ERNST & YOUNG
安 永

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

3 September 2010

The Directors
China Sanjiang Fine Chemicals Company Limited
BOCOM International (Asia) Limited
Daiwa Capital Markets Hong Kong Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of China Sanjiang Fine Chemicals Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2007, 2008, 2009 and the four-month period ended 30 April 2010 (the "Relevant Periods") and the four-month period ended 30 April 2009 (the "30 April 2009 Financial Information"), prepared on the basis of presentation set forth in note 2 of Section II, for inclusion in the prospectus of the Company dated 3 September 2010 (the "Prospectus") in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 30 January 2009. Pursuant to a group reorganisation ("the Reorganisation") as detailed in note 2 of Section II below which was completed on 1 April 2010, the Company became the holding company of the subsidiaries now comprising the Group. Particulars of the Company and its subsidiaries are set out in note 1 of Section II below. The Company and its subsidiaries have adopted 31 December as their financial year end. The Group is principally engaged in manufacture and supply of ethylene oxide ("EO") and surfactants, both of which are core chemical components for the production of household and industrial detergent products. The subsidiaries are also involved in the provision of processing service for surfactants to their customers and the production and supply of other chemical products such as ethylene glycol, polymer grade ethylene and industrial gases, namely oxygen, nitrogen and argon in the People's Republic of China ("PRC or Mainland China").

As of the date of this report, no audited statutory financial statements have been prepared by the Company as the Company is newly incorporated and has not involved in any significant business transactions since the date of incorporation other than the Reorganisation. The audited statutory financial statements of the Company's subsidiaries established in Mainland China were prepared in accordance with the relevant accounting principles and financial reporting regulations issued by the Ministry of Finance of the PRC applicable to the respective companies (the "PRC GAAP") and were audited by auditors other than Ernst & Young, Certified Public Accountants, Hong Kong, the details of which are set out in note 1 of Section II.

For the purpose of this report, the directors of the Company (the "Directors") have prepared the Group's consolidated financial statements for the Relevant Periods (the "HKFRS Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs" which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that remain in effect.

The Financial Information set out in this report including the consolidated statements of income, comprehensive income, changes in equity and cash flows of the Group for each of the Relevant Periods, the consolidated statements of financial position of the Group as at 31 December 2007, 2008, 2009 and 30 April 2010 and the statements of financial position of the Company as at 31 December 2009 and 30 April 2010 together with a summary of significant accounting policies and other explanatory notes thereto has been prepared by the Directors based on the HKFRS Financial Statements with no adjustments made thereon and on the basis set out in note 2 of Section II.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The Directors are responsible for the contents of the Prospectus, including the preparation and the true and fair presentation of the Financial Information in accordance with HKFRSs, the basis set out in note 2 of section II and the disclosure requirements of the Hong Kong Companies Ordinance. The directors of the respective companies of the Group are responsible for the preparation and the true and fair presentation of the respective financial statements and where appropriate management accounts in accordance with the relevant accounting principles and financial reporting regulations applicable to these companies. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the respective financial statements and management accounts and the Financial Information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

It is our responsibility to form an independent opinion, based on our examination, on the Financial Information for the Relevant Periods and a review conclusion based on our review on the 30 April 2009 Financial Information and to report our opinion and review conclusion respectively to you.

PROCEDURES PERFORMED IN RESPECT OF THE FINANCIAL INFORMATION

We have audited the HKFRS Financial Statements in accordance with the Hong Kong Standards on Auditing issued by the HKICPA.

For the purpose of this report, we have examined the Financial Information, and have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

PROCEDURES PERFORMED IN RESPECT OF THE 30 APRIL 2009 FINANCIAL INFORMATION

For the purpose of this report, we have also performed a review of the 30 April 2009 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of interim financial information consists principally of making enquiries of management and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit and provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the 30 April 2009 Financial Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, the Financial Information for the Relevant Periods gives, for the purposes of this report and on the basis of presentation set out in note 2 of Section II, a true and fair view of the state of affairs of the Group as at 31 December 2007, 2008, 2009 and 30 April 2010, and that of the Company as at 31 December 2009 and 30 April 2010, and of the Group's consolidated results and cash flows for each of the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE 30 APRIL 2009 FINANCIAL INFORMATION

Based on our review, which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the 30 April 2009 Financial Information prepared on the basis set out in note 2 of section II does not give a true and fair view of the consolidated results and cash flows of the Group for the four-month period ended 30 April 2009.

I. FINANCIAL INFORMATION

Consolidated statements of income

		Year ended 31 December			Four months ended 30 April	
		2007	**2008**	**2009**	**2009**	**2010**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
REVENUE	*6*	876,774	952,847	1,285,533	368,423	567,483
Cost of sales		(667,343)	(728,345)	(929,212)	(244,725)	(455,365)
Gross profit		209,431	224,502	356,321	123,698	112,118
Other income and gains	*6*	20,200	29,401	21,204	1,540	4,526
Selling and distribution cost		(757)	(3,005)	(2,966)	(739)	(523)
Administrative expenses		(22,696)	(30,827)	(37,473)	(9,420)	(10,774)
Other expenses		(1,291)	(2,000)	(336)	(70)	(370)
Finance costs	*7*	(34,360)	(36,736)	(32,915)	(12,673)	(5,898)
PROFIT BEFORE TAX	*8*	170,527	181,335	303,835	102,336	99,079
Income tax expense	*11*	(839)	(19,500)	(43,673)	(15,765)	(20,383)
PROFIT FOR THE YEAR/PERIOD		169,688	161,835	260,162	86,571	78,696
Attributable to:						
Equity holders of the parent		147,358	139,081	242,075	81,525	78,668
Non-controlling interests		22,330	22,754	18,087	5,046	28
		169,688	161,835	260,162	86,571	78,696
Earnings per share attributable to equity holders of the parent	*12*	N/A	N/A	N/A	N/A	N/A

Consolidated statements of comprehensive income

	Year ended 31 December			Four months ended 30 April	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
PROFIT FOR THE YEAR/PERIOD	169,688	161,835	260,162	86,571	78,696
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD, NET OF TAX	169,688	161,835	260,162	86,571	78,696
Attributable to:					
Equity holders of the parent	147,358	139,081	242,075	81,525	78,668
Non-controlling interests	22,330	22,754	18,087	5,046	28
	169,688	161,835	260,162	86,571	78,696

Consolidated statements of financial position

		As at 31 December			As at 30 April
		2007	**2008**	**2009**	**2010**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*13*	703,757	895,821	897,322	877,782
Prepaid land lease payments	*14*	32,545	31,753	48,539	46,130
Intangible assets	*15*	25,131	22,582	19,654	18,632
Advance payments for property, plant and equipment		92,121	83,327	53,941	113,960
Deferred tax assets	*24*	2,671	1,207	627	431
Total non-current assets		856,225	1,034,690	1,020,083	1,056,935
CURRENT ASSETS					
Inventories	*17*	94,788	77,080	67,717	115,227
Trade and notes receivables	*18*	56,841	45,453	38,763	88,513
Prepayments, deposits and other receivables	*19*	103,111	62,837	22,260	24,875
Due from directors	*31*	14,858	16,539	–	–
Due from related parties	*31*	112,819	240,244	142,403	–
Pledged deposits	*20*	214,924	229,592	236,547	343,942
Cash and cash equivalents	*20*	115,321	65,365	109,205	143,919
Total current assets		712,662	737,110	616,895	716,476
CURRENT LIABILITIES					
Trade and bills payables	*21*	379,568	286,421	254,083	300,506
Other payables and accruals	*22*	180,672	152,037	136,764	91,264
Interest-bearing bank borrowings	*23*	568,287	647,963	629,986	682,809
Due to directors	*31*	121,454	124,580	1,564	80
Due to related parties	*31*	3,938	8,988	5,878	3,725
Due to the parent and ultimate holding company	*31*	–	–	68,282	136,525
Dividends payable		12,070	56,956	172,036	113,659
Tax payable		1,256	3,504	11,865	14,908
Total current liabilities		1,267,245	1,280,449	1,280,458	1,343,476
NET CURRENT LIABILITIES		(554,583)	(543,339)	(663,563)	(627,000)
TOTAL ASSETS LESS CURRENT LIABILITIES		301,642	491,351	356,520	429,935

		As at 31 December			As at 30 April
		2007	**2008**	**2009**	**2010**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT LIABILITIES					
Interest-bearing bank borrowings	*23*	80,000	139,000	89,500	106,322
Deferred tax liabilities	*24*	341	14,110	32,822	40,594
Total non-current liabilities		80,341	153,110	122,322	146,916
Net assets		221,301	338,241	234,198	283,019
EQUITY					
Equity attributable to equity holders of the parent					
Share capital	*25*	–	–	901	901
Reserves	*26*	51,877	66,059	(51,379)	(34,610)
Retained profits		142,252	235,791	284,838	314,849
		194,129	301,850	234,360	281,140
Non-controlling interests		27,172	36,391	(162)	1,879
Total equity		221,301	338,241	234,198	283,019

