respect of which the disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied with.

Share Option Scheme

The Company has adopted the Share Option Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Under the Share Option Scheme, the Directors may at their discretion grant options to (i) any Director and employees of the Company, any of its subsidiaries or any entity in which the Group holds an equity interest; or (ii) any suppliers, customers, consultants who provided services to the Group, shareholders of the subsidiaries of the Group and joint venture partners to subscribe for the shares.

The offer of a grant of options must be taken up within 21 days of the date of offer. The maximum number of shares in respect of which options may be granted under the Share Option Scheme shall not exceed 30% of the issued share capital of the Company at any point in time. The total number of shares in respect of which options may be granted under the Share Option Scheme must not in aggregate exceed 10% of the shares in issue at the time dealings in the shares first commence on the Stock Exchange. The maximum number of shares in respect of which options may be granted to any individual in any 12-month period shall not exceed 1% of the shares in issue on the last date of such 12-month period unless approval of the shareholders of the Company has been obtained in accordance with the Listing Rules.

Options may be exercised during such period (including the minimum period, if any, for which an option must be held before it can be exercised) as may be determined by the Directors and commences after a certain vesting period and ends in any event not later than 10 years from the date of grant of the relevant share option, subject to the provisions for early termination thereof. Options may be granted upon payment of HK$1 as consideration for each grant. The exercise price is equal to the highest of (i) the closing price of the shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of the offer of grant; (ii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of the offer of grant; and (iii) nominal value of the shares. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group. The Share Option Scheme will remain in force for a period of 10 years from the date of adoption and will expire on 23 May 2021.

No option was granted, exercised, cancelled or lapsed during the year 31 December 2015. As at 31 December 2015, there was no outstanding share option.

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2015, the Directors and the Company's chief executive, and their respective associates had the following interests in the Shares in and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have been taken under such provisions of the SFO) or pursuant to the Model Code, or were required to be entered in the register kept by the Company pursuant to section 352 of the SFO:

Interests in the Company

			Long position	
Name of Director	**Capacity**	*Notes*	**Number of ordinary Shares**	**Approximate percentage of total number of Shares**
Mr. Liu Kaijin	Interest in controlled corporation	*1*	335,301,000	27.21%
	Beneficial owner	*1*	37,503,000	3.04%
Ms. Zhou Shuhua	Interest in spouse	*2*	372,804,000	30.26%

Notes:

1. Mr. Liu is the sole beneficial owner of Wangji Limited ("Wangji"), a company incorporated in the British Virgin Islands with limited liability, which is the direct owner of 335,301,000 Shares. Further, Mr. Liu is the beneficial owner of 37,503,000 Shares.

2. Ms. Zhou is the spouse of Mr. Liu who is also a Director. By virtue of the SFO, Ms. Zhou is deemed to be interested in all interests of Mr. Liu in the Company including long position and short position.

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares (Continued)

Interests in associated corporations

Name of Director	Name of associated corporation	Capacity	*Notes*	Long position: Share capital	Long position: Approximate percentage of total number of shareholding
Mr. Liu Kaijin	Wangji	Beneficial owner	*1*	200 ordinary shares	100%
	Jiangsu Xingyu	Beneficial owner	*1*	Register capital of RMB39,315,800	100%
Ms. Zhou Shuhua	Wangji	Interest in spouse	*2*	200 ordinary shares	100%
	Jiangsu Xingyu	Interest in spouse	*2*	Register capital of RMB39,315,800	100%

Notes:

1. Mr. Liu is the sole beneficial owner of the entire registered capital of Jiangsu Xingyu. Mr. Liu and Ms. Zhou are registered holders of 98.47% and 1.53% in the registered capital in Jiangsu Xingyu respectively. The 1.53% interest in the registered capital of Jiangsu Xingyu were held on trust by Ms. Zhou for Mr. Liu pursuant to a shareholding confirmation dated 12 July 2010.

2. Ms. Zhou is the spouse of Mr. Liu who is also a Director. By virtue of the SFO, Ms. Zhou is deemed to be interested in all interests of Mr. Liu in the associated corporations including long positions and short position.

Saved as disclosed above, none of the Directors and chief executive of the Company or any of their associates had any interests or short positions in the Shares, underlying shares or debentures of the Company or any associated corporation as at 31 December 2015 (within the meaning of Part XV of the SFO), which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors or chief executive of the Company were deemed or taken to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares of the Company

As at 31 December 2015, to the best of the knowledge and belief of the Directors, other than those set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" in this annual report, persons had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions in Shares

Substantial Shareholders

Name	Capacity	*Notes*	Number of Shares	Approximate percentage of holding
Wangji	Beneficial owner		335,301,000	27.21%
東台際華機械配件有限公司("Dongtai")	Beneficial Owner	*1*	171,120,000	13.89%
Leung Ka Kit	Beneficial Owner		108,004,000	8.77%
Wang Jinxiu	Beneficial Owner		97,921,000	7.95%
CITIC Capital China Access Fund Limited ("CITIC")	Beneficial owner	*2*	90,000,000	7.3%
CITIC Capital Holdings Limited	Interest of controlled corporation	*2*	90,000,000	7.3%

Notes:

1 Dongtai is a substantial shareholder of the Company.

2 CITIC is the beneficial owner of the 90,000,000 Shares of the Company by virtue of the convertible bonds issued by the Company to it on 8 November 2013. CITIC is wholly owned by CITIC Capital Investment Management (Cayman) Limited, which is wholly owned by CITIC Capital Asset Management Limited, which is wholly owned by CITIC Capital Holdings Limited.

Audit Committee, Remuneration Committee and Nomination Committee

Details of the Audit Committee, Remuneration Committee and Nomination Committee are set out in section headed "Corporate Governance Report" of this annual report.

Sufficiency of Public Float

As at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company.

Event after end of Reporting Period

For details, please refer to the section headed "Management Discussion and Analysis" in this annual report.

Auditors

During the year, Deloitte Touche Tohmatsus, who acted as auditors of the Group resigned and CWC CPA Limited was appointed as auditors of the Group with effect from 26 November 2015. A resolution will be submitted to the annual general meeting to re-appoint the auditors, CWC CPA Limited.

On behalf of the Board

Liu Kaijin
Joint Chairman

Hong Kong, 29 March 2016

Independent Auditor's Report

CWC

Certified Public
Accountants (Practising)

TO THE MEMBERS OF CHINA DREDGING ENVIRONMENT PROTECTION HOLDINGS LIMITED
中國疏浚環保控股有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Dredging Environment Protection Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 54 to 130, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

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

CWC CPA Limited
Certified Public Accountants (Practising)

Wong On Yee
Practising Certificate Number: P05485
29 March 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Revenue	6	**700,996**	910,592
Operating cost		**(474,318)**	(648,275)
Gross profit		**226,678**	262,317
Other income	7	**38,042**	43,983
Other gains and losses, net	8	**(396,572)**	(24,191)
Marketing and promotion expenses		**(8,633)**	(10,725)
Administrative expenses		**(41,261)**	(40,402)
Finance costs	9	**(55,587)**	(68,837)
(Loss) profit before tax		**(237,333)**	162,145
Income tax credit (expense)	10	**46,822**	(53,566)
(Loss) profit and total comprehensive (expense) income for the year	11	**(190,511)**	108,579
(Loss) profit and total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(197,864)**	92,524
Non-controlling interests		**7,353**	16,055
		(190,511)	108,579
(Loss) earnings per share	13		
— basic (RMB)		**(0.19)**	0.11
— diluted (RMB)		**(0.19)**	0.11

Consolidated Statement of Financial Position

At 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**1,658,604**	1,726,628
Prepaid land lease payments	16	**100,773**	95,105
Investment properties under construction	17	**307,702**	—
Goodwill		**2,956**	2,956
Available-for-sale investment	18	**20,921**	20,921
Deposit paid for acquisition of property, plant and equipment	19	**79,377**	9,502
Deferred tax assets	27	**100,354**	7,106
Accounts and other receivables due after one year	20	**206,442**	191,991
Pledged bank deposits	21	**15,000**	—
		2,492,129	2,054,209
CURRENT ASSETS			
Prepaid land lease payments	16	**2,908**	2,554
Accounts and other receivables and prepayments	20	**1,180,985**	1,232,692
Pledged bank deposits	21	**47,572**	20,794
Bank balances and cash	21	**153,569**	158,339
		1,385,034	1,414,379
CURRENT LIABILITIES			
Accounts and other payables	22	**497,670**	430,243
Amounts due to directors	23	**19,098**	2,833
Amounts due to non-controlling interests of a subsidiary	24	**1,644**	1,644
Tax payable		**112,827**	111,033
Bank borrowings	25	**716,405**	592,349
Other borrowings	25	**495**	1,362
Convertible bonds	28	**246,510**	—
Derivative financial liabilities embedded in convertible bonds	28	**7,030**	—
		1,601,679	1,139,464
NET CURRENT (LIABILITIES) ASSETS		**(216,645)**	274,915
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,275,484**	2,329,124

Consolidated Statement of Financial Position (continued)

At 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
CAPITAL AND RESERVES			
Share capital	26	**102,045**	71,592
Reserves		**1,863,236**	1,712,540
Equity attributable to owners of the Company		**1,965,281**	1,784,132
Non-controlling interests		**158,136**	150,783
TOTAL EQUITY		**2,123,417**	1,934,915
NON-CURRENT LIABILITIES			
Amounts due to non-controlling interests of a subsidiary	24	**85,533**	89,333
Deferred tax liabilities	27	**16,046**	17,753
Bank borrowings	25	**18,195**	39,058
Other borrowings	25	**32,293**	32,939
Convertible bonds	28	**—**	198,461
Derivative financial liabilities embedded in convertible bonds	28	**—**	14,423
Derivative financial liabilities in relation to warrants	29	**—**	2,242
		152,067	394,209
		2,275,484	2,329,124

The consolidated financial statements on pages 54 to 130 were approved and authorised for issue by the board of directors on 29 March 2016 and are signed on its behalf by:

LIU KAIJIN
DIRECTOR

ZHOU SHUHUA
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Attributable to owners of the Company								
	Share capital RMB'000	**Share premium** RMB'000	**Share option reserve** RMB'000	**PRC statutory reserve** RMB'000 *(note i)*	**Other reserve** RMB'000 *(note ii)*	**Retained profits** RMB'000	**Total** RMB'000	**Non-controlling interests** RMB'000	**Total** RMB'000
At 1 January 2014	67,200	418,851	14,150	13,549	204,554	877,119	1,595,423	134,728	1,730,151
Profit and total comprehensive income for the year	—	—	—	—	—	92,524	92,524	16,055	108,579
Transfer to PRC statutory reserve	—	—	—	6,109	—	(6,109)	—	—	—
Exercise of share options	4,392	101,716	(9,923)	—	—	—	96,185	—	96,185
Lapse of share options	—	—	(4,227)	—	—	4,227	—	—	—
At 31 December 2014	71,592	520,567	—	19,658	204,554	967,761	1,784,132	150,783	1,934,915
Placing of shares *(Note 26)*	30,453	348,560	—	—	—	—	379,013	—	379,013
(Loss) profit and total comprehensive (expense) Income for the year	—	—	—	—	—	(197,864)	(197,864)	7,353	(190,511)
At 31 December 2015	102,045	869,127	—	19,658	204,554	769,897	1,965,281	158,136	2,123,417

Notes:

(i) According to the rules and regulations in the People's Republic of China ("PRC"), a portion of the profit after taxation of the Company's PRC subsidiaries is required to be transferred to a PRC statutory reserve before distribution of a dividend to their equity owners. The transfer can cease when the balance of the reserve reaches 50% of the registered capital of the respective subsidiaries. The reserve can be applied either to set off accumulated losses or to increase capital.