Consolidated statements of changes in equity

	Attributable to equity holders of the parent							
	Share capital	Statutory surplus reserves* *(note 26)*	Share premium* *(note 26)*	Merger reserve* *(note 26)*	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2007	–	2,559	–	20,857	7,723	31,139	17,437	48,576
Profit for the year	–	–	–	–	147,358	147,358	22,330	169,688
Total comprehensive income for the year	–	–	–	–	147,358	147,358	22,330	169,688
Capital contribution	–	–	–	15,632	–	15,632	5,325	20,957
Dividends declared to non-controlling interest	–	–	–	–	–	–	(17,920)	(17,920)
Appropriation to statutory surplus reserve	–	12,829	–		(12,829)	–	–	–
At 31 December 2007 and 1 January 2008	–	15,388	–	36,489	142,252	194,129	27,172	221,301
Profit for the year	–	–	–	–	139,081	139,081	22,754	161,835
Total comprehensive income for the year	–	–	–	–	139,081	139,081	22,754	161,835
Dividends declared to non-controlling interest	–	–	–	–	–	–	(13,535)	(13,535)
Dividends declared to the parent and ultimate shareholders	–	–	–	–	(31,360)	(31,360)	–	(31,360)
Appropriation to statutory surplus reserve	–	14,182	–	–	(14,182)	–	–	–
At 31 December 2008 and 1 January 2009	–	29,570	–	36,489	235,791	301,850	36,391	338,241
Profit for the year	–	–	–	–	242,075	242,075	18,087	260,162
Total comprehensive income for the year	–	–	–	–	242,075	242,075	18,087	260,162
Issue of share capital for the year pursuant to the Group Reorganisation and for cash *(note 25)*	901	–	68,228	–	–	69,129	–	69,129
Acquisition of subsidiaries pursuant to share swap as part of the Group Reorganisation	–	–	425,706	(425,706)	–	–	–	–
Acquisition of subsidiaries pursuant to the Group Reorganisation	–	–	–	(104,994)	–	(104,994)	–	(104,994)
Acquisition of non-controlling interest	–	–	–	–	–	–	(15,688)	(15,688)
Deemed distribution to equity holders	–	–	–	(107,433)	–	(107,433)	–	(107,433)
Dividends declared to non-controlling interest	–	–	–	–	–	–	(38,952)	(38,952)
Dividends declared to the parent and ultimate holding company	–	–	–	–	(166,267)	(166,267)	–	(166,267)
Appropriation to statutory surplus reserve	–	26,761	–	–	(26,761)	–	–	–

	Attributable to equity holders of the parent							
	Share capital	**Statutory surplus reserves*** *(note 26)*	**Share premium*** *(note 26)*	**Merger reserve*** *(note 26)*	**Retained profits**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2009 and 1 January 2010	901	56,331	493,934	(601,644)	284,838	234,360	(162)	234,198
Profit for the period	–	–	–	–	78,668	78,668	28	78,696
Total comprehensive income for the period	–	–	–	–	78,668	78,668	28	78,696
Deemed distribution to equity holders	–	–	–	8,052**	–	8,052	2,013	10,065
Dividends declared to ultimate holding company	–	–	–	–	(39,940)	(39,940)	–	(39,940)
Appropriation to statutory surplus reserve	–	8,717	–	–	(8,717)	–	–	–
At 30 April 2010	901	65,048	493,934	(593,592)	314,849	281,140	1,879	283,019

* *These reserve accounts comprise the consolidated reserves of RMB51,877,000, RMB66,059,000, RMB(51,379,000) and RMB(34,610,000) in the consolidated statements of financial position as at 31 December 2007, 2008 and 2009 and 30 April 2010, respectively.*

** *As part of the Reorganisation, on 1 April 2010, the Group acquired the EO trading and surfactant manufacture and sales businesses (the "Acquired Businesses") from Hangzhou Haoming Investment Co., Limited (formerly known as Hangzhou Xiaoshan Sanjiang Fine Chemical Co., Limited and Xiaoshan City Sanjiang Fine Chemical Co., Limited ("Hangzhou Haoming"). Except for the assets and liabilities acquired by the Group, the land use right, buildings and motor vehicles related to the Acquired Businesses retained by Hangzhou Haoming has been reflected as a distribution to the ultimate shareholder in the consolidated statement of changes in equity on the date of completion of the business acquisition.*

Consolidated statements of cash flows

	Notes	Year ended 31 December 2007 RMB'000	2008 RMB'000	2009 RMB'000	Four months ended 30 April 2009 RMB'000 (Unaudited)	2010 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		170,527	181,335	303,835	102,336	99,079
Adjustments for:						
Finance costs	7	34,360	36,736	32,915	12,673	5,898
Bank interest income	6	(5,796)	(6,923)	(7,573)	(1,333)	(1,989)
Foreign exchange differences, net	6	(12,418)	(18,185)	(942)	(2)	672
Depreciation	8	36,299	48,006	76,805	23,990	23,155
Loss on disposals of items of property, plant and equipment	8	–	349	7	–	20
Recognition of prepaid land lease payments	8	760	792	920	266	377
Amortisation of intangible assets	8	2,967	2,971	3,020	991	1,022
Write-down of inventories to net realisable value	8	–	–	94	–	–
Impairment of other receivables	8	–	40	36	36	–
		226,699	245,121	409,117	138,957	128,234
Increase in development property	27	–	–	(145,628)	–	–
(Increase)/decrease in inventories		(34,845)	17,708	9,269	27,326	(47,510)
(Increase)/decrease in trade and notes receivables		(14,142)	11,388	6,690	(25,939)	(49,750)
(Increase)/decrease in prepayments, deposits and other receivables		47,051	40,234	40,129	(52,097)	(2,737)
(Increase)/decrease in amounts due from directors		(7,570)	(1,681)	16,539	(1,571)	–
(Increase)/decrease in amounts due from related parties		(97,974)	(127,425)	(9,592)	6,042	102,910
Increase/(decrease) in trade and bills payables		34,956	(93,147)	(32,338)	224,959	40,663
Increase/(decrease) in other payables and accruals		61,032	(28,635)	(23,316)	14,673	(35,502)
Increase/(decrease) in amounts due to directors		23,706	3,126	(123,016)	(23,695)	(1,484)
Increase/(decrease) in amounts due to related parties		(9,762)	5,041	94,589	23,147	62,200
Increase in amounts due to the parent and ultimate holding company		–	–	68,282	–	68,243
Cash generated from operations		229,151	71,730	310,725	331,802	265,267
Income tax paid		(7,237)	(2,019)	(16,020)	(4,162)	(9,372)
Net cash flows from operating activities		221,914	69,711	294,705	327,640	255,895

	Notes	Year ended 31 December 2007 RMB'000	2008 RMB'000	2009 RMB'000	Four months ended 30 April 2009 RMB'000 (Unaudited)	2010 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of items of property, plant and equipment		(280,873)	(215,976)	(48,975)	(7,336)	(71,479)
Additions to prepaid land lease payments		–	–	(18,067)	–	–
Additions to intangible assets		(12)	(422)	(92)	–	–
Acquisition of businesses pursuant to the Group Reorganisation		–	–	–	–	(4,900)
Proceeds from disposals of items of property, plant and equipment		231	1,050	–	7	84
Proceeds from disposal of a subsidiary	27	–	–	47,641	–	–
Interest received		5,796	6,923	7,573	1,333	1,989
Increase in pledged deposits		(36,743)	(14,668)	(6,955)	(6,955)	(107,395)
Net cash used in investing activities		(311,601)	(223,093)	(18,875)	(12,951)	(181,701)
CASH FLOWS FROM FINANCING ACTIVITIES						
New bank loans		628,287	706,963	637,916	110,000	450,560
Repayment of bank loans		(502,000)	(568,287)	(705,393)	(304,361)	(380,915)
Proceeds from capital injection		–	–	68,281	–	–
Capital contributed by non-controlling shareholders		20,957	–	–	–	–
Acquisition of subsidiaries pursuant to the Group Reorganisation		–	–	(110,673)	–	(9,998)
Interest paid		(40,282)	(53,435)	(32,915)	(12,673)	(5,898)
Dividend paid to the parent and ultimate holding company		–	–	(31,360)	–	(92,548)
Dividend paid to non-controlling shareholders		(5,850)	–	(58,788)	–	(9)
Net cash flows from/(used in) financing activities		101,112	85,241	(232,932)	(207,034)	(38,808)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		11,425	(68,141)	42,898	107,655	35,386
Cash and cash equivalents at beginning of year		91,478	115,321	65,365	65,365	109,205
Effect of foreign exchange rate changes, net		12,418	18,185	942	2	(672)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	20	115,321	65,365	109,205	173,022	143,919

Company's statements of financial position

	Notes	As at 31 December 2009 RMB'000	As at 30 April 2010 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries, at cost	16	426,588	426,588
Total non-current assets		426,588	426,588
CURRENT ASSETS			
Prepayments, deposits and other receivables	19	1,844	–
Due from a subsidiary	31	301,806	317,423
Cash and cash equivalents		28	212
Total current assets		303,678	317,635
CURRENT LIABILITIES			
Due to directors		9	–
Due to a subsidiary	31	873	–
Due to the parent and ultimate holding company	31	68,282	136,525
Dividends payable		166,267	113,659
Total current liabilities		235,431	250,184
NET CURRENT ASSETS		68,247	67,451
TOTAL ASSETS LESS CURRENT LIABILITIES		494,835	494,039
EQUITY			
Share capital	25	901	901
Reserves	26	493,934	493,934
Loss		–	(18)
Total equity		494,835	494,039

II. NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND THE REORGANISATION

The Company was incorporated with limited liability in Cayman Islands on 30 January 2009. The registered office of the Company is located at P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, British Virgin Islands.

The Company is an investment holding company. The Company's subsidiaries are involved in the manufacture and supply of EO and surfactants, both of which are core chemical components for the production of household and industrial detergent products. The subsidiaries also involve in the provision of processing service for surfactants to its customers and the production and supply of other chemical products such as ethylene glycol, polymer grade ethylene and industrial gases, namely oxygen, nitrogen and argon (the "Listing Business") in the PRC.

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the section headed "Group Reorganisation" in Appendix VII "Statutory and General Information" of the Prospectus.

As at the end of Relevant Periods, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place and date of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered paid-up capital	Percentage of equity interest attributable to the Group	Principal activities
Capitol International Limited ("Capitol International") *(i)*	Hong Kong 18 July 2003	HK$1,000,000	100% (direct)	Investment holding
Sanjiang Chemical Co., Limited ("Sanjiang Chemical") *(ii)*	People's Republic of China 9 December 2003	US$22,225,000	100% (indirect)	Manufacture and sale of EO, surfactants, ethylene glycol polymer grade ethylene, industrial gases and provision of surfactant processing service
Jiaxing Yongming Petrochemical Co., Limited ("Yongming Petrochemical") *(iii)*	People's Republic of China 9 December 2003	US$22,800,000	100% (indirect)	Manufacture and sale of EO, surfactants, ethylene glycol, polymer grade ethylene, industrial gases and provision of surfactant processing service
Jiaxing Port Area Industrial Park Guanlang Co., Limited ("Guanlang") *(iv)*	People's Republic of China 29 September 2005	RMB13,000,000	83.85% (indirect)	Construction and management of pipe network at Jiaxing Port Chemical Industrial Park
Sanjiang Trading Co., Limited ("Sanjiang Trading") *(v)*	People's Republic of China 29 October 2004	RMB5,000,000	100% (indirect)	Trading of ethylene, EO and other chemical products
Hangzhou Textile Auxiliaries Co., Limited ("Hangzhou Sanjiang") *(vi)*	People's Republic of China 1 April 2010	RMB5,000,000	100% (indirect)	Manufacture and sale of alcohol ethoxylate nonylphenols and textile auxiliaries

(i) The statutory audited financial statements for the years ended 31 December 2007, 2008, 2009 prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance were audited by Jacky Chan CPA Limited Certified Public Accountants registered in the Hong Kong.

(ii) The statutory audited financial statements for the years ended 31 December 2007, 2008 and 2009 prepared in accordance with the PRC GAAP were audited by Jiaxing Xinlian Certified Public Accountants registered in the PRC.

(iii) The statutory audited financial statements for the year ended 31 December 2007 prepared in accordance with the PRC GAAP were audited by Zhejiang Puhua Certified Public Accountants registered in the PRC. The statutory audited financial statements for the years ended 31 December 2008 and 2009 prepared in accordance with the PRC GAAP were audited by Jiaxing Xinlian Certified Public Accountants registered in the PRC.

(iv) The statutory audited financial statements for the years ended 31 December 2007, 2008 and 2009 prepared in accordance with the PRC GAAP were audited by Jiaxing Changxing Certified Public Accountants registered in the PRC.

(v) The statutory audited financial statements for the year ended 31 December 2007 prepared in accordance with the PRC GAAP were audited by Zhejiang Puhua Certified Public Accountants registered in the PRC. The statutory audited financial statements for the years ended 31 December 2008, and 2009 prepared in accordance with the PRC GAAP were audited by Jiaxing Xinlian Certified Public Accountants registered in the PRC.

(vi) No statutory audited financial statements had been issued subsequent to its incorporation on 1 April 2010.

2. BASIS OF PRESENTATION

Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 1 September 2009 by acquiring the entire issued share capital of Capitol International Limited ("Capitol International"), a company incorporated in Hong Kong, which was the then holding company of the other subsidiaries comprising the Group. Since Guan Jianzhong and Han Jianhong (spouse of Guan Jianzhong) controlled the Group before and after the Reorganisation, the Reorganisation is accounted for as reorganisation under common control using the principles of merger accounting in accordance with the Accounting Guidance 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA.

As part of the Reorganisation, on 1 April 2010, the Group acquired the EO trading and surfactant manufacture and sales businesses (the "Acquired Businesses") from Hangzhou Haoming Investment Co., Limited (formerly known as Hangzhou Xiaoshan Sanjiang Fine Chemical Co., Limited and Xiaoshan City Sanjiang Fine Chemicals Co., Limited ("Hangzhou Haoming")), (the "Hangzhou Haoming Businesses Acquisition"). Under the terms of the agreements, the Group acquired the production facilities, inventories, and other assets and liabilities related to the Acquired Businesses (the "Net Assets Acquired"). The land use right, buildings and motor vehicles related to the Acquired Businesses (the "Assets Retained") and other assets and liabilities unrelated to the Acquired Businesses have been retained by Hangzhou Haoming. The Financial Information combined the Net Assets Acquired, the Assets Retained and the results of operations relating to the Acquired Businesses using merger accounting because the Acquired Businesses of Hangzhou Haoming are under the common control and management of Guan Jianzhong and Han Jianhong before and after the Reorganisation. At the acquisition date, the Assets Retained have been reflected as a distribution to the ultimate shareholder in the consolidated statement of changes in equity and leased by the Group.

The Financial Information includes the consolidated statements of income, comprehensive income, changes in equity, cash flows and financial position of the companies now comprising the Group, as if the current group structure resulted from the Reorganisation had been in existence throughout the Relevant Periods, or since their respective dates of incorporation, whichever is a shorter period. All significant intra-group transactions and balances have been eliminated on consolidation.

3.1 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirement of the Hong Kong Companies Ordinance.

The HKICPA has issued a number of new and revised HKFRSs that are effective for the Group's annual periods beginning on or after 1 January 2007. For the purpose of preparing the Financial Information, the Group has adopted all these new and revised HKFRSs consistently throughout the Relevant Periods except for those new and revised HKFRSs that are not yet effective for any of the Relevant Periods as further explained in note 3.2 below.

The Financial Information has been prepared under the historical cost convention. The accounting policies set out in note 3.3 have been consistently applied throughout the Relevant Periods. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern assumption

As at 30 April 2010, the Group's net current liabilities amounted to approximately RMB627 million, which comprised current assets of approximately RMB716 million and current liabilities of approximately RMB1,343 million. The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations and sufficient financing to meet its financial obligations as and when they fall due. In preparing the financial statements, the Directors of the Company have considered the Group's sources of liquidity and believe that adequate funding is available to fulfill the Group's debt obligations and capital expenditure requirements. Accordingly, the consolidated financial statements have been prepared on a basis that the Group will be able to continue as a going concern.

3.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters (issued in February 2010)*[2]
HKFRS 9	*Financial Instruments*[4]
HKAS 24 (Revised)	*Related Party Disclosures*[3]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*[1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC) – Int 14 *Prepayments of a Minimum Funding Requirement*[3]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[2]

Apart from the above, the HKICPA has issued the third batch of Improvements to HKFRSs in May 2010. Except for the amendments to HKFRS 3 and HKAS 27 which are effective for annual periods beginning on or after 1 July 2010, amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 February 2010
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that except for the adoption of HKFRS 9 may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The Financial Information comprises the financial statements of the Company and its subsidiaries for each of the three years ended 31 December 2007, 2008 and 2009 and the four months ended 30 April 2010.

Acquisitions under common control which is treated as business combination under common control are accounted for using merger accounting principles. The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party. The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or the excess of the acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination. The consolidated statements of income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Non-controlling interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. An acquisition of non-controlling interests is accounted for using the entity concept method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as an equity transaction.

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's statement of income to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the consolidated statements of income in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated statements of income in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statements of income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation of the property, plant and equipment is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	5%
Plant and machinery	6%
Office equipment	18%
Motor vehicles	18%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated statements of income in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents property, plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Purchased software is stated at cost less any impairment losses and amortised on the straight-line basis over its estimated useful life of 5 years.

Technology use rights

Purchased technology use rights are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the consolidated statements of income on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the consolidated statements of income on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurements

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances and trade and other receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of income. These net fair value changes do not include any dividends on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the consolidated statement of income. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income in the consolidated statement of income. The loss arising from impairment is recognised in the consolidated statement of income in other expenses.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated statements of income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to administrative expenses in the consolidated statement of income.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; and
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

Financial liabilities including trade, bills and other payables, amounts due to directors and related parties, financial guarantee contracts and interest-bearing bank borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the consolidated statements of income.

Gains and losses are recognised in the consolidated statements of income when the liabilities are derecognised as well as through the amortisation process.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated statements of income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired and form an integral part of the Group's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly to equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretation and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the consolidated statements of income over the expected useful life of the relevant asset by equal annual installments.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from rendering of processing service is recognised when such services are rendered and when it is probable that the economic benefits associated with the transaction will flow to the entity;

(c) rental income, on a time proportion basis over the lease terms; and

(d) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Retirement benefits

The Group's subsidiaries which operate in Mainland China are required to provide certain staff pension benefits to their employees under existing regulations of the PRC. Pension scheme contributions are provided at rates stipulated by PRC regulations and are made to a pension fund managed by government agencies, which are responsible for administering the contributions for the subsidiaries' employees. The pension scheme is considered as defined contribution plan because the Group has no legal or constructive obligations for retirement benefits beyond the contribution made. Contributions to the defined contribution pension scheme are recognised as expenses in the statement of income as incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of reporting period. All differences are taken to the consolidated statements of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

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

Impairment of non-financial assets other than goodwill

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for pre-operating expense and other temporary differences to the extent that it is probable that taxable profit will be available against which the temporary tax differences can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Further details on deferred tax assets are disclosed in note 24 to the Financial Information.

Income tax

The Group is subject to income taxes in various regions. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimates and judgments based on currently enacted tax laws, regulations and other related policies are required in determining the provision of corporate income taxes. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact the corporate income tax and tax provisions in the period in which the differences are realised. Further details are disclosed in note 11 to the Financial Information.

Impairment of trade and other receivables

Impairment of trade and other receivables is made based on ongoing assessment of the recoverability of trade and other receivables. The identification of impairment requires management's judgments and estimates. Where the actual outcome is different from the original estimate, such differences will impact the carrying values of the trade and other receivables and impairment loss in the period in which such estimate has been changed.

Useful lives and residual values of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, the legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residues values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed, at each financial year end date based on changes in circumstances.

5. SEGMENT INFORMATION

For management purpose, the Group did not organise into business units based on their products and services and only has one reportable operating segment. Management monitors the operating results of its operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

Entity-wide disclosures

Information about products

The following table sets forth the total revenue from external customers by products during the Relevant Periods and the four months ended 30 April 2009:

	Year ended 31 December			Four months ended 30 April	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
EO	795,174	829,274	925,110	231,674	472,013
Surfactants	30,893	46,783	216,585	67,133	63,070
Other chemical products	44,709	64,480	74,969	14,552	26,142
Processing services	3,378	9,659	66,395	54,202	5,181
Others	2,620	2,651	2,474	862	1,077
	876,774	952,847	1,285,533	368,423	567,483

Geographical information

All external revenue of the Group during each of the Relevant Periods and the four months ended 30 April 2009 are attributable to customers established in the PRC, the place of domicile of the Group's operating entities. Meanwhile, the Group's non-current assets are all located in the PRC. Therefore, no further geographical information is presented.