(ii) The other reserve of the Group represents the difference between the nominal amount of the share capital issued by the Company in exchange for the nominal amount of the share capital and share premium of its subsidiaries and the paid-in capital of RMB39,316,000 of the PRC Operational Entity (as defined in Note 38) pursuant to the group reorganisation in 2011.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
OPERATING ACTIVITIES			
(Loss) profit before tax		**(237,333)**	162,145
Adjustments for:			
Depreciation of property, plant and equipment		**100,374**	98,320
Fair value changes of derivative financial liabilities embedded in convertible bonds		**(7,921)**	(23,345)
Fair value (gain) loss in relation to warrants		**(2,242)**	2,004
Allowance for doubtful debts		**376,641**	49,259
Amortisation of intangible assets		**—**	2,560
Amortisation of prepaid land lease payments		**2,671**	603
Gain on disposal of property, plant and equipment		**(87)**	(3,727)
Finance costs		**55,587**	68,837
Interest income		**(25,085)**	(34,909)
Unrealized exchange loss		**30,204**	—
Operating cash flows before movements in working capital		**292,809**	321,747
Increase in accounts and other receivables		**(335,676)**	(335,279)
Increase in accounts and other payables		**28,181**	26,693
Cash (used in) generated from operations		**(14,686)**	13,161
PRC income tax paid		**(46,339)**	(61,880)
NET CASH USED IN OPERATING ACTIVITIES		**(61,025)**	(48,719)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(8,240)**	(58,793)
Additions to investment properties under construction		**(215,229)**	—
Deposit paid for acquisition property, plant and equipment		**(72,736)**	(9,502)
Payment for prepaid land lease payments		**(8,693)**	(6,991)
Consideration received from Hongji Construction	18	**15,000**	100,000
Withdrawal of pledged bank deposits		**57,966**	97,862
Placement of pledged bank deposits		**(99,744)**	(65,135)
Interest received		**6,376**	7,650
Proceeds from disposals of property, plant and equipment		**486**	10,437
Settlement of other payables in relation to purchase of property, plant and equipment in prior year		**(49,452)**	(170,540)
NET CASH USED IN INVESTING ACTIVITIES		**(374,266)**	(95,012)

	Notes	2015 RMB'000	2014 RMB'000
FINANCING ACTIVITIES			
New bank borrowings raised		655,546	463,060
Net proceeds from issue of shares	26	379,013	96,185
Net proceeds from issue of warrants	29	—	238
Advance from independent third parties		258,350	105,370
Advance from a director		20,711	23,018
New other borrowings raised		1,724	12,900
Advance from non-controlling interests of a subsidiary		300	10,691
Repayment of bank borrowings		(568,545)	(523,719)
Repayment to independent third parties		(258,350)	(105,370)
Repayment to directors		(4,446)	(21,977)
Interest paid		(46,445)	(49,289)
Repayment of other borrowings		(3,237)	(5,846)
Repayment to non-controlling interests of a subsidiary		(4,100)	(15,374)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		430,521	(10,113)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(4,770)	(153,844)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		158,339	312,183
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		153,569	158,339

1. General

The Company was incorporated as an exempted company with limited liability under the Companies Law of Cayman Islands and its shares ("Shares") are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's immediate and ultimate holding company is Wangji Limited, a limited company incorporated in the British Virgin Islands, which is ultimately and wholly owned by Mr. Liu Kaijin ("Mr. Liu"), who is the Executive Director, Joint Chairman and Chief Executive Officer of the Company. The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its place of business in Hong Kong is located at Office 19, 36th Floor, China Merchants Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong.

The Company acts as an investment holding company and the particulars of its subsidiaries are set out in Note 38 to the consolidated financial statements.

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

2. Going Concern Basis of Consolidated Financial Statements

The Group has net current liabilities of approximately RMB216.6 million. The directors of the Company (the "Directors") have carefully assessed the Group's liquidity position having taken into account (i) the estimated operating cash inflows of the Group for the next twelve months from the end of the reporting period; (ii) most of the bank borrowings as at 31 December 2015 were secured by the Group's assets and are highly probable that they can be renewed in the next twelve months; and (iii) the Group's unutilised banking facilities of RMB184.3 million as at 31 December 2015 which will be available in the next twelve months.

On the basis of the above consideration, the Directors believe that the Group can satisfy its financial obligations in the foreseeable future and accordingly, the consolidated financial statements have been prepared on a going concern basis.

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010–2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 cycle

The application of these amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial instruments[2]
HKFRS 15	Revenue from contracts with customers[2]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[1]
Amendments to HKAS 1	Disclosure initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[1]
Amendments to HKAS 27	Equity method in separate financial statements[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle[1]

1 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

3 Mandatory effective date to be determined by HKICPA, with earlier application permitted.

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9:

- all recognised financial assets that are within the scope of HKAS *39* "*Financial instruments: Recognition and measurement*" are required to be subsequently measured at amortised cost or fair value. 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 generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 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.

Based on the Group's existing business model and financial statements as at 31 December 2015, the application of HKFRS 9 in the future may affect the classification of the Group's available for sale equity investment and may result in early recognition of credit loss based on expected loss model in relation to the Group's financial assets measured at amortised costs. It is not practical to provide a reasonable estimate of that effect until a detail review has been completed.

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

HKFRS 15 Revenue from contracts with customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "*Revenue*", *HKAS 11* "*Construction contracts*" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 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 HKFRS 15, 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. The entity is also required to adjust the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer with a significant benefit of financing the transfer of services. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Directors anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effects of HKFRS 15 until the Group performs a detailed review.

The Directors do not anticipate that the application of other new and revised HKFRSs will have a material impact on the results and financial position of the Group.

4. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The provisions of the new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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 if market participants would take those characteristics 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 leasing transactions that are within the scope of HKAS 17.

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.

4. Significant Accounting Policies (Continued)

The principal accounting policies are set out below.

Basis of consolidation

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary, including a subsidiary acquired exclusively with a view to subsequent resale, and ceases when the Group 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 Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item 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.

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

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

4. Significant Accounting Policies (Continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less any accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

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 in the normal cause of business, net of sales related taxes.

Service income is recognised when services are provided in the normal course of business, net of sales related taxes.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

4. Significant Accounting Policies (Continued)

Property, plant and equipment

Property, plant and equipment including buildings and leasehold land (classified as finance leases) held for use in the production or supply of service or administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets (other than properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for or a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

4. Significant Accounting Policies (Continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes).

Investment properties are initially measured at cost, including any directly attributable expenditure and borrowing costs eligible for capitalisation. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

Impairment losses on tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market 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 is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

4. Significant Accounting Policies (Continued)

Leasing

A series of transactions that involve the legal form of a lease is linked and accounted for as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. The accounting reflects the substance of the arrangement.

An arrangement that involves a legal form of a lease is not, in substance, accounted for as a lease if:

(a) the Group retains all the risks and rewards incident to ownership of an underlying asset and enjoys substantially the same rights to its use as before the arrangement;

(b) the primary reason for the arrangement is not to convey the right to use an asset; and

(c) an option is included on terms that make its exercise almost certain.

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

The Group as lessor

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease.

Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid land lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

4. Significant Accounting Policies (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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.

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 schemes are recognised as an expense when employees have rendered service entitling them to the contributions. For forfeited contributions that are not vest fully, if any, may be used to reduce the existing level of contributions.

Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit plan.

Taxation

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

Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

4. Significant Accounting Policies (Continued)

Taxation (Continued)

Deferred Tax

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled, or the asset is realised based on tax rate (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.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4. Significant Accounting Policies (Continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as loans and receivables and available-for-sale ("AFS") investment. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and 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 debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including accounts and other receivables, pledged bank deposits and bank balances) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. The Group designated its investment in equity interest of a private entity as AFS financial assets in which the Group has no control or significant influence.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment of financial assets below).

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

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

For loans and receivables, objective evidence of impairment could include:

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

Impairment loss for loans and receivables are assessed on an individual basis.

For loans and receivables, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For AFS financial assets 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 (see the accounting policy below).

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

For loans and receivables, 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 investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instrument

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 issued by the Company are recognised at the proceeds received, net of direct issue costs.

Convertible bonds

Convertible bonds issued by the Group that contain both debt and conversion option components are classified separately as financial liability and equity in accordance with the substance of the contractual arrangements and the definition of a financial liability and an equity instrument on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative.

At the date of issue, both the debt and conversion option components are recognised at fair value. In subsequent periods, the debt component of the convertible loan notes is carried at amortised cost using the effective interest method. The conversion option derivative together with other embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative components are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Embedded derivative financial liabilities

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the consolidated instrument vary in a way similar to a stand-alone derivative.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Derivative financial liabilities in relation to warrants

Warrants issued by the Company that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instrument are accounted for as derivatives.

The warrants are initially recognised at fair value and are subsequently remeasured to their fair value at the end of the reporting period with changes in fair value recognised in profit or loss.

Other financial liabilities

Other financial liabilities (including accounts and other payables, amounts due to directors, amounts due to non-controlling interests of a subsidiary, bank borrowings and other borrowings) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and 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 liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. For consideration received or receivable in the form of non-monetary assets, the non-monetary assets are initially measured at fair value.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 4 to the consolidated financial statements, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results 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 accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements and the results, assets and liabilities of the PRC Operational Entity and its subsidiaries are consolidated with other group entities.

Consolidation of a structured entity

PRC laws and regulations prohibit or restrict foreign investors from owning more than 50% equity interest in any enterprise which owns vessels for conducting dredging business.

On 19 April 2011, Xiangyu PRC (as defined in Note 38), the PRC Operational Entity (as defined in Note 38) and its respective equity participants, being Mr. Liu and Ms. Zhou Shuhua ("Ms. Zhou"), the spouse of Mr. Liu, entered into the Contractual Arrangements (as defined in Note 38). The PRC Operational Entity and its subsidiaries are engaged in the provision of dredging services of the Group. Details of the Contractual Arrangements are set out in Note 38.

The Directors, after consulting legal opinion, are of the view that the terms of the Contractual Arrangements have in substance enabled Xiangyu PRC to have the ability and right to direct the relevant activities and vary returns from its involvement with the PRC Operational Entity and its subsidiaries, and to be entitled to returns from the PRC operational activities and its subsidiaries, despite the absence of formal legal equity interest held by the Group therein. Accordingly, PRC Operational Entity is accounted for as a consolidated structured entity as a subsidiary of the Company, and the results, assets and liabilities of the PRC Operational Entities and its subsidiaries are consolidated together with other group entities as if they are wholly-owned by the Company.

In the opinion of the Directors, with reference to opinion of legal counsel, the Contractual Arrangements are in compliance with existing PRC laws and regulations are valid, binding and enforceable, and do not result in any violation of PRC laws or regulations currently in effect in all material respects. However, uncertainties in the PRC legal system could cause the Group's current contractual arrangement structure to be found in violation of any existing and/or future PRC laws or regulations and could limit the Company's ability, through Xiangyu PRC, to enforce its rights under the Contractual Arrangements.

5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

Critical judgements in applying accounting policies (Continued)

Consolidation of a structured entity (Continued)

The operation of the Group was substantially derived from the PRC Operational Entity and its subsidiaries. If the current structure or any of the Contractual Arrangements were found to be in violation of any existing or future PRC law, the Group may be subject to penalties, which may include but not be limited to, the cancellation or revocation of the Group's business and operating licenses, being required to restructure the Group's operations or discontinue the Group's operating activities. The imposition of any of these or other penalties may result in a material and adverse effect on the Group's ability to conduct its operations. In such case, the Group may not be able to operate or control the PRC Operational Entity and its subsidiaries, which may result in deconsolidation of it.

Going concern basis

As explained in note 2 to the consolidated financial statements, the consolidated financial statements have been prepared on a going concern basis and do not include any adjustments that would be required should the Group fail to continue as a going concern since the directors are satisfied that the liquidity of the Group can be maintained in the coming twelve months taking into consideration the profitable operations of the Group , the successful renewal of bank loans and the unutilised bank facilities of the Group will not be expiring in 2016. The Directors believe that the Group will have sufficient cash resources to satisfy its future working capital and capital commitments for the next twelve months from 31 December 2015.

Key sources of estimation uncertainty

The key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year are disclosed below.

Estimated allowance for accounts and other receivables

Management regularly reviews the recoverability of accounts and other receivables. Allowance for these receivables is made based on evaluation of collectability and on management's judgment by reference to the estimation of the future cash flows discounted at the original effective interest rate to calculate the present value. A considerable amount of judgment is required in assessing the ultimate realisation of these debtors, including their current creditworthiness. If the actual future cash flows are less than expected, additional allowance may be required.

As at 31 December 2015, the carrying amount of accounts and other receivables is approximately RMB1,335,115,000, net of allowance for doubtful debts of approximately RMB425,900,000 (31 December 2014: carrying amount of accounts and other receivable of approximately RMB1,388,177,000, net of allowance for doubtful debts of approximately RMB49,259,000).

5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

Key sources of estimation uncertainty (Continued)

Estimated useful life and residual values of property, plant and equipment

Dredgers and plant and machinery included in property, plant and equipment are depreciated over their useful lives. The assessment of estimated useful lives and residual values are matters of judgement based on the experience of the Group, taking into account factors such as technological progress, conditions of the dredgers and plant and machinery and changes in market demand. Useful lives and residual values are periodically reviewed for continued appropriateness. Due to the long useful lives of the dredgers and plant and machinery, changes to the estimates used can affect the amount of depreciation to be charged to profit or loss in each reporting period and consequently affect their carrying value at the end of the reporting period. There was no change in the estimated useful lives or residual values of property, plant and equipment for both years.

Fair value of derivative financial liabilities

The Group engages third party qualified valuers to perform the valuation of the derivative financial liabilities embedded in the convertible bonds. The Chief Financial Officer works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model and reports to the board of directors of the Company to explain the cause of fluctuations in the fair value.

As described in Note 28, the third party valuer uses their judgement in selecting an appropriate valuation technique for the derivative financial liabilities not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. The carrying amount of the derivative financial liabilities embedded in convertible bonds as at 31 December 2015 is approximately RMB7,030,000 (31 December 2014: RMB14,423,000). Details of the assumptions used are disclosed in Notes 28 and 36(c). The Directors believe that the valuation techniques and assumptions used by the valuer are appropriate in determining the fair value of derivative financial liabilities.

6. Revenue and Segment Information

The Group determines its operating segments based on the reports reviewed by the executive directors of the Company who are also the chief operating decision makers ("CODM") that are used to make strategic decisions. Information reported to the chief operating decision makers is based on the different nature of projects carried out by the Group.

Details of the Group's four reportable segments are as follows:

(i) Capital and Reclamation Dredging Business refers to the capital and reclamation dredging services and related consultation services provided by the Group;

6. Revenue and Segment Information (Continued)

(ii) Environmental Protection Dredging and Water Management Business refers to dredging or water management services or constructions for promoting environmental interests and water quality mainly for inland rivers provided by the Group;

(iii) Dredging Related Construction Business refers to ancillary construction work related to the capital and reclamation dredging services provided by the Group; and

(iv) Other Marine Business mainly comprises marine hoisting, installation, salvaging, vessel chartering and other engineering services provided by the Group.