Information about a major customer

For the four months ended 30 April 2010, revenue of approximately RMB110,811,000 which accounted for 20% of the Group's total revenue (2007: RMB336,574,000, 38%; 2008: RMB182,851,000, 19%, 2009: RMB237,831,000, 19%, four months ended 30 April 2009: RMB231,674,000, 63%) was derived from sales to a single customer.

6. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, net of valued-added tax and government surcharges, and after allowances for returns and trade discounts.

An analysis of revenue, other income and gains is as follows:

	Year ended 31 December			Four months ended 30 April	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Revenue					
Sales of goods	870,776	940,537	1,216,664	313,359	561,225
Provision of services	3,378	9,659	66,395	54,202	5,181
Others	2,620	2,651	2,474	862	1,077
	876,774	952,847	1,285,533	368,423	567,483
Other income and gains					
Bank interest income	5,796	6,923	7,573	1,333	1,989
Government subsidies*	1,592	3,477	10,155	96	53
Foreign exchange gains/(loss), net	12,418	18,185	942	2	(672)
Other lease income	182	45	403	–	2,272
Others	212	771	2,131	109	884
	20,200	29,401	21,204	1,540	4,526

* *Government subsidies mainly represented incentive provided by local government for the Group to operate in Jiaxing, Zhejiang Province, the PRC. There are no unfulfilled conditions or contingencies attached to these grants recognised.*

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December			Four months ended 30 April	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Interest on bank loans wholly repayable within five years	40,282	53,435	32,915	12,673	5,898
Less: Amount capitalised in construction in progress	(5,922)	(16,699)	–	–	–
	34,360	36,736	32,915	12,673	5,898

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

		Year ended 31 December			Four months ended 30 April	
		2007	**2008**	**2009**	**2009**	**2010**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Cost of inventories sold		665,976	726,698	927,554	244,159	454,819
Others		1,367	1,647	1,658	566	546
		667,343	728,345	929,212	244,725	455,365
Depreciation	*13*	36,299	48,006	76,805	23,990	23,155
Recognition of prepaid land lease payments	*14*	760	792	920	266	377
Amortisation of intangible assets	*15*	2,967	2,971	3,020	991	1,022
Loss on disposal of property, plant and equipment		–	349	7	–	20
Write-down of inventories to net realisable value		–	–	94	–	–
Impairment of other receivables		–	40	36	36	–
Employee benefit's expense (including directors' remuneration *(note 9)*):						
Wages and salaries		10,080	10,654	19,135	6,227	6,715
Pension scheme contribution		1,237	1,091	1,145	348	259
Staff welfare expenses		2,181	2,909	2,630	370	455
		13,498	14,654	22,910	6,945	7,429

9. DIRECTORS' REMUNERATION

Details of directors' remuneration during the Relevant Periods and the four months ended 30 April 2009 are as follows:

	Year ended 31 December			Four months ended 30 April	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Salaries, allowances and benefits in kind	494	925	1,363	303	506
Pension scheme contributions	14	12	13	4	6
	508	937	1,376	307	512

	Fees	Salaries, allowances and benefits in kind	Bonus	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2007					
Executive directors:					
Guan Jianzhong	–	330	–	8	338
Han Jianhong	–	22	–	2	24
Niu Yingshan	–	120	–	2	122
Han Jianping	–	22	–	2	24
Independent non-executive directors:					
Wang Wanxu	–	–	–	–	–
Shen Kaijun	–	–	–	–	–
Li Zhihong	–	–	–	–	–
	–	494	–	14	508
Year ended 31 December 2008					
Executive directors:					
Guan Jianzhong	–	285	–	6	291
Han Jianhong	–	385	–	2	387
Niu Yingshan	–	205	–	2	207
Han Jianping	–	50	–	2	52
Independent non-executive directors:					
Wang Wanxu	–	–	–	–	–
Shen Kaijun	–	–	–	–	–
Li Zhihong	–	–	–	–	–
	–	925	–	12	937
Year ended 31 December 2009					
Executive directors:					
Guan Jianzhong	–	444	–	5	449
Han Jianhong	–	488	–	4	492
Niu Yingshan	–	326	–	2	328
Han Jianping	–	105	–	2	107
Independent non-executive directors:					
Wang Wanxu	–	–	–	–	–
Shen Kaijun	–	–	–	–	–
Li Zhihong	–	–	–	–	–
	–	1,363	–	13	1,376

	Fees	Salaries, allowances and benefits in kind	Bonus	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Four months ended 30 April 2010					
Executive directors:					
Guan Jianzhong	–	173	–	2	175
Han Jianhong	–	171	–	2	173
Niu Yingshan	–	114	–	1	115
Han Jianping	–	48	–	1	49
Independent non-executive directors:					
Wang Wanxu	–	–	–	–	–
Shen Kaijun	–	–	–	–	–
Li Zhihong	–	–	–	–	–
	–	506	–	6	512
Four months ended 30 April 2009 (Unaudited)					
Executive directors:					
Guan Jianzhong	–	88	–	1	89
Han Jianhong	–	104	–	1	105
Niu Yingshan	–	94	–	1	95
Han Jianping	–	17	–	1	18
Independent non-executive directors:					
Wang Wanxu	–	–	–	–	–
Shen Kaijun	–	–	–	–	–
Li Zhihong	–	–	–	–	–
	–	303	–	4	307

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods and the four months ended 30 April 2009.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees included one director for the year ended 31 December 2007, three directors for the years ended 31 December 2008 and 2009 and for the four months ended 30 April 2009, and four directors for the four months ended 30 April 2010, whose remuneration details are set out in note 9 above. Details of the remuneration of the remaining highest paid employees for each of the Relevant Periods and the four months ended 30 April 2009 are as follows:

	Year ended 31 December			Four months ended 30 April	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Salaries, allowances and benefits in kind	781	444	567	177	205
Pension scheme contribution	11	11	10	3	4
	792	455	577	180	209

The remuneration of the highest paid, non-director employees fell within the range of nil to RMB300,000.

11. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The income tax expense of the Group for the Relevant Periods and the four months ended 30 April 2009 are analysed as follows:

	Year ended 31 December			Four months ended 30 April	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Current – PRC					
Charge for the year/period	1,323	4,267	24,381	6,472	12,415
Deferred *(note 24)*	(484)	15,233	19,292	9,293	7,968
Total tax charge for the year	839	19,500	43,673	15,765	20,383

Pursuant to the relevant tax law of Hong Kong Special Administrative Region, Hong Kong profits tax is subject to tax rates of 17.5% for the year ended 31 December 2007 and 16.5% for the years ended 31 December 2008 and 2009 and the four months ended 30 April 2009 and 2010 on the estimated assessable profits arising in Hong Kong during the Relevant Periods and the four months ended 30 April 2009. No provision of income tax has been made as the Group had no taxable income derived from Hong Kong during the Relevant Periods and the four months ended 30 April 2009.

During the Fifth Session of the Tenth National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "Corporate Income Tax Law") was approved and became effective on 1 January 2008. The Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rates for domestic-invested and foreign-invested enterprises at 25%. In this connection, Sanjiang Chemical, Yongming Petrochemical, Sanjiang Trading and Guanlang have been subject to corporate income tax ("CIT") at the rate of 25% since 2008.

Sanjiang Chemical was registered as a foreign-invested enterprise on 9 December 2003. Sanjiang Chemical was subject to CIT at the rate of 33% for the year ended 31 December 2007, and 25% for the years ended 31 December 2008 and 2009 and the four months ended 30 April 2009 and 2010. Pursuant to the approval of the tax bureau, Sanjiang Chemical was exempted from CIT for its first two profit-making years (after deducting losses incurred in previous years) and was entitled to a 50% tax reduction for the succeeding three years. The first profitable year of Sanjiang Chemical was 2006. Therefore, Sanjiang Chemical was exempted from CIT for the year ended 31 December 2007 and subject to CIT at a reduced rate of 12.5% for the years ended 31 December 2008 and 2009 and 30 April 2009 and 2010.

Yongming Petrochemical was registered as a foreign-invested enterprise on 9 December 2003 and subject to CIT at the rate of 33% for the year ended 31 December 2007, and 25% for the years ended 31 December 2008 and 2009 and the four months ended 30 April 2009 and 2010. Pursuant to the approval of the tax bureau, Yongming Petrochemical was exempted from CIT for its first two profit-making years (after deducting losses incurred in previous years) and was entitled to a 50% tax reduction for the succeeding three years. In accordance with the Corporate Income Tax Law, a company would be deemed to trigger the tax holiday from 1 January 2008 even if it did not have taxable profits at that time. Although Yongming Petrochemical was under accumulative loss position as of 1 January 2008, its tax holiday was deemed to have started in 2008. Therefore, Yongming Petrochemical was exempted from CIT for the years ended 31 December 2008 and 2009 and is subject to CIT rate of 12.5% for the four months ended 30 April 2009 and 2010.

Guanlang was registered as a domestic-invested enterprise on 29 September 2005 and was subject to CIT at the rate of 33% for the year ended 31 December 2007 and 25% for the years ended 31 December 2008 and 2009 and the four months ended 30 April 2009 and 2010.

Sanjiang Trading was registered as a domestic-invested enterprise on 29 October 2004 and was subject to CIT at a rate of 33% for the year ended 31 December 2007 and 25% for the years ended 31 December 2008 and 2009 and the four months ended 30 April 2009 and 2010.

Hangzhou Sanjiang was registered as a domestic-invested enterprise on 1 April 2010 and was subject to CIT at a rate of 25% for the four months ended 30 April 2010.

A reconciliation of the tax expense applicable to profit before tax using the statutory rates in Mainland China to the tax expense at the effective tax rates is as follows:

	Year ended 31 December			Four months ended 30 April	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Profit before tax	170,527	181,335	303,835	102,336	99,079
Tax at the statutory tax rates	56,274	45,334	75,959	25,584	24,770
Tax effect of tax concession and allowances	(56,596)	(25,906)	(52,754)	(18,378)	(12,818)
Tax losses not recognised	903	1,596	121	167	109
Expenses not deductible for tax	1,543	1,256	3,152	629	433
Deferred tax benefit previously not recognised	(504)	–	–	184	183
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries *(note 24)*	–	14,110	18,712	9,096	7,772
Tax credit in respect of purchases of property, plant and equipment from domestic vendors*	–	(16,890)	–	–	–
Tax losses utilised from previous years	(781)	–	(1,517)	(1,517)	(66)
Tax charge at the Group's effective rate	839	19,500	43,673	15,765	20,383

* *The amount represents a tax concession, approved by the Jiaxing City local tax bureau, in respect of the purchase of certain manufacturing plant, machinery and equipment made in Mainland China. The tax concession is calculated at 40% of the purchase consideration of such manufacturing plant, machinery and equipment and the tax concession was fully deducted in 2008.*

12. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the number of common shares as at end of each financial year/period is different from the number of common shares immediately after the completion of Global Offering as more fully explained in the section of share capital of the Prospectus.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Plant and machinery	Office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2007						
At 1 January 2007:						
Cost	136,654	421,182	1,929	9,002	14,351	583,118
Accumulated depreciation	(6,771)	(30,403)	(525)	(2,141)	–	(39,840)
Net carrying amount	129,883	390,779	1,404	6,861	14,351	543,278
At 1 January 2007:						
Net of accumulated depreciation	129,883	390,779	1,404	6,861	14,351	543,278
Additions	528	785	147	1,398	194,151	197,009
Disposal	–	–	(9)	(222)	–	(231)
Depreciation provided during the year	(6,522)	(28,211)	(328)	(1,238)	–	(36,299)
Transfers	30,234	87,428	36	1,599	(119,297)	–
At 31 December 2007:						
Net of accumulated depreciation and impairment	154,123	450,781	1,250	8,398	89,205	703,757
At 31 December 2007:						
Cost	167,416	489,857	2,103	11,520	89,205	760,101
Accumulated depreciation	(13,293)	(39,076)	(853)	(3,122)	–	(56,344)
Net carrying amount	154,123	450,781	1,250	8,398	89,205	703,757

	Buildings *RMB'000*	Plant and machinery *RMB'000*	Office equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2008						
At 1 January 2008:						
Cost	167,416	489,857	2,103	11,520	89,205	760,101
Accumulated depreciation	(13,293)	(39,076)	(853)	(3,122)	–	(56,344)
Net carrying amount	154,123	450,781	1,250	8,398	89,205	703,757
At 1 January 2008:						
Net of accumulated depreciation	154,123	450,781	1,250	8,398	89,205	703,757
Additions	30	18,953	566	–	221,920	241,469
Disposal	–	(17)	–	(1,382)	–	(1,399)
Depreciation provided during the year	(8,486)	(37,244)	(357)	(1,919)	–	(48,006)
Transfers	11,455	58,977	27	224	(70,683)	–
At 31 December 2008:						
Net of accumulated depreciation and impairment	157,122	491,450	1,486	5,321	240,442	895,821
At 31 December 2008:						
Cost	178,901	560,746	2,671	10,030	240,442	992,790
Accumulated depreciation	(21,779)	(69,296)	(1,185)	(4,709)	–	(96,969)
Net carrying amount	157,122	491,450	1,486	5,321	240,442	895,821

	Buildings *RMB'000*	Plant and machinery *RMB'000*	Office equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2009						
At 1 January 2009:						
Cost	178,901	560,746	2,671	10,030	240,442	992,790
Accumulated depreciation	(21,779)	(69,296)	(1,185)	(4,709)	–	(96,969)
Net carrying amount	157,122	491,450	1,486	5,321	240,442	895,821
At 1 January 2009:						
Net of accumulated depreciation	157,122	491,450	1,486	5,321	240,442	895,821
Additions	–	21	666	728	76,946	78,361
Disposal	–	–	–	(7)	–	(7)
Disposal of a subsidiary *(note 27)*	–	–	(48)	–	–	(48)
Depreciation provided during the year	(9,485)	(64,914)	(469)	(1,937)	–	(76,805)
Transfers	26,794	256,870	–	921	(284,585)	–
At 31 December 2009:						
Net of accumulated depreciation and impairment	174,431	683,427	1,635	5,026	32,803	897,322
At 31 December 2009:						
Cost	205,695	817,637	3,267	11,536	32,803	1,070,938
Accumulated depreciation	(31,264)	(134,210)	(1,632)	(6,510)	–	(173,616)
Net carrying amount	174,431	683,427	1,635	5,026	32,803	897,322

	Buildings	Plant and machinery	Office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
30 April 2010						
At 1 January 2010:						
Cost	205,695	817,637	3,267	11,536	32,803	1,070,938
Accumulated depreciation	(31,264)	(134,210)	(1,632)	(6,510)	–	(173,616)
Net carrying amount	174,431	683,427	1,635	5,026	32,803	897,322
At 1 January 2010:						
Net of accumulated depreciation	174,431	683,427	1,635	5,026	32,803	897,322
Additions	–	62	34	–	11,364	11,460
Disposal	–	–	–	(104)	–	(104)
Deemed distribution to equity holders*	(7,176)	–	–	(565)	–	(7,741)
Depreciation provided during the period	(3,229)	(19,257)	(154)	(515)	–	(23,155)
Transfers	614	–	–	–	(614)	–
At 30 April 2010:						
Net of accumulated depreciation and impairment	164,640	664,232	1,515	3,842	43,553	877,782
At 30 April 2010:						
Cost	197,201	817,699	3,301	7,761	43,553	1,069,515
Accumulated depreciation	(32,561)	(153,467)	(1,786)	(3,919)	–	(191,733)
Net carrying amount	164,640	664,232	1,515	3,842	43,553	877,782

* *It represented the buildings and motor vehicles not acquired by the Group upon the completion of the Reorganisation. The Group has entered into a lease agreement with Hangzhou Haoming and continued to use the land use right and building through operating lease arrangements with lease terms expire in 2016 and 2020 respectively. The average remaining useful life of the equipment located in the land and buildings under operating lease is 5 years which were shorter than the lease period.*

As at 31 December 2007, 2008 and 2009 and 30 April 2010, certain of the Group's buildings and plant and machinery with aggregate net carrying values of RMB574,859,000, RMB606,190,000, RMB201,896,000 and RMB107,772,000, respectively, were pledged to secure bank loan facilities granted to the Group (note 23).

As at 30 April 2010, the Group was unable to obtain the building ownership certificates for certain of the Group's buildings with aggregate net carrying values of RMB589,000.

14. PREPAID LAND LEASE PAYMENTS

Group

	As at 31 December			As at 30 April
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount at beginning of year	34,084	33,324	32,532	49,679
Additions	–	–	18,067	–
Deemed distribution to equity holders*	–	–	–	(2,154)
Recognised during the year/period	(760)	(792)	(920)	(377)
Carrying amount at end of year/period	33,324	32,532	49,679	47,148
Current portion included in prepayments, deposits and other receivables	(779)	(779)	(1,140)	(1,018)
Non-current portion	32,545	31,753	48,539	46,130

* *It represented the land use right not acquired by the Group upon the completion of the Reorganisation. The Group has entered into a lease agreement with Hangzhou Haoming and continued to use the land use right and building through operating lease arrangements with lease terms expire in 2016 and 2020.*

The Group's leasehold land is held under long-term leases and is situated in the PRC.

As at 31 December 2007, 2008 and 2009 and 30 April 2010, certain of the Group's leasehold land with aggregate carrying values of RMB11,128,000, RMB10,884,000, RMB9,411,000 and nil, respectively, were pledged to secure bank loan facilities granted to the Group (note 23).

15. INTANGIBLE ASSETS

Group

	Software	**Technology use right**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2007				
Cost at 1 January 2007, net of accumulated amortisation	114	26,983	989	28,086
Additions	–	12	–	12
Amortisation provided during the year	(25)	(2,875)	(67)	(2,967)
At 31 December 2007	89	24,120	922	25,131
Cost	126	28,760	1,000	29,886
Accumulated amortisation	(37)	(4,640)	(78)	(4,755)
Net carrying amount				
At 31 December 2007	89	24,120	922	25,131

	Software *RMB'000*	Technology use right *RMB'000*	Others *RMB'000*	Total *RMB'000*
31 December 2008				
Cost at 1 January 2008, net of accumulated amortisation	89	24,120	922	25,131
Additions	22	–	400	422
Amortisation provided during the year	(27)	(2,876)	(68)	(2,971)
At 31 December 2008	84	21,244	1,254	22,582
Cost	148	28,760	1,400	30,308
Accumulated amortisation	(64)	(7,516)	(146)	(7,726)
Net carrying amount At 31 December 2008	84	21,244	1,254	22,582
31 December 2009				
Cost at 1 January 2009, net of accumulated amortisation	84	21,244	1,254	22,582
Additions	–	92	–	92
Amortisation provided during the year	(28)	(2,921)	(71)	(3,020)
At 31 December 2009	56	18,415	1,183	19,654
Cost	148	28,852	1,400	30,400
Accumulated amortisation	(92)	(10,437)	(217)	(10,746)
Net carrying amount At 31 December 2009	56	18,415	1,183	19,654
30 April 2010				
Cost at 1 January 2010, net of accumulated amortisation	56	18,415	1,183	19,654
Amortisation provided during the period	(9)	(989)	(24)	(1,022)
At 30 April 2010	47	17,426	1,159	18,632
Cost	148	28,852	1,400	30,400
Accumulated amortisation	(101)	(11,426)	(241)	(11,768)
Net carrying amount At 30 April 2010	47	17,426	1,159	18,632

16. INVESTMENTS IN SUBSIDIARIES

Company	As at 31 December 2009	As at 30 April 2010
	RMB'000	*RMB'000*
Unlisted investments, at cost	426,588	426,588

17. INVENTORIES

Group

	As at 31 December			As at 30 April
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	88,560	58,795	57,773	107,637
Finished goods	6,228	18,285	9,944	7,590
	94,788	77,080	67,717	115,227

18. TRADE AND NOTES RECEIVABLES

Group

	As at 31 December			As at 30 April
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	33,978	20,041	17,827	18,552
Notes receivables	23,838	25,678	21,202	69,961
	57,816	45,719	39,029	88,513
Less: Impairment	(975)	(266)	(266)	–
	56,841	45,453	38,763	88,513

The Group's trading terms with its customers are mainly on credit. The credit period is generally 15 to 30 days, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. At 30 April 2010, the Group had certain concentrations of credit risk as 11% (2009: 26%, 2008: 24% and 2007: 32%) and 15% (2009: 36%, 2008: 38% and 2007: 47%) of the Group's trade receivables and notes receivables were due from the Group's largest customer and five largest customers, respectively.