Segment results

An analysis of the Group's reportable segment revenue and segment results is as below.

	Capital and Reclamation Dredging Business RMB'000	Environmental Protection Dredging and Water Management Business RMB'000	Other Marine Business RMB'000	Dredging Related Construction Business RMB'000	Total RMB'000
For the year ended 31 December 2015					
Segment revenue	367,319	179,460	154,217	—	700,996
Segment results	131,782	53,730	22,148	—	207,660
Unallocated other income					37,316
Other gains and losses, net					(396,572)
Unallocated corporate expenses					(33,768)
Unallocated finance costs					(51,969)
Group's loss before tax					(237,333)

6. Revenue and Segment Information (Continued)

Segment results (Continued)

	Capital and Reclamation Dredging Business RMB'000	Environmental Protection Dredging and Water Management Business RMB'000	Other Marine Business RMB'000	Dredging Related Construction Business RMB'000	Total RMB'000
For the year ended 31 December 2014					
Segment revenue	474,417	208,451	174,433	53,291	910,592
Segment results	142,274	66,358	48,863	4,632	262,127
Unallocated other income					24,245
Other gains and losses, net					(24,191)
Unallocated corporate expenses					(36,712)
Unallocated finance costs					(63,324)
Group's profit before tax					162,145

6. Revenue and Segment Information (Continued)

Other segment information

	Capital and Reclamation Dredging Business RMB'000	Environmental Protection Dredging and Water Management Business RMB'000	Other Marine Business RMB'000	Dredging Related Construction Business RMB'000	Segment total RMB'000	Unallocated RMB'000	Consolidated RMB'000
For the year ended 31 December 2015							
Amounts included in the measure of segment profit or loss							
Depreciation of property, plant and equipment	**(70,351)**	**(1,425)**	**(24,868)**	**—**	**(96,644)**	**(3,730)**	**(100,374)**
Fair value changes of derivative financial liabilities embedded in convertible bonds	**—**	**—**	**—**	**—**	**—**	**7,921**	**7,921**
Fair value changes of derivative financial liabilities in relation to warrants	**—**	**—**	**—**	**—**	**—**	**2,242**	**2,242**
Amortisation of prepaid land lease payment	**—**	**—**	**—**	**—**	**—**	**(2,671)**	**(2,671)**
Exchange loss	**—**	**—**	**—**	**—**	**—**	**(30,181)**	**(30,181)**
Amounts regularly provided to CODM but not included in the measure of segment profit or loss							
Allowance for doubtful debts	**(164,231)**	**(212,410)**	**—**	**—**	**(376,641)**	**—**	**(376,641)**
For the year ended 31 December 2014							
Amounts included in the measure of segment profit or loss							
Depreciation of property, plant and equipment	(70,125)	(2,025)	(24,487)	(672)	(97,309)	(1,011)	(98,320)
Fair value changes of derivative financial liabilities embedded in convertible bonds	—	—	—	—	—	23,345	23,345
Fair value changes of derivative financial liabilities in relation to warrants	—	—	—	—	—	(2,004)	(2,004)
Amortisation of intangible assets	(2,560)	—	—	—	(2,560)	—	(2,560)
Amortisation of prepaid land lease payment	—	—	—	—	—	(2,342)	(2,342)
Amounts regularly provided to CODM but not included in the measure of segment profit or loss							
Allowance for doubtful debts	(49,259)	—	—	—	(49,259)	—	(49,259)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 4 to the consolidated financial statements.

Segment results represent profit earned or loss incurred by each segment, without allocation of central administrative expenses, other gains and losses, certain other income and certain finance costs. This is the measure reported to the Company's executive directors for the purposes of resource allocation and performance assessment.

6. Revenue and Segment Information (Continued)

Segment assets

	Capital and Reclamation Dredging Business RMB'000	Environmental Protection Dredging and Water Management Business RMB'000	Other Marine Business RMB'000	Dredging Related Construction Business RMB'000	Total RMB'000
At 31 December 2015					
Segment assets	1,833,707	684,275	493,637	17,100	3,028,719
Unallocated assets:					
Prepaid land lease payments					15,502
Investment properties under construction					408,552
Pledged bank deposits					62,572
Available-for-sale investment					20,921
Loan receivables					95,012
Consideration receivable (included in accounts and other receivables)					70,774
Shareholder's loan to Yongheng *(defined in Note 18)* (included in accounts and other receivables)					14,804
Bank balances and cash					153,569
Others					6,738
Consolidated assets					3,877,163

6. Revenue and Segment Information (Continued)

Segment assets (Continued)

	Capital and Reclamation Dredging Business RMB'000	Environmental Protection Dredging and Water Management Business RMB'000	Other Marine Business RMB'000	Dredging Related Construction Business RMB'000	Total RMB'000
At 31 December 2014					
Segment assets	1,914,585	613,721	497,009	31,564	3,056,879
Unallocated assets:					
Prepaid land lease payments					97,659
Pledged bank deposits					20,794
Available-for-sale investment					20,921
Consideration receivable (included in accounts and other receivables)					81,846
Shareholder's loan to Yongheng *(defined in Note 18)* (included in accounts and other receivables)					14,804
Bank balances and cash					158,339
Others					17,346
Consolidated assets					3,468,588

For the purposes of monitoring segment performances and allocating resources between segments, assets are allocated to reportable and operating segments other than the unallocated items listed above.

Segment liabilities

As the liabilities are regularly reviewed by the CODM in total for the Group as a whole, the measure of total liabilities by operating segment is therefore not presented.

Geographical information

As all the Group's revenue is derived from its operation in the PRC and substantially all its non-current assets (excluding the AFS investment and other financial assets) are located in the PRC, no geographical information is presented.

6. Revenue and Segment Information (Continued)

Information about major customers

An analysis of revenue from customers contributing over 10% of the Group's total revenue for the year is as follows:

	2015 RMB'000	2014 RMB'000
Customer A		
— Environmental Protection Dredging and Water Management Business	**164,547**	*note*
Customer B		
— Capital and Reclamation Dredging Business	**143,453**	*note*
Customer C		
— Environmental Protection Dredging and Water Management Business	***note***	124,079
Customer D		
— Capital and Reclamation Dredging Business	***note***	120,056
Customer E		
— Capital and Reclamation Dredging Business	***note***	98,560

Note: Customers A and B did not contribute over 10% of the Group's total revenue for the year ended 31 December 2014 and Customers C, D and E did not contribute over 10% of the Group's total revenue for the year ended 31 December 2015.

7. Other Income

	2015 RMB'000	2014 RMB'000
Government financial incentive *(note)*	**9,224**	8,644
Bank interest income	**6,376**	7,650
Interest income in respect of non-current accounts receivable	**14,781**	18,381
Interest income in respect of consideration receivable *(Note 18)*	**3,928**	8,878
Interest income in respect of other receivable	**3,052**	—
Sundry income	**681**	430
	38,042	43,983

Note: Pursuant to a document issued by a PRC local government authority, one of the Company's PRC subsidiaries was granted financial incentive for a period of three years for its contribution to the economic development of the locality, provided it is duly registered in the locality and pays taxes according to tax laws. No other conditions are attached to the financial incentive.

The PRC local government authority confirmed that the amount for such financial incentive that the Group was entitled for the year ended 31 December 2015 was RMB9,224,000 (2014: RMB8,644,000). Accordingly, the Group recognised such amount as other income for the year.

8. Other Gains and Losses, Net

	Notes	2015 RMB'000	2014 RMB'000
Gain on disposal of property, plant and equipment		**87**	3,727
Fair value changes of derivative financial liabilities embedded in convertible bonds	*28*	**7,921**	23,345
Fair value changes in relation to warrants	*29*	**2,242**	(2,004)
Allowance for doubtful debts	*20(i)*	**(376,641)**	(49,259)
Exchange loss		**(30,181)**	—
		(396,572)	(24,191)

9. Finance Costs

	2015 RMB'000	2014 RMB'000
Interest expenses on:		
Bank borrowings wholly repayable within five years	**35,607**	39,622
Discounted bills receivable	**3,108**	1,173
Other borrowings	**1,262**	1,581
Amounts due to non-controlling interests	**612**	1,150
Effective interest on convertible bonds *(Note 28)*	**37,608**	32,165
Total borrowing costs	**78,197**	75,691
Less: amounts capitalised in the cost of qualifying assets	**(22,610)**	(6,854)
	55,587	68,837

Borrowing cost capitalised during the year ended 31 December 2015 of approximately RMB22,610,000 (2014: RMB6,854,000) arose on the general borrowing pool calculated by applying a capitalisation rate of 8.07% (2014: 8.48%) per annum. During the year ended 31 December 2015, borrowing cost was capitalised as part of the construction in progress in respect of the investment properties under construction (see Note 17) at Yancheng City (2014: a factory at Yancheng City).

10. Income Tax (Credit) Expense

	2015 RMB'000	2014 RMB'000
The charge comprises:		
Current tax		
PRC Enterprise Income Tax ("EIT")	**48,133**	62,982
Deferred taxation *(Note 27)*	**(94,955)**	(9,416)
	(46,822)	53,566

The tax (credit) charge for the year can be reconciled to the (loss) profit before tax as follows:

	2015 RMB'000	2014 RMB'000
(Loss) profit before tax	**(237,333)**	162,145
Tax at the PRC EIT rate of 25% (2014: 25%)	**(59,333)**	40,536
Tax effect of expenses not deductible for tax purpose	**5,628**	10,922
Tax effect of tax losses not recognised	**8,249**	2,108
Utilisation of tax losses previously not recognised	**(1,366)**	—
Tax (credit) charge for the year	**(46,822)**	53,566

(i) PRC EIT

PRC EIT is calculated at 25% of the assessable profits for both years.

(ii) Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years, if any.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group had no assessable profits arising in or derived from Hong Kong for both years.

11. (Loss) Profit for the Year

	2015 RMB'000	2014 RMB'000
(Loss) profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	1,735	2,762
Amortisation of intangible assets	—	2,560
Amortisation of prepaid land lease payments	2,671	2,342
Directors' emoluments *(Note 12)*	2,100	3,100
Other staff costs	47,932	50,837
Retirement benefit scheme contributions, excluding those of directors	3,521	3,296
Total staff costs	53,553	57,233
Allowance for doubtful debts	376,641	49,259
Gain on disposal of property, plant and equipment	(87)	(3,727)
Sub-contracting charges included in operating cost	184,174	291,464

12. Directors', Chief Executive Officer's and Employees' Emoluments

Directors and Chief Executive Officer

Details of the emoluments paid or payable to the Directors and the Chief Executive Officer during the year are as follows:

For the year ended 31 December 2015

	Fees RMB'000	Salaries and other allowances RMB'000	Retirement benefit scheme contribution RMB'000	Total RMB'000
Executive directors:				
Mr. Liu	—	1,200	—	1,200
Ms. Zhou	—	600	—	600
	—	1,800	—	1,800
Non-executive director:				
Mr. Liu Longhua	—	—	—	—
Independent non-executive directors:				
Mr. Chan Ming Sun Jonathan	150	—	—	150
Mr. Huan Xuedong	150	—	—	150
Mr. Xu Hengju	—	—	—	—
	300	—	—	300
	300	1,800	—	2,100

12. Directors', Chief Executive Officer's and Employees' Emoluments (Continued)

Directors and Chief Executive Officer (Continued)

For the year ended 31 December 2014

	Fees RMB'000	Salaries and other allowances RMB'000 *(Note)*	Retirement benefit scheme contribution RMB'000	Total RMB'000
Executive directors:				
Mr. Liu	—	1,775	—	1,775
Ms. Zhou	—	1,025	—	1,025
	—	2,800	—	2,800
Non-executive director:				
Mr. Liu Longhua	—	—	—	—
Independent non-executive directors:				
Mr. Chan Ming Sun Jonathan	150	—	—	150
Mr. Huan Xuedong	150	—	—	150
Mr. Xu Hengju	—	—	—	—
	300	—	—	300
	300	2,800	—	3,100

Note: The executive directors' salaries and other allowances in 2014 had been incorrectly stated as fees in the annual report dated on 26 March 2015. Such amount had been restated as salaries and other allowances in the consolidated financial statement in order to conform with current year's presentation.

Mr. Liu is also the Chief Executive Officer of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive Officer.

During the year, there was no arrangement under which a director waived or agreed to waive any remuneration.

12. Directors', Chief Executive Officer's and Employees' Emoluments (Continued)

Employees

Of the Group's five highest paid individuals during the year, two (2014: two) of them were directors and Chief Executive Officer whose emoluments are presented above. The emoluments of the remaining three (2014: three) highest paid individuals, were as follows:

	2015 RMB'000	2014 RMB'000
Salaries and other allowances	1,574	1,530
Retirement benefit scheme contributions	29	36
	1,603	1,566

Their emoluments were within the following bands:

	2015 No. of employees	2014 No. of employees
Nil to HK$1,000,000 (RMB790,000)	3	3

During both years, no emoluments were paid by the Group to any of the Directors, Chief Executive Officer or the five highest paid individuals (including directors, Chief Executive Officer and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

13. (Loss) Earnings Per Share

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

	2015 RMB'000	2014 RMB'000
Earnings		
(Loss) profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	**(197,864)**	92,524
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss/earnings per share	**1,036,947**	844,288
Effect of dilutive potential ordinary shares:		
Share options	**—**	5,671
Weighted average number of ordinary shares for the purpose of diluted loss/earnings per share	**1,036,947**	849,959

The weighted average number of shares for the purposes of basic loss/earnings per share for both years were calculated based on the weighted average number of shares in issue during both years.