The movement in provision for impairment of trade receivables is as follows:

	As at 31 December			As at 30 April
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	975	975	266	266
Amount written off as uncollectible	–	(709)	–	(266)
	975	266	266	–

As at 31 December 2007, 2008 and 2009 and 30 April 2010, the provision for individually impaired trade receivables is RMB975,000, RMB266,000, RMB266,000 and nil, with a carrying amount of RMB975,000, RMB266,000, RMB266,000 and nil. The individually impaired trade receivables are long term and relate to customers that have no transaction with the Group anymore, and none of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

An aged analysis of the trade and notes receivables of the Group as at the end of the Relevant Periods, based on the invoice date, is as follows:

Group

	As at 31 December			As at 30 April
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
1 to 30 days	33,430	10,736	12,947	40,300
31 to 60 days	8,580	3,145	6,691	14,156
61 to 90 days	1,798	7,102	5,032	12,442
91 to 360 days	7,691	22,297	3,537	21,012
Over 360 days	6,317	2,439	10,822	603
	57,816	45,719	39,029	88,513

The aged analysis of the trade and notes receivables that are neither individually nor collectively considered to be impaired is as follows:

	As at 31 December			As at 30 April
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	42,476	15,138	23,207	87,447
Less than 30 days past due	2,402	3,642	3,449	3
31 to 60 days past due	140	6,719	739	407
61 to 90 days past due	198	5,351	103	–
91 to 360 days past due	6,283	12,430	709	53
Over 360 days	5,342	2,173	10,556	603
	56,841	45,453	38,763	88,513

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to only one customer that has a good track record with the Group. Based on past experience, the Directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	As at 31 December			As at 30 April
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables	93,442	56,988	11,402	6,997
Prepayments	9,611	5,831	10,515	17,041
Prepaid land lease payments *(note 14)*	779	779	1,140	1,018
	103,832	63,598	23,057	25,056
Less: Impairment	(721)	(761)	(797)	(181)
	103,111	62,837	22,260	24,875

Other receivables are non-interest bearing, unsecured and repayable on demand. The individually impaired prepayments relate to suppliers from whom the purchased materials were not received. Except for the impairment of prepayments mentioned above, none of the other above assets is either past due or impaired.

The financial assets included in the above balances relate to receivables for which there was no recent history of default.

Company

	As at 31 December 2009	As at 30 April 2010
	RMB'000	*RMB'000*
Other receivables	1,844	–

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

The movements in provision for impairment of prepayments are as follows:

Group

	As at 31 December			As at 30 April
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	1,217	721	761	797
Impairment losses recognised	–	40	36	–
Amount written off as uncollectible	(496)	–	–	(616)
At end of year/period	721	761	797	181

20. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

Group

	As at 31 December			As at 30 April
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	115,321	65,365	109,205	143,919
Times deposits	214,924	229,592	236,547	343,942
	330,245	294,957	345,752	487,861
Less: Pledged time deposits:				
Pledged for bank loans *(note 23(iii))*	–	14,250	221,150	331,570
Pledged for bills payables	214,924	215,342	15,397	12,372
Cash and cash equivalents	115,321	65,365	109,205	143,919

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between two and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

21. TRADE AND BILLS PAYABLES

Group

	As at 31 December			As at 30 April
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	131,497	37,337	159,157	240,901
Bills payables	248,071	249,084	94,926	59,605
	379,568	286,421	254,083	300,506

An aged analysis of the trade and bills payables as at the end of the Relevant Periods, based on the invoice date is as follows:

	As at 31 December			As at 30 April
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	148,528	223,446	189,799	228,066
3 to 6 months	173,380	61,764	62,172	70,968
6 to 12 months	5,075	105	259	151
12 to 24 months	52,315	286	1,095	911
24 to 36 months	169	589	89	41
Over 36 months	101	231	669	369
	379,568	286,421	254,083	300,506

The trade and bills payables are non-interest-bearing and have an average credit term of three to six months.

22. OTHER PAYABLES AND ACCRUALS

Group

	As at 31 December			As at 30 April
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other payables	148,721	103,672	55,812	49,686
Taxes other than income tax	12,715	16,916	9,602	5,381
Advances from customers	5,605	19,153	53,376	24,467
Payroll payable	4,371	5,712	7,736	5,667
Other accrued liabilities	9,260	6,584	10,238	6,063
	180,672	152,037	136,764	91,264

Other payables and advances from customers are non-interest-bearing and have an average credit term of three months.

23. INTEREST-BEARING BANK BORROWINGS

Group

	Effective interest rate	Maturity	As at 31 December 2007	As at 31 December 2008	As at 31 December 2009	As at 30 April 2010
	(%)		*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Current						
Bank loans – secured*	5.060–8.019	Within 1 year	433,287	–	–	–
Bank loans – secured*	3.663–7.743	Within 1 year	–	527,963	–	–
Bank loans – secured*	1.184–8.127	Within 1 year	–	–	551,986	–
Bank loans – secured*	0.282–5.045	Within 1 year	–	–	–	682,809
			433,287	527,963	551,986	682,809
Current portion of long term bank loans – secured*	5.387–8.033		–	30,000	–	–
	7.371–8.127		–	–	28,000	–
			–	30,000	28,000	–
Discounted bank acceptances*	0.420–0.950		135,000	–	–	–
	0.350–0.520		–	90,000	–	–
	0.185–4.440		–	–	50,000	–
			568,287	647,963	629,986	682,809
Non-current						
Bank loans – secured*	7.749–8.033	2009.7.15 – 2013.4.26	80,000	–	–	–
	7.749–8.694	2010.7.15 – 2013.4.26	–	139,000	–	–
	7.371–8.280	2011.11.15 – 2013.4.26	–	–	89,500	–
	4.860–6.831	2011.7.15 – 2015.4.12	–	–	–	106,322
			80,000	139,000	89,500	106,322
			648,287	786,963	719,486	789,131
Repayable:						
Within one year or on demand			568,287	647,963	629,986	682,809
In the second year			20,000	48,000	42,000	30,000
In the third to fifth years, inclusive			40,000	91,000	47,500	76,322
Beyond five years			20,000	–	–	–
			648,287	786,963	719,486	789,131

Notes:

* The Group's bank borrowings are secured by:

(i) Mortgages over the Group's buildings and plant and machinery situated in the PRC with aggregate net book values of RMB574,859,000, RMB606,190,000, RMB201,896,000 and RMB107,772,000 as at 31 December 2007, 2008 and 2009 and 30 April 2010, respectively (note 13).

(ii) Mortgages over the Group's leasehold land situated in the PRC with aggregate carrying values of RMB11,128,000, RMB10,884,000, RMB9,411,000 and nil as at December 2007, 2008 and 2009 and 30 April 2010 (note 14).

(iii) Pledge of certain of the Group's time deposits amounting to nil, RMB14,250,000, RMB221,150,000 and RMB331,570,000 as at 31 December 2007, 2008 and 2009 and 30 April 2010, respectively (note 20).

(iv) Guarantees by related parties

	As at 31 December			As at 30 April
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Zhejiang Jiahua Group Co., Limited	109,000	116,000	–	–
Guan Jianzhong	30,000	150,000	–	–
Han Jianhong	95,000	50,000	–	–
Zhejiang Jiahua Industrial Park Investment and Development Co., Limited ("Jiahua Industrial Park Co")	40,000	–	–	–
	274,000	316,000	–	–

(v) Guarantees by third parties

	As at 31 December			As at 30 April
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Jiaxing New Century Chemical Group Co., Limited	50,000	–	–	–
Hangzhou Hongshan Chemical Fiber Co., Limited	150,000	50,000	–	–
	200,000	50,000	–	–

24. DEFERRED TAX

The movements in deferred tax liabilities and assets during the Relevant Periods are as follows:

Deferred tax liabilities

Group

	Accrued expenses *RMB'000*	Withholding tax on the distributable profits *RMB'000*	Total *RMB'000*
At 1 January 2007	–	–	–
Deferred tax charged to the statement of income during the year *(note 11)*	341	–	341
At 31 December 2007 and 1 January 2008	341	–	341
Deferred tax charged/(credited) to the statement of income during the year *(note 11)*	(341)	14,110	13,769
At 31 December 2008 and 1 January 2009	–	14,110	14,110
Deferred tax charged to the statement of income during the year *(note 11)*	–	18,712	18,712
At 31 December 2009 and 1 January 2010	–	32,822	32,822
Deferred tax charged to the statement of income during the period *(note 11)*	–	7,772	7,772
At 30 April 2010	–	40,594	40,594

Deferred tax assets

Group

	Impairment of assets *RMB'000*	Pre-operating expense *RMB'000*	Unrealised profit attributable to intra-group transactions *RMB'000*	Total *RMB'000*
At 1 January 2007	–	1,737	109	1,846
Deferred tax credited to the statement of income during the year *(note 11)*	26	–	799	825
At 31 December 2007 and 1 January 2008	26	1,737	908	2,671
Deferred tax credited/(charged) to the statement of income during the year *(note 11)*	10	(579)	(895)	(1,464)
At 31 December 2008 and 1 January 2009	36	1,158	13	1,207
Deferred tax credited/(charged) to the statement of income during the year *(note 11)*	9	(579)	(10)	(580)
At 31 December 2009 and 1 January 2010	45	579	3	627
Deferred tax charged to the statement of income during the period *(note11)*	–	(193)	(3)	(196)
At 30 April 2010	45	386	–	431

Pursuant to the PRC CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprise established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax arrangement between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable to withholding taxes on dividend distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. The Group recognised deferred tax liabilities in respect of accumulated distributable earnings from its subsidiaries established in Mainland China since 1 January 2008, no matter whether such earnings have been declared or not by the subsidiaries at the reporting dates.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

Deferred tax assets have not been recognised in respect of the losses of Yongming Petrochemical, Sanjiang Trading, Hangzhou Sanjiang and Guanlang as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Deferred tax assets have not been recognised in respect of the following items:

	As at 31 December			As at 30 April
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tax losses of Yongming Petrochemical	903	1,517	–	–
Tax losses of Sanjiang Trading	–	–	14	55
Tax losses of Hangzhou Sanjiang	–	–	–	13
Tax losses of Guanlang	–	79	107	41
	903	1,596	121	109

Tax losses are available for five years to offset against future taxable profits at the companies in which the losses arose.

25. SHARE CAPITAL

The movements in the authorised and issued share capital of the Company are as follows:

	Notes	Number of shares	Amount
			RMB'000
Authorised ordinary shares of US$1 each:			
At 31 December 2009 and 30 April 2010	*(i)*	132,000	901
Issued and fully paid ordinary shares of US$1 each:			
At 30 January 2009, date of incorporation	*(i)*	1	–
Issue of shares on 4 August 2009	*(ii)*	9,999	68
Issue of shares on 28 September 2009	*(iii)*	114,080	779
Issue of shares on 8 December 2009	*(iv)*	7,920	54
At 31 December 2009 and 30 April 2010		132,000	901

(i) As at the date of incorporation, the authorised ordinary share capital of the Company was US$1 and was fully paid at par. The share was subsequently transferred to Sure Capital International Limited ("Sure Capital") on 4 August 2009.

(ii) On 4 August 2009, 9,999 ordinary shares were issued to Sure Capital for a consideration of US$9,999 (equivalent to approximately RMB68,000).

(iii) On 28 September 2009, the Company acquired 10,000 shares of HK$1 each in Capitol International from Guan Jianzhong and Han Jianhong in consideration of and in exchange for which the Company allotted and issued 114,080 shares to Sure Capital at the direction of Guan Jianzhong and Han Jianhong.

(iv) On 8 December 2009, 7,920 ordinary shares were issued to CITIC International Assets Management Limited, Creation One International Limited, Chemwin Limited, Rich Honour Holdings Limited and BOCOM International Holdings Company Limited for a total cash consideration of US$10,000,000 (equivalent to approximately RMB68,282,000). After the issuance, these new investors held 6% of the paid-in capital of the Company.

26. RESERVES

Group

	As at 31 December			As at 30 April
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share premium	–	–	493,934	493,934
Merger reserve	36,489	36,489	(601,644)	(593,592)
Statutory surplus reserve	15,388	29,570	56,331	65,048
	51,877	66,059	(51,379)	(34,610)

Share premium

On 1 September 2009, the Company acquired 990,000 shares of HK$1 each in Capitol International in consideration of cash amounting to HK$990,000, and on 28 September 2009, the Company acquired other 10,000 shares of HK$1 each in Capitol International from Guan Jianzhong and Han Jianhong in consideration of and in exchange for which the Company allotted and issued 114,080 shares to Sure Capital at the direction of Guan Jianzhong and Han Jianhong. The value of net assets over the consideration of cash and shares equivalent approximately to RMB425,706,000 was recognised as share premium.

On 8 December 2009, 7,920 shares at par value of US$1 each were issued for a total cash consideration of US$10,000,000 (equivalent approximately to RMB68,282,000).

Merger reserve

The merger reserve of the Group represents the reserve arose pursuant to the Reorganisation as mentioned in note 2 of Section II to the Financial Information.

Statutory surplus reserves

Pursuant to the PRC Company Law and the respective articles of association, the Group's subsidiaries established in the PRC shall appropriate 10% of their annual statutory net profit (determined in accordance with the PRC accounting principles and regulations and after offsetting any prior years' losses) to the statutory reserve fund until such reserve fund reaches 50% of the share capital of these entities. The statutory reserve fund can be utilised to offset prior years' losses or to increase capital. However, except for offsetting prior years' losses, such reserve fund must be maintained at a minimum of 25% of share capital after usage.

Company

	As at 31 December 2009	As at 30 April 2010
	RMB'000	*RMB'000*
Share premium	493,934	493,934

27. DISPOSAL OF A SUBSIDIARY

In June 2009, the Group set up a subsidiary, Jiaxing Jianghao Property Co., Limited ("Jianghao Property") and in December 2009, the Group disposed of its direct interest in Jianghao Property to Jiaxing Port Area Jianghao Investment and Development Co., Limited ("Jianghao Investment"), for a cash consideration of RMB50,000,000.

Net assets disposed of:

	RMB'000
Property, plant and equipment	48
Cash and bank balances	2,359
Prepayments and other receivables	773
Development property	145,628
Other payables and accruals	(1,107)
Amount due to related parties	(97,701)
	50,000
Gain on disposal of a subsidiary	–
Satisfied by cash	50,000

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	RMB'000
Cash consideration	50,000
Cash and bank balances disposed of	(2,359)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	47,641

28. PLEDGE OF ASSETS

Details of the Group's bank borrowings which are secured by the assets of the Group, are included in note 13, note 14 and note 23 to the Financial Information.

29. CONTINGENT LIABILITIES

The Group had the following contingent liabilities not provided for as at the respective reporting periods:

		As at 31 December		**As at 30 April**
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantees given to banks in connection with loans granted to:				
Related parties	198,933	307,933	50,000	30,000*
Third parties	115,200	128,440	5,500	–
	314,133	436,373	55,500	30,000

* This guarantee contract was released on 20 July 2010.

30. COMMITMENTS

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from six to ten years and the rental expense will be renewed every three years. At each of the reporting dates during the Relevant Periods, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December			As at 30 April
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Operating lease commitments:				
Within one year	–	–	–	1,200
In the second to fifth years, inclusive	–	–	–	2,400
	–	–	–	3,600

The Group had the following capital commitments at each of the reporting dates during the Relevant Periods:

	As at 31 December			As at 30 April
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:				
Investment in Honam Chemical Co., Limited ("Sanjiang Honam")	–	–	–	40,958
Plant and machinery	167,173	36,045	26,381	91,628
	167,173	36,045	26,381	132,586

Jiaxing Sanjiang and Honam Petrochemical Corp. entered into an agreement to establish a jointly-controlled enterprise in the PRC namely Sanjiang Honam. The registered capital of Sanjiang Honam is US$12,000,000. Each of Jiaxing Sanjiang and Honam Petrochemcial Corp. holds 50% of the shareholding interest in Sanjiang Honam.

31. RELATED PARTY TRANSACTIONS

Details of the Group's principal related parties are as follows:

Company	**Relationship**
Sure Capital	The parent and ultimate holding company
Guan Jianzhong	Ultimate controlling shareholder
Han Jianhong	Ultimate controlling shareholder
Han Jianping	Director of a subsidiary
Guan Songbiao	Close family member
Ge Zhiying	Close family member
Lai Youying	Close family member
Hangzhou Haoming	Fellow subsidiary
Jiahua Industrial Park Co	Fellow subsidiary
Jianghao Limited	Fellow subsidiary
Jianghao Property	Fellow subsidiary
Jianghao Investment	Fellow subsidiary
Jiaxing Xinggang Rewang Co., Limited ("Jiaxing Rewang")	Associate of fellow subsidiary

(a) In addition to the transactions detailed elsewhere in the Financial Information, the Group had the following material transactions with related parties during the Relevant Periods.

Group

		Year ended 31 December			Four months ended 30 April
		2007	**2008**	**2009**	**2010**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Purchases from:					
Jiahua Industrial Park Co	*(i)*	539	7,251	50,474	16,361
Jiaxing Rewang	*(i)*	15,500	19,235	3,285	1,120
		16,039	26,486	53,759	17,481
Rental income:					
Jiaxing Rewang		578	658	702	222
Rental expense:					
Hangzhou Haoming		–	–	–	100

Note:

(i) The purchases from the related party were made according to the published prices and conditions offered by the related party to its major customers.

(b) Outstanding balances with related parties:

Group

	As at 31 December			As at 30 April
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due from related parties:				
Equity holders	96,041	197,527	39,493	–
Jiahua Industrial Park Co	2	–	–	–
Jianghao Limited	2,996	30,057	32,292	–
Han Jianping	7,280	7,660	–	–
Ge Zhiying	5,000	5,000	–	–
Lai Youying	1,500	–	–	–
Jianghao Property	–	–	70,618	–
	112,819	240,244	142,403	–

	As at 31 December			As at 30 April
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due to related parties:				
Hangzhou Haoming	–	–	–	(582)
Jiahua Industrial Park Co	–	(4,605)	(4,587)	(2,514)
Lai Youying	–	(100)	(100)	(100)
Jiaxing Rewang	(3,938)	(4,283)	(1,191)	(529)
	(3,938)	(8,988)	(5,878)	(3,725)

	As at 31 December 2009	As at 30 April 2010
	RMB'000	*RMB'000*
Group and Company		
Due to the parent and ultimate holding company	(68,282)	(136,525)
Company		
Due from a subsidiary:		
Capitol International	301,806	317,423
Due to a subsidiary:		
Capitol International	(873)	–

The balances with related parties, the parent and ultimate holding company and a subsidiary are non-interest-bearing, unsecured and have no fixed terms of repayment.