The computation of diluted loss/earnings per share for both years does not assume the conversion of the Company's outstanding convertible bonds, since their exercise would result in a decrease in loss per share for the year ended 31 December 2015 and an increase in earnings per share for the year ended 31 December 2014.

The computation of diluted loss/earnings per share for both years does not assume the exercise of the outstanding warrants, since the exercise price of the warrants was higher than the average market price of the shares.

14. Dividends

No dividend was paid or proposed during the year ended 31 December 2015 and 31 December 2014, nor has any dividend been proposed since the end of the reporting period.

15. Property, Plant and Equipment

	Leasehold land and building RMB'000	Leasehold improvements RMB'000	Dredgers and vessels RMB'000	Plant and machinery RMB'000	Furniture, fittings and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST								
At 1 January 2014	7,858	244	1,719,573	79,742	1,517	10,033	52,025	1,870,992
Additions	29,268	—	2,743	15,091	152	725	90,412	138,391
Transfer	25,452	—	4,259	—	—	—	(29,711)	—
Disposals/write-off	(8,177)	—	—	—	—	—	—	(8,177)
At 31 December 2014	54,401	244	1,726,575	94,833	1,669	10,758	112,726	2,001,206
Additions	—	—	94	2,861	57	5,098	24,639	32,749
Disposals/write-off	—	—	—	—	—	(1,840)	—	(1,840)
At 31 December 2015	54,401	244	1,726,669	97,694	1,726	14,016	137,365	2,032,115
ACCUMULATED DEPRECIATION								
At 1 January 2014	939	244	157,872	12,508	579	5,583	—	177,725
Provided for the year	1,216	—	88,122	7,039	384	1,559	—	98,320
Eliminated on disposals/write-off	(1,467)	—	—	—	—	—	—	(1,467)
At 31 December 2014	688	244	245,994	19,547	963	7,142	—	274,578
Provided for the year	2,599	—	87,653	8,336	295	1,491	—	100,374
Eliminated on disposals/write-off	—	—	—	—	—	(1,441)	—	(1,441)
At 31 December 2015	3,287	244	333,647	27,883	1,258	7,192	—	373,511
CARRYING VALUE								
At 31 December 2015	51,114	—	1,393,022	69,811	468	6,824	137,365	1,658,604
At 31 December 2014	53,713	—	1,480,581	75,286	706	3,616	112,726	1,726,628

15. Property, Plant and Equipment (Continued)

As certain lease payments relating to the leasehold property cannot be allocated reliably between the land and building elements, that entire leasehold property is accounted for as property, plant and equipment.

The Group's leasehold land and building is held under a medium term lease in the PRC.

Depreciation is charged so as to write off the cost of assets (other than construction in progress), over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method, on the following bases:

Leasehold land and building	2–4% or over the term of the lease, whichever is shorter
Leasehold improvements	20% or over the term of the lease, whichever is shorter
Dredgers and vessels	5%–6.7%
Plant and machinery	5%–20%
Furniture, fittings and office equipment	10%–33.3%
Motor vehicles	16.7%–20%

The net book value of leasehold land and building of RMB51,114,000 (2014: RMB53,713,000) includes an amount of RMB23,336,000 (2014: RMB24,545,000) pledged for bank borrowings. The net book value of dredgers and vessels of RMB1,393,022,000 (2014: RMB1,480,581,000) includes an amount of RMB242,305,000 (2014: RMB255,968,000) as asset held as collateral for the Agreement (as defined in Note 25) and amount of RMB624,104,000 (2014: RMB918,638,000) pledged to bank borrowings. Details are further set out in Note 32.

16. Prepaid Land Lease Payments

	2015 RMB'000	2014 RMB'000
Analysed for reporting purposes as:		
Current assets	**2,908**	2,554
Non-current assets	**100,773**	95,105
	103,681	97,659

17. Investment Properties under Construction

	RMB'000
At 1 January 2015, at cost	—
Construction costs incurred and interests capitalised	307,702
At 31 December 2015, at cost	307,702

The construction of the investment properties is expected to be completed in 2016.

The fair value, including the portion of prepaid lease payments which is relevant to the investment properties under construction with carrying amount of approximately RMB45 million, of the Group's investment properties under construction at 31 December 2015 was approximately RMB353 million. The fair value has been arrived at based on a valuation carried out by GW Financial Advisory Services Limited, independent valuer not connected with the Group.

The fair value was determined based on the cost approach which is a real estate valuation method that surmises that the price someone should pay for a piece of property should not exceed what someone would have to pay to build an equivalent building. In cost approach pricing, the market price for the property is equivalent to the cost of land plus cost of construction, less depreciation.

In estimating the fair value of the properties, the highest and best use of the properties is their current use. The fair value of the Group's investment properties is categorised into level 3 of the fair value hierarchy.

The fair value of the Group's investment properties is categorised into level 3 of the fair value hierarchy.

Details of the Group's investment properties and information about the fair value hierarchy as at the end of the reporting period are as follows:

	Level 3 RMB'000	**Fair value as at 31/12/2015** RMB'000
Commercial property located in Yan Cheng City	307,702	307,702

There were no transfer into or out of Level 3 during the year.

18. Available-For-Sale Investment

On 31 December 2012, the Group entered into a conditional agreement with one of its major trade debtors (the "Debtor") whereby the Debtor would transfer to the Group its 95% equity interest in 鹽城市咏恒置業有限公司 (Yancheng City Yongheng Properties Co., Ltd*) ("Yongheng") which sole assets are two parcels of land in the PRC, and would assign its shareholder's loan of RMB111,271,000 therein, in lieu of settlement for certain trade debts due to the Group (the "1st Agreement").

Concurrent with the 1st Agreement, the Group also entered into another conditional agreement to acquire the remaining 5% equity interest in Yongheng from the non-controlling interest therein for a cash consideration of RMB400,000 (the "2nd Agreement").

On 22 March 2013, the Group agreed to transfer 85% equity interest in Yongheng together with 85% of the shareholder's loan for a total consideration of RMB252,968,000 (the "Consideration") (the "3rd Agreement") to 鹽城市鴻基建築安裝工程有限責任公司 (Yancheng City Hongji Construction Installation Engineering Company Limited*) ("Hongji Construction"). The Group's remaining 15% equity interest of RMB20,921,000 in Yongheng has been classified as an available-for-sale investment and has been measured at cost less impairment, because there is no quoted market price in an active market and the range of reasonable fair value estimates is so significant. The directors of the Company are of the opinion that the fair value cannot be measured reliably.

The Consideration is to be settled in the following manner:

(i) a deposit of RMB10 million within three business days upon signing of the 3rd Agreement;

(ii) payment of not less than RMB70 million (not including the deposit) before 31 December 2013;

(iii) a further payment of not less than RMB100 million during the year ended 31 December 2014; and

(iv) payment of any outstanding balance before 31 December 2015.

The consideration payable by Hongji Construction to the Group is unsecured and carries interest at a rate of 6% per annum on the amount of unpaid balance starting from 1 January 2014.

The payments as set out in point (i) and (ii) were fully settled during the year ended 31 December 2013 and (iii) was fully settled during the year ended 31 December 2014. The outstanding amount recoverable from Hongji Construction as included in "accounts and other receivables" (see Note 20) as at 31 December 2014 of RMB81,846,000 comprised of outstanding principal of RMB72,968,000 and interest payable of RMB8,878,000.

During the year ended 31 December 2015, RMB15,000,000 was recovered. The consideration receivable from Hongji Construction as at 31 December 2015 of RMB70,774,000 comprised of outstanding principal of RMB57,968,000 and accumulated interest payable of RMB12,806,000. Subsequent to the reporting period, Hongji Construction has fully repaid the outstanding balances.

The shareholder's loan to Yongheng of RMB14,804,000 included in "accounts and other receivables" (see Note 20) is unsecured, interest-free and has no fixed repayment terms. At 31 December 2015, in the opinion of the Directors, the shareholder's loan is not expected to be recovered within one year from the end of the reporting period. The balance is, therefore, classified as non-current.

* *for identification only*

19. Deposit Paid for Acquisition of Property, Plant and Equipment

Included in the deposit paid for acquisition of property, plant and equipment, amount of RMB70,000,000 (2014: Nil) represents the full payment acquiring an office in the PRC for further development of environmental protection dredging business. The office is under construction and is expected to be delivered in early 2016. Accordingly, the amounts are classified as deposits paid for acquisition of property, plant and equipment.

20. Accounts and Other Receivables

	2015 **RMB'000**	2014 RMB'000
Non-current:		
Accounts receivable, net of allowance of doubtful debts *(notes (i) and (ii))*	**184,933**	171,557
Value-added tax recoverable *(note (iv))*	**1,705**	5,630
Shareholder's loan to Yongheng *(defined in Note 18)*	**14,804**	14,804
Others	**5,000**	—
	206,442	191,991
Current:		
Accounts receivable, net of allowance of doubtful debts *(note (i) and (ii))*	**936,591**	1,101,026
Bills receivable *(note (iii))*	**11,845**	7,000
Government financial incentive receivables *(Note 7)*	**21,168**	11,944
Deposits and prepayments	**31,828**	18,943
Value-added tax recoverable *(note (iv))*	**5,190**	6,042
Consideration and accumulated interest receivable from Hongji Construction *(Note 18)*	**70,774**	81,846
Loan receivables *(note (v))*	**95,000**	—
Others	**8,589**	5,891
	1,180,985	1,232,692
	1,387,427	1,424,683

20. Accounts and Other Receivables (Continued)

Notes:

(i) Before accepting any new customer, the Group assesses the potential customer's credit quality and defines its credit limits based on reputation of the customers within the industry.

The Group prepares an aged analysis for its accounts receivable based on the dates when the Group and the customers agreed on the quantum of the services provided, as evidenced by progress certificates. Periodic statements are issued and agreed by the customers for the work performed and services rendered for the customers. Most of the contracts require the customers to make monthly progress payments with reference to the value of work completed (typically 55% to 85% of the value of work completed in the previous month) within thirty days after the issuance of the progress certificate. According to these contracts, the remaining balance (15% to 45% of the value of work completed) is to be paid by the customers within thirty to sixty days after the project is completed and accepted by the customers and the customers receive payment from the project owners.

The aged analysis of the Group's accounts receivable, prepared based on the dates of certification of work done, which approximate the respective revenue recognition dates (net of allowance for accounts receivable), at the end of each reporting period is as follows:

Aged analysis of the Group's accounts receivable

	2015 RMB'000	2014 RMB'000
0–30 days	139,071	188,827
31–60 days	39,044	94,295
61–90 days	43,225	58,605
91–180 days	117,006	93,243
181–365 days	385,008	372,471
1 year–2 years	259,986	299,113
Over 2 years	138,184	166,029
	1,121,524	1,272,583

Included in the accounts receivables balance is retention money of approximately RMB155,000,000 (2014: RMB163,000,000) as at 31 December 2015.

The amount of accounts receivables which were past due based on the terms of contracts, as at the end of the reporting period but for which the Group has not provided for impairment loss is analysed as follows:

Aging of accounts receivable from due date which were past due but not impaired

	2015 RMB'000	2014 RMB'000
0–30 days	—	—
31–60 days	26,821	70,144
61–90 days	32,456	37,331
91–180 days	147,108	196,149
181–365 days	247,799	159,544
1 year–2 years	210,382	184,577
Over 2 years	115,651	152,924
	780,217	800,669

20. Accounts and Other Receivables (Continued)

Notes: (Continued)

(i) (Continued)

The Group does not hold any collateral over the above balances.

The impairment losses recognised on receivables are individual trade receivables that are past due at 31 December 2015 and 2014 and the management of the Group believes that these amounts are unlikely to be recovered based on past collection history of each customers.

Included in account receivables as at 31 December 2015 was the principal amount of approximately RMB68,303,000 (31 December 2014: RMB120,103,000) due from a customer of which the related dredging project has been suspended since January 2014 due to change in use of relevant reclaimed areas by the Government. The customer has signed an agreement with the Group to repay approximately RMB51,680,000 before 31 December 2015 and another RMB40,000,000 before 31 December 2016. The balances of account receivable are unsecured and interest-free. Taking the above arrangement into account, allowance for doubtful debts of RMB49,259,000 was recognised as at 31 December 2014 at an effective interest rate of 20% per annum. Such allowance is attributed to (i) losses of approximately RMB20,836,000 by reference to the settlement dates set out in the Agreement; and (ii) allowance for the remaining outstanding balance of RMB28,423,000 without committed date of repayment from this customer.

The customer has fulfilled its commitment in 2015 and repaid RMB51,800,000 during the year. After assessing the repayment ability and the repayment pattern of the customer, the management is confident that the commitment of the customer could be fulfilled. As a result, no further impairment from this customer was provided.

Included in account receivables as at 31 December 2015 was the principal amount of approximately RMB34,585,000 (31 December 2014: nil) due from a customer which the dredging project was started during the year and is still in progress as at 31 December 2015 while the repayment of progress billings fell behind schedule. Considering the payment pattern, the progress of the project and the creditability of the customer, allowance of doubtful debts of RMB3,458,000 was recognised as at 31 December 2015.

Included in account receivables as at 31 December 2015 was the principal amount of approximately RMB602,702,000 (31 December 2014: 672,258,000) due from customers who are large state-owned enterprise or local governments which the respective projects were already completed as at 31 December 2015. Despite there is no dispute with the customers on the amounts due, the repayment slowed down significantly during the year ended 31 December 2015 when compared with previous years. Considering the latest repayment pattern and the expected repayment dates of respective customers, allowance of doubtful debts of RMB364,235,000 was recognised as at 31 December 2015.

Included in account receivables as at 31 December 2015 was the principal amount of approximately RMB8,948,000 (31 December 2014: 8,948,000) due from customers which the related dredging projects were completed as at 31 December 2014 and the receivables were past due. As there is no subsequent settlement during the year ended 31 December 2015, the amounts were fully provided.

Movement in allowance for doubtful debts

	2015 RMB'000	2014 RMB'000
1 January	49,259	—
Charged to profit or loss	376,641	49,259
31 December	425,900	49,259

20. Accounts and Other Receivables (Continued)

Notes: (Continued)

(ii) Non-current accounts receivable, except retention money due after one year from the end of reporting period, represents amounts due from several customers for contract works, for which the contracts include clauses for extended payment terms beyond one year. During the year, interest income calculated at a rate of 10% per annum (2014: 10% per annum) of about RMB14,781,000 (2014: RMB18,381,000) was recognised.

(iii) The aged analysis of the Group's bills receivable, presented based on the relevant dates of certification of work done, is as follows:

Aged analysis of the Group's bills receivable

	2015 RMB'000	2014 RMB'000
0–30 days	—	300
31–60 days	—	1,000
61–90 days	3,051	3,000
91–180 days	8,794	1,650
Over 180 days	—	1,050
	11,845	7,000

(iv) As at 31 December 2015, an amount of RMB5,190,000 (2014: RMB10,471,000) value-added tax ("VAT") paid by the Group in connection with its purchase of plant and machinery and dredgers in relation to Other Marine Business could be used to set-off against future VAT payable in relation to revenue generated from Other Marine Business. The Group has estimated that the VAT payable for the future twelve months ending 31 December 2015 is approximately RMB5,190,000 (2014: RMB6,042,000) and is accordingly classified as current. The remaining amount of nil (2014: RMB4,429,000) is not expected to be recovered within one year from the end of the reporting period and is classified as non-current.

Furthermore, VAT paid of approximately RMB1,705,000 (2014: RMB1,201,000) by the Group in connection with its construction-in-progress could be set-off against future value added tax payable generated from the Group. The amount is not expected to be recovered within one year from the end of reporting, and is accordingly classified as non-current.

(v) On 16 May 2015, the Company entered into an agreement (the "Investment Agreement") to set up a wholly owned subsidiary which principally conducts capital financing business. In late December 2015, the subsidiary lent out RMB95,000,000 to corporate borrowers which are not connected with the Group. Loans are repayable in one year, carrying fixed interest and are guaranteed personally by the directors of the corporate borrowers.

The Group assess the potential borrower's credit quality by investigating their historical credit record and defines their credit limits on individual basis. Recoverability and credit limit of each borrowers are reviewed by the Group regularly. Considering the credit quality of individual borrowers, no allowance on loan receivables was recognised.

21. Bank Balances and Cash and Pledged Bank Deposits

Bank balances and cash of the Group comprise cash and short-term bank deposits with an original maturity of three months or less. At the end of the reporting period, the bank balances carry interest at market rates which range from 0.01% to 4.00% (2014: 0.01% to 4.00%) per annum.

Included in pledged bank deposits as at 31 December 2015 was deposits of RMB15,000,000 pledged to secure a bank borrowing which is to be matured in 2017. Accordingly, the amount is classified as non-current assets.

The remaining pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group in respect of bank borrowings and credit facilities and are therefore classified as current assets. At the end of the reporting period, the deposits carry fixed interest rate of 2.8 % (2014: 2.8%) per annum. The pledged bank deposits will be released upon the settlement of corresponding bills payables and bank borrowings.

Bank balances that are denominated in a currency other than the functional currency of the relevant group companies are set out below:

	2015 **RMB'000**	2014 RMB'000
United States Dollar ("US$")	**1,541**	253
Hong Kong Dollar ("HK$")	**3,370**	5,645

22. Accounts and Other Payables

	2015 RMB'000	2014 RMB'000
Accounts payables		
Sub-contracting charge	**178,635**	203,161
Fuel cost	**34,071**	26,387
Repair and maintenance	**12,100**	11,341
Others	**4,970**	2,473
	229,776	243,362
Bills payable	**7,572**	5,653
Other payables		
Payable for property, plant and equipment	**24,659**	49,452
Payable for construction cost of investment properties under construction	**69,863**	—
Accrual other taxes	**100,192**	86,282
Accrual staff salaries and welfare	**22,405**	17,736
Receipts in advance	**5,550**	5,789
Interest on convertible bonds due within one year	**3,043**	5,759
Others	**34,610**	16,210
	260,322	181,228
	497,670	430,243

22. Accounts and Other Payables (Continued)

The aged analysis of the Group's accounts payables presented based on the invoice date, except for sub-contracting charge which is presented based on dates of the progress certificates, as at the end of each reporting period is as follows:

	2015 RMB'000	2014 RMB'000
0–30 days	56,848	101,484
31–60 days	5,786	38,087
61–90 days	13,381	12,001
91–180 days	15,809	6,059
Over 180 days	137,952	85,731
	229,776	243,362

23. Amounts Due to Directors

As at 31 December 2015, the balance represented advance from and emolument payable to certain directors of approximately RMB1,292,000 (2014: RMB666,000) and an amount due to Mr. Liu of approximately RMB17,806,000 (2014: RMB2,167,000). All amounts are unsecured, interest-free, repayable on demand and non-trade in nature.

24. Amounts Due to Non-Controlling Interests of a Subsidiary

All balances are non-interest bearing except for an amount of approximately RMB11,195,000 as at 31 December 2015 (2014: RMB13,845,000) which is interest bearing at 6.25% (2014: 6.25%). On 31 December 2015, certain non-controlling interests agreed not to demand repayment of RMB85,533,000 of the amounts due to them before January 2017 (2014: RMB89,333,000 of the amounts due to them before January 2016). All amounts are unsecured and non-trade in nature.

25. Bank and Other Borrowings

	2015 RMB'000	2014 RMB'000
Secured bank borrowings		
Payment schedule according to contractual repayment terms *(note i)*		
Repayable within one year	**708,707**	589,189
Repayable in more than one year but not exceeding two years	**18,195**	20,863
Repayable in more than two years but not exceeding five years	**—**	18,195
	726,902	628,247
Unsecured bank borrowing that contains a repayable on demand clause *(note ii)*	**7,698**	3,160
	734,600	631,407
Less: amount due for settlement within one year or contains a repayable on demand clause	**(716,405)**	(592,349)
	18,195	39,058
Unsecured other borrowings		
Without fixed repayment term and classified as current liabilities	**495**	1,362
Classified as non-current liabilities	**32,293**	32,939
	32,788	34,301

Notes:

(i) The effective interest rates of the secured bank borrowings are set out in the following table:

	2015 RMB'000	2014 RMB'000
Fixed interest at 2.0% to 2.2% (2014: 2.2%)	**295,001**	203,782
Fixed interest at 6.4% in relation to the Agreement as defined below (2014: 6.4%)	**38,901**	60,296
Fixed interest at 5.44% to 7.8% (2014: 6.60% to 7.8%)	**393,000**	364,169
	726,902	628,247

(ii) The bank borrowing is unsecured, containing a repayable on demand clause and carrying interest at Hong Kong Interbank Offer Rate ("HIBOR") plus 3.2%, with effective interest rate ranged from 3.59% to 3.60% during the year ended 31 December 2015 (3.58% during the year ended 31 December 2014).

25. Bank and Other Borrowings (Continued)

On 31 July 2013, the Group entered into an agreement (the "Agreement") with a PRC financial institution ("Financial Institution") whereby the Group drew down RMB85,000,000 from the Financial Institution (included in bank borrowings) which is to be repayable by 16 quarterly installments matured on 17 September 2017 with interest at 6.4% per annum.

As collaterals for the above financing,

(i) The Group transferred the beneficial interests of one of its dredgers ("Dredger") to the Financial Institution;

(ii) The Group placed a security deposit of RMB15 million and pledged certain of its accounts receivables as disclosed in Note 32 with the Financial Institution;

(iii) Mr. Liu provided a personal guarantee for the due performance of the Group's obligations under the Agreement; and

(iv) The Company entered into a guarantee in favour of the Financial Institution for the due performance of the Group's obligations under the Agreement.

Upon discharging all the Group's obligations under the Agreement, the Financial Institution will return the ownership title of the Dredger to the Group for a nominal amount of RMB1. Despite the Agreement involves a legal form of a lease, the Group accounted for the Agreement as collateralised borrowing in accordance with the actual substance of the Agreement.

As at 31 December 2015 and 2014, the Group's bank borrowings were supported by the corporate guarantees given by Xiangyu PRC (defined in Note 38) and the Company. The Group's bank borrowings to the extent of RMB605,785,000 (2014: RMB404,466,000) were secured by certain assets of the Group (see Note 32), a property owned by a company in which Mr. Liu has beneficial interest and personal guarantees provided by Mr. Liu and Ms. Zhou respectively (see Note 34(ii)).

Included in the Group's other borrowings, approximately RMB24,408,000 (2014: RMB25,051,000) carried fixed interest rates at 6.25% per annum (2014: 6.25%). Other than that, the remaining other borrowings of the Group are interest-free. All of the Group's other borrowings are unsecured, without fixed repayment term and were borrowed from independent third parties. On 31 December 2015, certain counterparties agreed not to demand repayment before January 2017 (2014: 31 January 2016) and accordingly, RMB32,293,000 (2014: RMB32,939,000) due to these parties are classified as non-current.

26. Share Capital

	Number of shares '000	Amount HK$'000	RMB equivalent amount RMB'000
Ordinary Shares of HK$0.10 each			
Authorised			
Balance at 1 January 2014, 31 December 2014 and 2015	10,000,000	1,000,000	N/A
Issued and fully paid			
Balance at 1 January 2014	800,000	80,000	67,200
Exercise of share options *(note i)*	55,600	5,560	4,392
Balance at 31 December 2014	855,600	85,560	71,592
Placing of shares *(note ii)*	376,464	37,646	30,453
Balance at 31 December 2015	1,232,064	123,206	102,045

Notes:

(i) During the year ended 31 December 2014, options were exercised to subscribe for 48,000,000 and 7,600,000 shares at an option exercise price of HK$2.192 and HK$2.176 respectively.

(ii) During the year ended 31 December 2015, the share placings of 171,120,000 shares, 97,340,000 shares and 108,004,000 shares of the Company at a placing price of HK$1.38, HK$1.13 and HK$1.15 per share respectively were completed. The aggregate net proceeds from the placing was approximately HK$467.0 million (equivalent to approximately RMB379.0 million).

27. Deferred Tax Assets/Deferred Tax Liabilities

The following are the major deferred tax assets and (deferred tax liabilities) recognised and movements thereon during the current and prior year:

	Allowance for doubtful debt RMB'000	Fair value adjustment of property, plant and equipment on acquisition of subsidiaries RMB'000	Tax losses RMB'000	Others RMB'000	Total RMB'000
At 1 January 2014	—	(20,063)	—	—	(20,063)
Charged to profit or loss *(Note 10)*	7,106	2,310	3,074	(3,074)	9,416
At 31 December 2014	7,106	(17,753)	3,074	(3,074)	(10,647)
Charged to profit or loss *(Note 10)*	93,248	1,707	2,944	(2,944)	94,955
At 31 December 2015	100,354	(16,046)	6,018	(6,018)	84,308

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was RMB280,314,000 (2014: RMB301,386,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not be reversed in the foreseeable future.

At the end of the reporting period, the Group has unused tax loss of RMB62,395,000 (2014: RMB23,088,000). A deferred tax asset has been recognised in respect of tax losses of RMB24,072,000 (2014: RMB12,297,000). No deferred tax asset has been recognised for the remaining tax loss of RMB38,323,000 (2014: RMB10,791,000) due to unpredictability of future profit streams.

28. Convertible Bonds/Derivative Financial Liabilities Embedded in Convertible Bonds

The Company issued unsecured convertible bonds to CITIC Capital China Access Fund Limited ("CITIC") at a total nominal value of HK$243,000,000 (equivalent to RMB191,970,000) on 8 November 2013, carrying an interest rate of 3% per annum. These convertible bonds mature in three years from the date of issue. The convertible bond holder has the option to either convert them into the Company's ordinary shares at a conversion price of HK$2.7 per share, subject to anti-dilutive adjustments, at any time after six months from the date of issue and up to the maturity date, or to require the Company to redeem them at 133.792% of the nominal value of the convertible bonds upon maturity, without early redemption option. The issuer has no right to early redeem the convertible bonds.

The convertible bonds contain two components, the host debt component and the conversion option. The convertible bonds are denominated in HK$, which is a currency other than the Company's functional currency. Therefore, the conversion option in the convertible bonds does not exchange a fixed number of the Company's own equity instrument for a fixed amount of cash, denominated in HK$. Accordingly, the conversion option is accounted for separately as a derivative liability, which is not closely related to the host debt component. The fair values of the debt component and the derivative component were determined at the date of issue. Subsequent to initial recognition, the debt component is carried at amortised cost while the derivative component is measured at fair value, with changes in fair value recognised in profit or loss. The effective interest rate of the debt component is 16.9%.

The convertible bonds recognised in the consolidated statement of financial position is calculated as follows:

	Debt component RMB'000	Derivative component RMB'000	Total RMB'000
At 1 January 2014	177,815	37,768	215,583
Amortisation using effective interest method *(Note 9)*	32,165	—	32,165
Changes in fair value	—	(23,345)	(23,345)
Interest settlement	(5,760)	—	(5,760)
At 31 December 2014	204,220	14,423	218,643
Amortisation using effective interest method *(Note 9)*	37,608	—	37,608
Changes in fair value	—	(7,921)	(7,921)
Interest settlement	(5,856)	—	(5,856)
Exchange realignment	13,581	528	14,109
At 31 December 2015	249,553	7,030	256,583

28. Convertible Bonds/Derivative Financial Liabilities Embedded in Convertible Bonds (Continued)

The convertible bonds at the end of the reporting periods are represented by:

	2015 RMB'000	2014 RMB'000
Interest payable within one year included in other payables	3,043	5,759
Convertible bonds included as current liabilities	246,510	—
Convertible bonds included as non-current liabilities	—	198,461
	249,553	204,220

Fair values of the derivative component (representing the conversion options of the convertible bonds) at 31 December 2014 and 31 December 2015 are determined using Binomial Model by independent valuer, with inputs as follow:

	31 December 2015	31 December 2014
Valuation date share price	HK$1.50	HK$1.45
Conversion price	HK$2.70	HK$2.70
Time to maturity	0.86 years	1.85 years
Risk-free rate	0.195%	0.505%
Volatility	82%	65%
Dividend yield of the Company	0.00%	0.00%

29. Derivative Financial Liabilities in Relation to Warrants

On 17 January 2014, the Company issued 35,000,000 unlisted warrants ("Warrants") at a price of HK$0.01 per Warrant to 7 placees, all being independent third parties to the Group and each Warrant entitles its holder to subscribe for one ordinary share of HK$0.10 each of the Company ("Warrant Share") at the subscription price of HK$2.70 per Warrant Share at any time during the period of two years commencing from the date of issue of the Warrants.

The net proceeds from the issue amounted to HK$300,000 (equivalent to RMB238,000). The Warrants are denominated in HK$, which is a currency other than the Company's functional currency. The subscription rights in Warrants, denominated in HK$, do not exchange a fixed number of the Company's own equity instruments for a fixed amount of cash. Accordingly, the warrants are accounted for as derivative liabilities and are stated at fair value with changes in fair value recognised in profit or loss. During the year ended 31 December 2015, net fair value gain of RMB2,242,000 (2014: loss of RMB2,004,000), was recognised through profit or loss. At 31 December 2015, the carrying amount of derivative financial liabilities in relation to warrants is nil (2014: approximately RMB2,242,000).

29. Derivative Financial Liabilities in Relation to Warrants (Continued)

At 31 December 2015 and 2014, the Company had outstanding 35,000,000 Warrants to be exercised at any time on or before 16 January 2016, exercise in full of such Warrants would result in the issue of approximately 35,000,000 additional ordinary shares of HK$0.10 each. The subscription rights of the Warrants lapsed on 18 January 2016.

Fair values of the Warrants at 31 December 2014 and 31 December 2015 are determined using Binomial Model by independent valuer, with inputs as follow:

	31 December 2015	31 December 2014
Valuation date share price	HK$1.50	HK$1.45
Exercise price	HK$2.70	HK$2.70
Time to maturity	0.05 years	1.04 years
Risk-free rate	0.06%	0.149%
Volatility	58.60%	63.94%
Dividend yield of the Company	0.00%	0.00%

30. Operating Leases

The Group as lessee

(i) Minimum lease payments paid

	2015 RMB'000	2014 RMB'000
Minimum lease payments paid under operating leases during the year:		
Chartered dredgers	—	2,872
Office premises	1,870	2,298
Transportation vessels	6,805	4,555
	8,675	9,725

30. Operating Leases (Continued)

The Group as lessee (Continued)

(ii) Minimum lease payment commitments

At the end of the reporting period, the Group was committed to make the following future minimum lease payments under non-cancellable operating leases for office premises which fall due as follows:

Office premises

	2015 RMB'000	2014 RMB'000
Within one year	1,100	2,081
In the second to fifth years, inclusive	344	1,576
	1,444	3,657

The leases for office premises are generally negotiated for a term between one to ten years.

The Group as lessor

Rental income from chartered vessels earned during the year was RMB12,704,000 (2014: RMB14,018,000). The chartered vessels have committed tenants for the next one to two years.

31. Capital Commitments

	2015 RMB'000	2014 RMB'000
Capital commitments contracted but not provided for relating to the following:		
Acquisition of property, plant and equipment	**3,059**	3,301
Additions to investment properties in relation to construction costs	**73,347**	—
Investment in a sino-foreign joint venture in the PRC *(note (i))*	**24,000**	24,000
Investment in conducting capital financing business *(note (ii))*	**7,122**	—

Notes:

(i) Pursuant to the Company's announcement dated 21 October 2012, the Group has entered into a legally binding framework agreement with a PRC company ("PRC Company"). Pursuant to the agreement, the Group and the PRC Company agreed to take steps to jointly incorporate a new enterprise in Hunan Province, the PRC, for securing the projects of environmental management and construction of infrastructure to be carried out in the Qingshui Lake area, which is expected to last for about five years.

(ii) Pursuant to the Investment Agreement (see Note 20 (v)), the proposed registered capital of US$20 million will be contributed in proportion to the respective equity holdings of the Company and two other investors of US$16 million, US$2 million and US$2 million respectively. As at 31 December 2015, capital of US$14.9 million was injected by the Group whilst the other two investors are still in progress in obtaining approval from regulators for capital injection.

32. Pledge of Assets

At the end of the reporting period, the following assets of the Group were pledged to secure bank borrowings and credit facilities granted to the Group during the year:

	2015 RMB'000	2014 RMB'000
Dredgers included in property, plant and equipment	**624,104**	918,638
Building included in property, plant and equipment	**23,336**	24,545
Prepaid land lease payments	**95,105**	97,659
Accounts receivable *(note)*	**19,044**	70,844
Pledged bank deposits	**62,572**	20,794
	824,161	1,132,480

32. Pledge of Assets (Continued)

Note: Accounts receivable relate to certain dredging projects which were pledged to secure the Group's bank borrowings. The banks could exercise their rights over any outstanding accounts receivables relating to the relevant dredging projects in the event of the Group's breach of the terms of bank borrowings. As at 31 December 2015, outstanding accounts receivables relating to these projects amounted to RMB19,044,000 (2014: RMB70,844,000) and the related bank borrowings amounted to RMB38,901,000 (2014: RMB60,717,000).

In addition, as at 31 December 2015, the Group's bank borrowing to the extent of RMB38,901,000 (2014: RMB60,717,000) was secured by one of the Group's dredgers with a carrying amount of RMB242,305,000 (2014: RMB255,968,000) being held as a collateral. Details of such bank borrowing are set out in Note 25.

Furthermore, as at 31 December 2015, the Group's bank borrowings to the extent of HK$116,899,000 (equivalent to RMB97,231,105) (2014: HK$257,952,000 (equivalent to RMB203,782,000)) were supported by a guarantee provided by China Merchant Bank Nanjing branch, which was in turn secured by two parcels of land owned by Yongheng.

33. Retirement Benefit Plans

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the local government in the PRC. The Group is required to contribute a specified percentage of payroll cost to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the scheme is to make the specified contributions according to the state rules.

34. Related Party Disclosures

(i) Related party transactions

During the year, the Group paid rentals of RMB96,000 (2014: RMB96,000) to certain companies controlled by Mr. Liu in respect of office premises.

In addition, the Group received other advances from, and made repayments to, Mr. Liu during the year ended 31 December 2015 and 2014. As at 31 December 2015, the amount due to Mr. Liu was RMB17,806,000 (2014: RMB2,167,000).

34. Related Party Disclosures (Continued)

(ii) Pledge of assets and guarantees in support of the Group's borrowings

As at 31 December 2015 and 31 December 2014, other than pledge of assets of the Group, the Group's bank borrowings were also supported by:

(a) corporate guarantee given by Xiangyu PRC;

(b) personal guarantees provided by Mr. Liu and Ms. Zhou; and

(c) two properties owned by certain non-controlling shareholders of the Company's subsidiary.

Bank borrowing of the Group of RMB98 million (2014: RMB20 million) was supported by a property owned by a company in which Mr. Liu has beneficial interest.

(iii) Related party balances

Details of the balances due to directors are set out in Note 23 to the consolidated financial statements.

(iv) Compensation of key management personnel

The emoluments of directors who are also identified as members of key management of the Group during the reporting period are set out in Note 12 to the consolidated financial statements.

35. Capital Risk Management

The Group manages its capital to ensure that the group companies will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. Having considered the factors and circumstance set out in Note 2 to the consolidated financial statements, the directors are satisfied that the Group will have sufficient liquidity to meet its cash flows requirements for next twelve months from the end of reporting period.

The capital structure of the Group consists of amounts due to non-controlling interests of a subsidiary, bank and other borrowings and convertible bonds as disclosed in Notes 24, 25 and 28 to the consolidated financial statements respectively and equity attributable to shareholders of the Company, comprising paid up capital/share capital and reserves.

The directors review the capital structure regularly. As part of this review, the directors consider the cost and the risks associated with each class of the capital. Based on the recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

36. Financial Instruments

(a) Categories of financial instruments

	2015 RMB'000	2014 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**1,559,845**	1,574,011
Financial liabilities		
Amortised cost	**1,612,293**	1,388,222
Fair value through profit or loss	**7,030**	16,665

(b) Financial risk management objectives and policies

The Group's major financial instruments include accounts and other receivables, pledged bank deposits, bank balances and cash, accounts and other payables, amounts due to directors, amounts due to non-controlling interests of a subsidiary, bank borrowings, other borrowings, convertible bonds, derivative financial liabilities embedded in convertible bonds and derivative financial liabilities in relation to warrants. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market, credit and liquidity risks. The policy on how to mitigate these risks is set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group has foreign currency transactions, which expose the Group to foreign currency risk. The Company will consider the use of foreign currency forward contracts to mitigate the risk when the need arise.

At the end of the reporting period, the carrying amounts of foreign currency denominated monetary assets and liabilities that are considered significant by the management are as follows:

	Assets		Liabilities	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
US$	**1,541**	253	**80,800**	—
HK$	**3,384**	5,946	**495,684**	417,826

36. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

The following table details the Group's sensitivity to a 5% (2014: 5%) increase and decrease in the functional currency of the relevant group entities against the relevant foreign currencies and all other variable were held constant. 5% (2014: 5%) represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the year for a 5% change in foreign currency rates. On this basis, there will be an increase in post-tax profit where the functional currency of the relevant group entities weaken against US$ by 5% or strengthen against HK$ by 5%, and vice versa.

	Increase (decrease) in post-tax profit	
	2015	2014
	RMB'000	RMB'000
US$	**(2,972)**	9
HK$	**(18,461)**	(15,446)

In the opinion of the directors, the sensitivity analysis above is unrepresentative of the inherent currency risk as the year end exposure does not reflect the exposure during the year.

(ii) Interest rate risk

The Group is mainly exposed to cash flow interest rate risk in relation to variable-rate bank balances for the year ended 31 December 2015 and 2014 and a variable-rate bank borrowing carrying prevailing interest rates at HIBOR (see Note 25) for the year ended 31 December 2015 and 2014. In addition, the Group was also exposed to fair value interest rate risk in relation to fixed-rate bank and other borrowings, amounts due to non-controlling interests of a subsidiary, certain accounts receivables and pledged bank deposits as at 31 December 2015 and 2014.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

In the opinion of the directors, the reasonably possible change in interest rates for bank balances and the variable-rate bank borrowing is insignificant. No sensitivity analysis is presented.

36. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Other price risk

For the year ended 31 December 2015, the Group is required to estimate the fair value of the derivative financial liability embedded in convertible bonds and derivative financial liabilities in relation to warrants with changes in fair value to be recognised in the profit or loss. The fair value will be affected either positively or negatively, amongst others, by the changes in the volatility adopted in the valuation model. The fair value of the derivative financial liability embedded in convertible bonds as at 31 December 2015 will be increased by approximately RMB9 million (2014: RMB26 million)/decreased by approximately RMB5 million (2014: RMB12 million) if the share price be 30% higher/lower and all other input variables of the valuation model were held constant. The fair value of financial liabilities in relation to warrants as at 31 December 2015 will be increased by approximately nil (2014: RMB7 million)/decreased by approximately nil (2014: RMB0.3 million) if the share price be 30% (2014: 30%) higher/lower and all other input variables of the valuation model were held constant.

In the opinion of the directors, the sensitivity analysis above is unrepresentative of the inherent price risk as the pricing model used in the valuation of the derivative financial liability involves multiple variables and certain variables are interdependent.

Credit risk

At the end of the reporting date, the Group's maximum exposure to credit risk which would cause a financial loss to the Group due to failure by the counterparties to discharge an obligation was arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position, especially from the long due accounts receivables.

Because of the nature of its dredging, water management and marine related businesses, the Group normally transacts with large PRC state-owned companies, local governments and large private enterprises with solid financial background, and hence the customer base is typically small. The management of the Company has delegated a team responsible for performing background check before acceptance of new projects and determination of credit limits and credit approvals. Most of the customers have been cooperating with the Group for many years and are maintaining good relationship with the Group. Due to its small number of customer, management regularly visits each customer to ensure that there is no dispute on the amounts due and understand reasons for delaying repayment. In case repayment fall behind schedule, the management discusses with each of the customers for committing repayment in reasonable time. In case customers are not able to commit repayment in reasonable time, the management of the Company assesses impairment losses by taking reference to expected repayment amounts and dates and respective effective interest rate of individual customer. The management also reviews the recoverable amount of individual customer regularly to ensure that adequate impairment losses are made for irrecoverable amounts. Based on the settlement history of the major customers, the Directors consider that the Group's credit risk on trade receivables has been properly addressed.

36. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The Group is commencing its capital financing business. Hence, the customer base is small. The management of the Company assesses the potential borrower's credit quality by investigating their historical credit record and define their credit limit on individual basis. The management of the Company has delegated a team responsible for updating and monitoring the financial capabilities of the borrowers to ensure that adequate impairment losses are made.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

The Group also has a significant concentration of credit risk in relation to its trade customers as follows:

	2015	2014
	%	%
Amount due from the largest customer as a percentage to total accounts receivables	**14**	18
Amount due from the five largest customers as a percentage to total accounts receivables	**54**	54

As mentioned above, the number of customers is small. Due to its small number, management regularly visits each customers to ensure that there is no dispute on the amounts due. In this regard, the directors consider that the Group's concentration of credit risk is mitigated.

Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient cash reserves to meet its liquidity requirements in the short and longer term. Having considered the factors and circumstances set out in Note 2 to the consolidated financial statements, the directors are satisfied that the Group will have sufficient liquidity to meet its cash flows requirements for the next twelve months from the end of the reporting period.

The following tables detail Group's contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which the Group can be required to pay.

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from prevailing interest rate at the end of the reporting date.

36. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity and interest risk tables

	Weighted average effective interest rate %	On demand/ less than 3 months RMB'000	3 months to 1 year RMB'000	1 year to 2 years RMB'000	Over 2 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2015							
Non-derivative financial liabilities							
Accounts payables	—	229,776	—	—	—	229,776	229,776
Bills payable	—	4,000	3,572	—	—	7,572	7,572
Other payables (excluding current portion of convertible bonds)	—	158,420	93,308	—	—	251,728	251,728
Amounts due to directors	—	19,098	—	—	—	19,098	19,098
Amounts due to non-controlling interests of a subsidiary							
— non-interest bearing	—	1,644	—	74,338	—	75,982	75,982
— interest bearing at fixed rates	6.25	—	—	11,895	—	11,895	11,195
Bank borrowings							
— interests bearing at fixed rates	4.60	101,980	626,638	18,191	—	746,809	726,903
— interests bearing at floating rate	3.59	7,698	—	—	—	7,698	7,698
Other borrowings							
— non-interest bearing	—	495	—	7,885	—	8,380	8,380
— interest bearing at fixed rates	6.25	—	—	25,934	—	25,934	24,408
Convertible bonds							
— current	16.91	—	278,348	—	—	278,348	249,553
		523,111	1,001,866	138,243	—	1,663,220	1,612,293
Derivative financial liabilities							
Derivative financial liabilities embedded in convertible bonds	—	7,030	—	—	—	7,030	7,030

36. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity and interest risk tables (Continued)

	Weighted average effective interest rate %	On demand/ less than 3 months RMB'000	3 months to 1 year RMB'000	1 year to 2 years RMB'000	Over 2 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2014							
Non-derivative financial liabilities							
Accounts payables	—	243,362	—	—	—	243,362	243,362
Bills payable	—	4,039	1,614	—	—	5,653	5,653
Other payables (excluding current portion of convertible bonds)	—	175,469	—	—	—	175,469	175,469
Amounts due to directors	—	2,833	—	—	—	2,833	2,833
Amounts due to non-controlling interests of a subsidiary							
— non-interest bearing	—	1,644	—	78,138	—	79,782	79,782
— interest bearing at fixed assets	6.25	—	—	11,900	—	11,900	11,195
Bank borrowings							
— interests bearing at fixed rates	6.05	112,516	496,239	24,255	18,191	651,201	628,247
— interests bearing at floating rate	3.58	3,160	—	—	—	3,160	3,160
Other borrowings							
— non-interest bearing	—	—	—	7,885	—	7,885	7,885
— interest bearing at fixed rates	6.25	1,362	—	26,620	—	27,982	26,416
Convertible bonds							
— current	—	—	5,759	—	—	5,759	5,759
— non-current	16.91	—	—	262,615	—	262,615	198,461
		544,385	503,612	411,413	18,191	1,477,601	1,388,222
Derivative financial liabilities							
Derivative financial liabilities embedded in convertible bonds	—	14,423	—	—	—	14,423	14,423
Derivative financial liabilities in relation to warrants	—	2,242	—	—	—	2,242	2,242

36. Financial Instruments (Continued)

(c) Fair value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors consider that the carrying amounts of financial assets and financial liabilities measured at amortised costs in the consolidated financial statements approximate their fair values.

The derivative financial liabilities are measured at fair value at the end of each reporting period. At 31 December 2015, the fair value of the derivative financial liabilities embedded in convertible bonds and the fair value of derivative financial liabilities in relation to warrants is RMB7,030,000 (2014: RMB14,423,000) and nil (2014: RMB2,242,000) respectively. The fair value of the derivative financial liabilities embedded in convertible bonds (representing the conversion options of the convertible bonds issued by the Group) and the fair value of derivative financial liabilities in relation to warrants are determined using Binomial Model, with inputs, including: valuation date share price, conversion price, time to maturity, risk-free rate, volatility and dividend yield of the Company.

The significant unobservable input for the valuation is the volatility used to determine the fair value in the pricing models. Carrying amount of the derivative financial liabilities embedded in convertible bonds would be increased by RMB3 million (2014: RMB26 million)/decrease by RMB3 million (2014: RMB8 million) and the carrying amount of derivative financial liabilities in relation to warrants would be increased by nil (2014: RMB4 million)/decreased in nil (2014: RMB0.8 million) respectively when the volatility increased/decreased by 10% (2014: 10%) and all other input variables of the valuation models were held constant.

The derivative financial liabilities embedded in convertible bonds and the derivative financial liabilities in relation to warrants are classified as Level 3 under the fair value hierarchy at 31 December 2015.

Reconciliation of Level 3 fair value measurements of the financial liabilities embedded in convertible bonds is as below:

	RMB'000
At 1 January 2014	37,768
Changes in fair value	(23,345)
At 31 December 2014	14,423
Changes in fair value	(7,921)
Exchange realignment	528
At 31 December 2015	7,030

36. Financial Instruments (Continued)

(c) Fair value (Continued)

Reconciliation of Level 3 fair value measurements of the fair value of derivative financial liabilities in relation to warrants is as below:

	RMB'000
At 1 January 2014	—
Issue of warrants	21,589
Changes in fair value	(19,347)
At 31 December 2014	2,242
Changes in fair value	(2,242)
At 31 December 2015	—

37. Major Non-Cash Transactions

During the year ended 31 December 2015, a property with a fair value Nil (2014: RMB21,000,000) was transferred to the Group in lieu of settlement for account receivables with the same carrying amount.

38. Particulars of Principal Subsidiaries

Particulars of the Company's principal subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Country of operation and date of incorporation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Attributable equity interest indirectly held by the Company 2015	2014	Principal activities	Form of company
Jiangsu Jiaolong Salvage Harbour Engineering Co. Ltd.* 江蘇蛟龍打撈航務工程有限公司	PRC 22 July 1977	RMB72,754,776	**51%**	51%	Provision of marine hoisting, installation and other engineering services	Limited liability
Jiangxu Province Lugang Construction Project Co. Ltd.* 江蘇省路港建設工程有限公司 ("Lugang") (Formerly known as Jiangsu Xingyu Environment Protection Company Limited* 江蘇興宇疏浚環保有限公司)	PRC 14 June 2004	RMB85,800,000	**100%**	100%	Provision of dredging services	Limited liability
Jiangsu Xingyu Environment Protection Company Limited* 江蘇興宇疏浚環保有限公司	PRC 20 March 2015	RMB10,000,000	**100%**	N/A	Provision of dredging services	Limited liability
Jiangsu Xiangyu Environment Protection Equipment Co. Ltd.* 江蘇翔宇環保設備有限公司	PRC 19 August 2013	US$75,000,000	**100%**	100%	Manufacturing of dredging machines	Wholly-owned foreign enterprise
Jiangsu Xingyu Holdings Group Limited* 江蘇興宇控股集團有限公司 ("PRC Operational Entity") *(note ii)*	PRC 13 July 2007	RMB39,315,800	**note ii**	note ii	Provision of dredging services	Limited liability
Jiangsu Xiangyu Port Constructing Project Administration Company Limited* ("Xiangyu PRC") 江蘇翔宇港建工程管理有限公司 *(note ii)*	PRC 11 June 2010	US$80,000,000	**100%**	100%	Provision of dredging services	Wholly-owned foreign enterprise

38. Particulars of Principal Subsidiaries (Continued)

Name of subsidiary	Country of operation and date of incorporation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Attributable equity interest indirectly held by the Company 2015	2014	Principal activities	Form of company
Jiangsu Xiangyu Water Management Company Limited* 江蘇翔宇水務有限公司	PRC 3 August 2011	USD73,000,000	100%	100%	Provision of dredging and water management services	Wholly-owned foreign enterprise
Power Wealth Engineering Limited 力富工程有限公司	Hong Kong 3 July 2002	HK$100,000	100%	100%	Investment holding and provision of dredging consultation services	Limited liability
Jiangsu Fengyu Property Development Company Limited* 江蘇豐宇置業有限公司	PRC 4 December 2013	RMB66,000,000	100%	100%	Property development and investment	Limited liability
Yancheng Juranzhijia Home Building Material Commercial Management Limited* 鹽城居然之家家居建材商業管理有限公司	PRC 15 June 2015	RMB1,000,000	100%	N/A	Property management	Limited liability
Jiangsu Xingyu Commerce Company Limited* 江蘇興宇商務有限公司	PRC 16 April 2014	RMB10,000,000	100%	100%	Inactive	Limited liability
Huaian Shi Xiangyu Technology Microfinance Ltd.* 淮安市翔宇科技小額貸款有限公司	PRC 11 September 2015	USD20,000,000	80%	N/A	Lending and venture capital financing business in the technology sector	Limited liability
Jiangsu Xiangyu Environmental Protection Industry Development Ltd.* 江蘇翔宇環保產業發展有限公司	PRC 27 August 2015	USD50,000,000	100%	N/A	Inactive	Limited liability

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

38. Particulars of Principal Subsidiaries (Continued)

Notes:

(i) None of the subsidiaries had any debt securities outstanding at the end of the reporting period, or at any time during the year.

(ii) **Consolidated structured entity**

PRC laws and regulations prohibit or restrict foreign investors from owning more than 50% equity interest in any enterprise which owns vessels for conducting dredging business.

On 19 April 2011, Xiangyu PRC, the PRC Operational Entity and its respective equity participants, being Mr. Liu and Ms. Zhou entered into a series of agreements (the "Contractual Arrangements"). The PRC Operational Entity is engaged in the provision of dredging services of the Group.

Key provisions of the Contractual Arrangements are as follows:

Option Agreement

Xiangyu PRC, PRC Operational Entity, Mr. Liu and Ms. Zhou entered into an exclusive option agreement ("Option Agreement") whereby Mr. Liu and Ms. Zhou have irrevocably granted Xiangyu PRC an option to acquire, directly or through one or more nominees, the entire equity interest held by Mr. Liu and Ms. Zhou in PRC Operational Entity at a price ("Acquisition Cost") equivalent to the fair market value of such equity interest or, where applicable, the amount as permitted by the applicable PRC laws. The Acquisition Cost, when received, will be contributed by Mr. Liu and Ms. Zhou to Xiangyu PRC as capital surplus. Subject to the compliance with the PRC laws, Xiangyu PRC may exercise the option at any time, in respect of all or part of the equity interest of PRC Operational Entity and in any manner at its sole discretion.

Pursuant to the Option Agreement, each of PRC Operational Entity, Mr. Liu and/or Ms. Zhou has given undertakings that it shall perform certain acts, or refrain from performing certain other acts unless with the prior written consent of Xiangyu PRC, including but not limited to the below matters:

(a) that PRC Operational Entity shall not alter its constitutional documents or its registered capital;

(b) that any of PRC Operational Entity, Mr. Liu and/or Ms. Zhou shall not incur any indebtedness or guarantee (other than those incurred in the ordinary course of business and disclosed to and approved by Xiangyu PRC in advance);

(c) that PRC Operational Entity shall not provide any loan or guarantee to any third parties;

(d) that PRC Operational Entity shall not dispose of or create encumbrances over any part of its assets, business or revenue and that Mr. Liu and Ms. Zhou shall not dispose of or create encumbrances over the equity interest held by them in PRC Operational Entity, except the security created under the Equity Pledge Agreement (as defined in (ii) below);

(e) that PRC Operational Entity shall not enter into any material contracts over certain amount other than those in its ordinary course of business and disclosed to and approved by Xiangyu PRC in advance;

(f) that PRC Operational Entity shall not distribute any dividend (including any undistributed attributable profit payable to the entity's shareholders prior to the Option Agreement becoming effective) to its shareholders and that Mr. Liu and Ms. Zhou undertake that such undistributed profit shall be retained in PRC Operational Entity as its capital and/or reserved fund and shall give up and assign or transfer to Xiangyu PRC any dividend declared and distributed thereafter and payable to them by virtue of their holding of the equity interest in PRC Operational Entity;

(g) that PRC Operational Entity shall not make investment or engage in any merger or acquisition transactions; and

(h) that at the request of Xiangyu PRC, Mr. Liu and Ms. Zhou shall appoint such persons nominated by Xiangyu PRC to act as the directors, supervisors and senior management members of PRC Operational Entity.

The Option Agreement became effective on 19 April 2011 and will expire on the date on which all the equity interests held by Mr. Liu and Ms. Zhou in PRC Operational Entity are transferred to Xiangyu PRC and/or its nominee(s).

38. Particulars of Principal Subsidiaries (Continued)

Notes: (Continued)

(ii) **Consolidated structured entity (Continued)**

Proxy Agreement

Xiangyu PRC, PRC Operational Entity, Mr. Liu and Ms. Zhou entered into a proxy agreement ("Proxy Agreement") pursuant to which Mr. Liu and Ms. Zhou have unconditionally and irrevocably undertaken to authorise such person(s) as designated by Xiangyu PRC (being PRC citizens) to exercise the shareholders' rights in relation to appointment of proxy and exercise of voting rights in PRC Operational Entity under the articles of association of PRC Operational Entity and the applicable PRC laws. Such shareholders' rights include but not limited to (i) calling and attending the shareholders' meetings of PRC Operational Entity; (ii) exercising the voting rights on all matters requiring the consideration and approval of shareholders and those pursuant to articles of association of PRC Operational Entity.

Before Xiangyu PRC acquires the entire equity interests in PRC Operational Entity contemplated under the Option Agreement, Xiangyu PRC can exercise the voting rights of shareholders of PRC Operational Entity.

The term of the Proxy Agreement commenced on 19 April 2011 and will expire on 18 April 2026, and will be renewable at the election of Xiangyu PRC for successive terms of 10 years each until termination by Xiangyu PRC with a 30-day prior notice to PRC Operational Entity.

Composite Services Agreement

Xiangyu PRC and PRC Operational Entity entered into an exclusive composite services agreement ("Composite Services Agreement") pursuant to which PRC Operational Entity will exclusively engage Xiangyu PRC to provide consultation and other ancillary services in enterprise management and consultancy services, dredging project management and consultancy services.

In consideration of the provision of the aforementioned services by Xiangyu PRC, PRC Operational Entity agrees to pay to Xiangyu PRC fees on an annual basis in arrears. Fees payable to Xiangyu PRC by PRC Operational Entity will be equivalent to the total audited revenue less all the related costs, expenses, taxes and statutory reserve of PRC Operational Entity. Xiangyu PRC reserves the right to identify the items of expenses to be included as related expenses when calculating the fees payable by PRC Operational Entity and is entitled to adjust the fee payable by PRC Operational Entity anytime based on the volume of service provided.

Pursuant to the Composite Services Agreement, PRC Operational Entity shall not without the prior written consent of Xiangyu PRC to dispose of or pledge its material assets, operation rights and/or business; alter its registered capital; alter its scope of business; declare dividends; and/or remove any of its directors and senior management members. Pursuant to the Composite Services Agreement, Xiangyu PRC is required to pay to PRC Operational Entity a surety amount of not less than HK$22,276,000 for the performance of its services provided to PRC Operational Entity under the Composite Services Agreement. As a security for the due payment of the consultation service fees and repayment of the surety money by PRC Operational Entity to Xiangyu PRC under the Composite Services Agreement, PRC Operational Entity has agreed to pledge its interest in the three vessels owned or (as the case may be) jointly-owned by it to Xiangyu PRC.

The term of the Composite Services Agreement commenced from 19 April 2011, and will expire on 18 April 2026, which will be renewable at the request of Xiangyu PRC for successive terms of 10 years each until termination by Xiangyu PRC with a 30-day prior written notice to PRC Operational Entity.

38. Particulars of Principal Subsidiaries (Continued)

Notes: (Continued)

(ii) **Consolidated structured entity (Continued)**

Equity Pledge Agreement

Xiangyu PRC, PRC Operational Entity, Mr. Liu and Ms. Zhou entered into an equity pledge agreement ("Equity Pledge Agreement"), pursuant to which Mr. Liu and Ms. Zhou granted a continuing first priority security interests over their respective equity interests in PRC Operational Entity to Xiangyu PRC for guaranteeing the performance of the Composite Services Agreement, the Option Agreement and the Proxy Agreement. Mr. Liu and Ms. Zhou are responsible to record the pledge of equity into the shareholders' register on the effective date of the Equity Pledge Agreement. PRC Operational Entity, Mr. Liu and Ms. Zhou are also responsible to register the pledge of equity in the State Administration for Industry and Commerce 10 days after the effective date of the Equity Pledge Agreement.

Pursuant to the Equity Pledge Agreement, without the prior written consent of Xiangyu PRC, PRC Operational Entity shall not alter its current shareholding structure and/or its nature or scope of business, Mr. Liu and Ms. Zhou shall not allow PRC Operational Entity to transfer or dispose of its assets or pledge or transfer their respective equity interests in PRC Operational Entity in favor of or to other third parties. Xiangyu PRC is entitled to receive all dividends derived from the pledged equity interests. Xiangyu PRC is entitled to demand repayment of the secured indebtedness and/or to exercise its rights to sell the pledged equity interests on occurrence of certain events of default including but not limited to non-performance or breach of any of the Composite Services Agreement, the Option Agreement and the Proxy Agreement; or failure to repay other debts when due by PRC Operational Entity, Mr. Liu or Ms. Zhou (as the case may be).

The Equity Pledge Agreement became effective from the date of its execution and shall terminate upon performance of all obligations under the Composite Services Agreement, the Option Agreement and the Proxy Agreement in full.

Vessel Pledge Agreements

PRC Operational Entity and Xiangyu PRC have entered into three vessel pledge agreements ("Vessel Pledge Agreements") dated 19 April 2011, pursuant to which PRC Operational Entity has pledged in favor of Xiangyu PRC (i) its entire interest in the dredger "Zhuayang No. 101"; (ii) its 50% interest in the dredger "Kaijin No. 1" and (iii) its 50% interest in the dredger "Kaijin No. 3" to Xiangyu PRC, as security for the due payment of the consultation service fees and repayment of the surety money (as well as related interest and expenses, etc.) then owing by PRC Operational Entity to Xiangyu PRC under the Composite Services Agreement.

Pursuant to the Vessel Pledge Agreements, without the prior written consent of Xiangyu PRC, PRC Operational Entity shall not pledge or dispose of its interests in the pledged vessels or any part thereof. Xiangyu PRC is entitled to exercise its rights to sell the pledged vessels on occurrence of certain events of default, including but not limited to the non-payment of the secured indebtedness or non-performance of the Composite Services Agreement.

The Vessel Pledge Agreements became effective from the date of its execution and shall terminate upon payment or repayment of the consultation service fees, surety money and all other related expenses under the Composite Services Agreement.

The Group has a contractual commitment to provide financial assistance to the PRC Operational Entity. However, due to the strategic importance of it to the Group, the Directors intended to provide financing to the PRC Operational Entity to support the working capital requirements. As at 31 December 2015, the bank borrowings of the PRC Operational Entity of RMB411,901,000 (2014: RMB389,466,000) are secured by pledge of assets jointly owned by the PRC Operational Entity and the Group, corporate guarantee by the Company and personal guarantees provided by Mr. Liu and Ms. Zhou, the directors of the Company. Unutilised secured bank facilities amounted to approximately RMB145,803,000 (2014: RMB270,830,000).

For the year ended 31 December 2015, the amount of revenue and assets subject to the Contractual Arrangements accounted for 77% (2014: 82%) and 58% (2014: 65%) of the Group's total revenue and assets respectively.

The Directors, after consulting legal opinion, are of the view that the terms of the Contractual Arrangements have in substance enabled Xiangyu PRC to have power over the PRC Operational Entity, rights to variable returns from its involvement with the PRC Operational Entity, and has the ability to use its power to affect its returns, despite the absence of formal legal equity interest held by the Group therein. Accordingly, PRC Operational Entity is accounted for as a consolidated structured entity as a subsidiary of the Company.

39. Subsidiary with Material Non-Controlling Interests

The Group held 51% equity interest in Jiangsu Jiaolong at 31 December 2014 and 2015.

Name of subsidiary	Place of establishment and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interest		Profit allocated to non-controlling interest		Accumulated non-controlling interest	
		31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
				RMB'000	RMB'000	RMB'000	RMB'000
Jiangsu Jiaolong	PRC	49%	49%	7,353	16,055	158,136	150,783

Summarised financial information in respect of Jiangsu Jiaolong which has material non-controlling interest is set out below. The summarised financial information below represents amounts before intragroup eliminations:

	2015 RMB'000	2014 RMB'000
Current assets	**240,261**	218,826
Non-current assets	**312,201**	339,153
Current liabilities	**(85,399)**	(99,770)
Non-current liabilities	**(133,872)**	(140,025)
Equity attributable to owners of the Company	**175,055**	167,401
Non-controlling interests	**158,136**	150,783

39. Subsidiary with Material Non-Controlling Interests (Continued)

	2015 RMB'000	2014 RMB'000
Revenue	155,375	174,433
Expense	(140,368)	(137,106)
Profit for the year and total comprehensive income for the year	15,007	37,327
Profit and total comprehensive income attributable to the owners of the Company	7,654	21,272
Profit and total comprehensive income attributable to the non-controlling interests	7,353	16,055
Profit and total comprehensive income for the year	15,007	37,327
Dividend paid to non-controlling interests	Nil	Nil
Net cash inflow from operating activities	23,256	38,982
Net cash (outflow) from investing activities	(2,082)	(233)
Net cash (outflow) from financing activities	(14,901)	(31,467)
Net cash inflow	6,273	7,282

40. Statement of Financial Position and Reserves of the Company

	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSET		
Unlisted investments in subsidiaries	259,214	163,311
CURRENT ASSETS		
Amounts due from subsidiaries	971,202	677,288
Other receivables	14	13
Bank balances and cash	1,415	159
	972,631	677,460
CURRENT LIABILITIES		
Other payables	8,146	11,355
Bank borrowings	7,698	3,160
Amounts due to directors	18,318	1,358
Convertible bonds	246,510	—
Derivative financial liabilities embedded in convertible bonds	7,030	—
	287,702	15,873
NET CURRENT ASSETS	684,929	661,587
TOTAL ASSETS LESS CURRENT LIABILITIES	944,143	824,898
CAPITAL AND RESERVES		
Share capital	102,045	71,592
Reserves	842,098	538,180
TOTAL EQUITY	944,143	609,772
NON-CURRENT LIABILITIES		
Derivative financial liabilities in relation to warrants	—	2,242
Derivative financial liabilities embedded in convertible bonds	—	14,423
Convertible bonds	—	198,461
	—	215,126
	944,143	824,898

The Company's statement of financial position was approved and authorised for issue by the board of directors on 29 March 2016 and are signed on its behalf by:

LIU KAIJIN
DIRECTOR

ZHOU SHUHUA
DIRECTOR

40. Statement of Financial Position and Reserves of the Company (Continued)

Movement in the Company's reserves:

	Share capital RMB'000	Share premium RMB'000	Share option reserves RMB'000	Other reserves RMB'000	Accumulated loss RMB'000	Total RMB'000
At 1 January 2014	67,200	418,851	14,150	165,238	(134,418)	531,021
Exercise of share option	4,392	101,716	(9,923)	—	—	96,185
Lapse of share option	—	—	(4,227)	—	4,227	—
Loss for the year	—	—	—	—	(17,434)	(17,434)
Total comprehensive expense for the year	—	—	—	—	(17,434)	(17,434)
At 31 December 2014	71,592	520,567	—	165,238	(147,625)	609,772
Placing of shares *(Note 26)*	30,453	348,560	—	—	—	379,013
Loss for the year	—	—	—	—	(44,642)	(44,642)
Total comprehensive expense for the year	—	—	—	—	(44,642)	(44,642)
At 31 December 2015	102,045	869,127	—	165,238	(192,267)	944,143

41. Event After the Reporting Period

On 9 March 2016, approved by Xiangyu PRC, the PRC Operational Entity disposed its interests in Lugang fully to independent third parties at a total consideration of RMB85.8 million. In the opinion of the Directors, with reference to opinion of legal counsel, the disposal does not have any impact on the Group's contractual arrangement structure. Details of the disposal are set out in the announcement dated 9 March 2016.