(c) Outstanding balances with directors:

Group

	As at 31 December			As at 30 April
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due from directors:				
Han Jianhong	12,850	9,720	–	–
Guan Jianzhong	2,008	6,819	–	–
	14,858	16,539	–	–
Due to directors:				
Han Jianhong	(121,454)	(124,580)	(1,475)	–
Guan Jianzhong	–	–	(89)	(80)
	(121,454)	(124,580)	(1,564)	(80)

The balances with directors were non-trade in nature, unsecured, interest-free and had no fixed terms of repayment. The balances included net cash advances made between the Group and the directors and various payments made by the Group on behalf of the directors.

(d) Compensation of key management personnel of the Group:

	Year ended 31 December			Four months ended 30 April
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Short term employee benefits	658	835	1,144	418
Pension scheme contributions	7	8	10	5
Total compensation paid to key management personnel	665	843	1,154	423

Further details of directors' remuneration are included in note 9 to the Financial Information.

32. FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets

All the Group's financial assets as at the end of the reporting periods during the Relevant Periods, including trade and notes receivables, deposits and other receivables, amounts due from directors, related parties, pledged deposits and cash and cash equivalents are categorised as loans and receivables.

Financial liabilities

All the Group's financial liabilities as at the end of the reporting period during the Relevant Periods, including trade and bills payables, other payables, amounts due to directors, related parties and the parent and ultimate holding company and interest-bearing bank borrowings are categorised as financial liabilities at amortised cost.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and notes receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarized below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank borrowings. Some of these interest-bearing bank borrowings were obtained at floating interest rates, which have exposed the Group to fair value interest rate risk. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The interest rates and terms of repayments of borrowings are disclosed in note 23 above.

The following table demonstrates the sensitivity to a reasonably possible change in RMB interest rate's, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

Group

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax** *RMB'000*
Year ended 31 December 2007		
RMB	50	(14)
RMB	(50)	14
Year ended 31 December 2008		
RMB	50	(24)
RMB	(50)	24
Year ended 31 December 2009		
RMB	50	(35)
RMB	(50)	35
Four months ended 30 April 2010		
RMB	50	(44)
RMB	(50)	44

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. Approximately 50%, 92%, 80% and 74% of the Group's purchases for the years ended 31 December 2007, 2008 and 2009 and 30 April 2010, respectively, were denominated in currencies other than the functional currencies of the operating units making the sale, whilst almost 100% of sales for the Relevant Periods were denominated in the units' functional currencies. At present, the Group does not intend to seek to hedge its exposure to foreign exchange fluctuations. However, management constantly monitors the economic situation and the Group's foreign exchange risk profile and will consider appropriate hedging measures in the future should the need arises.

The following table demonstrates the sensitivity at each of the reporting dates during the Relevant Periods to a reasonably possible change in the United States dollar exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

Group

	Increase/ (decrease) in foreign currency rate	**Increase/ (decrease) in profit before tax**
	%	*RMB'000*
Year ended 31 December 2007		
If RMB weakens against United States dollar	5	(14,157)
If RMB strengthens against United States dollar	(5)	14,157
Year ended 31 December 2008		
If RMB weakens against United States dollar	5	(11,178)
If RMB strengthens against United States dollar	(5)	11,178
Year ended 31 December 2009		
If RMB weakens against United States dollar	5	(32,303)
If RMB strengthens against United States dollar	(5)	32,303
Four months ended 30 April 2010		
If RMB weakens against United States dollar	5	(20,540)
If RMB strengthens against United States dollar	(5)	20,540

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. The Group does not offer credit terms without the specific approval of the President and Chairman.

The credit risk of the Group's other financial assets, which comprise cash and short term deposits, amounts due from directors and related parties and deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty. At the end of 30 April 2010, the Group had certain concentrations of credit risk as 11% (2009: 26%, 2008: 24% and 2007: 32%) and 15% (2009: 36%, 2008: 38% and 2007: 47%) of the Group's trade and notes receivables were due from the Group's largest customer and the five largest customers, respectively.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and notes receivables and prepayments, deposits and other receivables are disclosed in note 18 and note 19, respectively, to the financial statements.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings to meet its working capital requirements.

The maturity profile of the Group's financial liabilities as at each of the reporting dates during the Relevant Periods, based on the contractual undiscounted payments, was as follows:

Group

	31 December 2007					
	On demand	**Less than 3 months**	**3 to less than 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	57,835	157,861	163,872	–	–	379,568
Other payables and accruals	118,205	49,343	2,334	10,790	–	180,672
Interest-bearing bank borrowings	–	244,006	337,802	75,200	28,491	685,499
Due to related parties	3,938	–	–	–	–	3,938
Due to directors	121,454	–	–	–	–	121,454
Guarantees given to banks in connection with facilities granted to related parties	–	–	–	198,933	–	198,933
Guarantees given to banks in connection with facilities granted to third parties	–	55,000	60,200	–	–	115,200
	301,432	506,210	564,208	284,923	28,491	1,685,264

	31 December 2008					
	On demand	**Less than 3 months**	**3 to less than 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	40,367	111,054	135,000	–	–	286,421
Other payables and accruals	16,889	36,349	67,354	31,433	12	152,037
Interest-bearing bank borrowings	–	380,282	277,463	171,445	–	829,190
Due to related parties	8,988	–	–	–	–	8,988
Due to directors	124,580	–	–	–	–	124,580
Guarantees given to banks in connection with facilities granted to related parties	–	40,000	214,000	53,933	–	307,933
Guarantees given to banks in connection with facilities granted to third parties	–	120,440	8,000	–	–	128,440
	190,824	688,125	701,817	256,811	12	1,837,589

	31 December 2009					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	16,907	198,249	38,927	–	–	254,083
Other payables and accruals	16,730	80,233	29,182	10,619	–	136,764
Interest-bearing bank borrowings	–	138,563	499,353	101,758	–	739,674
Due to related parties	5,878	–	–	–	–	5,878
Due to directors	1,564	–	–	–	–	1,564
Due to the parent and ultimate holding company	68,282	–	–	–	–	68,282
Guarantees given to banks in connection with facilities granted to related parties	–	20,000	–	30,000	–	50,000
Guarantees given to banks in connection with facilities granted to third parties	–	5,500	–	–	–	5,500
	109,361	442,545	567,462	142,377	–	1,261,745

	30 April 2010					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	216,945	70,639	11,605	1,317	–	300,506
Other payables and accruals	13,652	41,008	26,050	10,554	–	91,264
Interest-bearing bank borrowings	–	172,548	520,184	119,078	–	811,810
Due to related parties	3,725	–	–	–	–	3,725
Due to directors	80	–	–	–	–	80
Due to the parent and ultimate holding company	136,525	–	–	–	–	136,525
Guarantees given to banks in connection with facilities granted to related parties	–	–	–	30,000	–	30,000
	370,927	284,195	557,839	160,949	–	1,373,910

The maturity profile of the Company's financial liabilities as at each of the reporting dates during the Relevant Periods, based on the contractual undiscounted payments, was as follows:

Company

	31 December 2009					
	On demand	**Less than 3 months**	**3 to less than 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Due to the parent and ultimate holding Company	68,282	–	–	–	–	68,282
Due to a subsidiary	873	–	–	–	–	873
Due to directors	9	–	–	–	–	9
	69,164	–	–	–	–	69,164

	30 April 2010					
	On demand	**Less than 3 months**	**3 to less than 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Due to the parent and ultimate holding Company	136,525	–	–	–	–	136,525
	136,525	–	–	–	–	136,525

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt includes interest-bearing bank borrowings, amounts due to directors and related parties, trade, bills and other payables, accruals, less cash and cash equivalents and pledged deposits. Capital represents equity attributable to equity holders of the Company. The gearing ratios as at each of the reporting dates during the Relevant Periods were as follows:

	As at 31 December			As at 30 April
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	379,568	286,421	254,083	300,506
Other payables and accruals	180,672	152,037	136,764	91,264
Interest-bearing bank borrowings	648,287	786,963	719,486	789,131
Due to directors	121,454	124,580	1,564	80
Due to related parties	3,938	8,988	5,878	3,725
Due to the parent and ultimate holding company	–	–	68,282	136,525
Dividends payable	12,070	56,956	172,036	113,659
Less: Cash and cash equivalents	(115,321)	(65,365)	(109,205)	(143,919)
Pledged deposits	(214,924)	(229,592)	(236,547)	(343,942)
Net debt	1,015,744	1,120,988	1,012,341	947,029
Equity attributable to equity holders	194,129	301,850	234,360	281,140
Capital and net debt	1,209,873	1,422,838	1,246,701	1,228,169
Gearing ratio	84%	79%	81%	77%

34. EVENTS AFTER THE REPORTING PERIOD

On 11 May 2010, Sanjiang Honam, a jointly-controlled enterprise in the PRC, was established by Jiaxing Sanjiang and Honam Petrochemical Corp. The registered capital of Sanjiang Honam is US$12,000,000. The principal activities of Sanjiang Honam are the manufacture and sale of EO, ethylene glycol, oxygen, nitrogen and argon. Each of Jiaxing Sanjiang and Honam Petrochemical Corp. holds 50% of the shareholding interest in Sanjiang Honam.

During May to July 2010, the Company paid the dividend of RMB100,200,000 in cash to the holding company.

Pursuant to a share subscription agreement dated 6 May 2010 and entered into between Sure Capital and the Company, Sure Capital subscribed for an aggregate of 4,470 shares at par value of US$1 each at par and for a cash consideration of US$4,470.

35. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and the Group or any of the companies now comprising the Group in respect of any period subsequent to 30 April 2010. Save as disclosed in the report, no dividend has been declared of, made by the Company or any companies now comprising the Group in respect of any period subsequent to 30 April 2010.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong