三江化工
SANJIANG CHEMICAL

中國三江精細化工有限公司
CHINA SANJIANG FINE CHEMICALS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 2198

Annual Report 2017

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CHAIRMAN'S
STATEMENT

After the turnaround in 2016, the Group maintained its growth momentum in 2017 by achieving a net profit of approximately RMB690.8 million, an increase of approximately 25.0% when comparing to the net profit of RMB552.6 million in 2016, primarily attributable to the combined effects of the improvement of gross profit margin in midstream level of the Group (i.e. the process of converting Ethylene/Propylene to ethylene oxide ("**EO**"), ethylene glycol ("**EG**") and polypropylene ("**PP**")) by approximately 7% and the decline of gross profit margin in upstream level of the Group (i.e. the process of converting Methanol to Ethylene/Propylene) by approximately 11%, which demonstrated the success of the Group's established well-formulated strategies as to being a diversified vertical-integrated chemical group with a risk-balanced product mix.

The Board has recommended a final dividend of HK12.5 cents per share, together with the distribution of interim dividend, representing a dividend payout ratio of approximately 30% in total for the year ended 31 December 2017 (the "**year under review**").

2017 was a challenging year for our Group as certain macro environment variables, in particular, RMB, crude oil pricing and methanol pricing changed in a way beyond our estimation and expectation. Among those changes in macro environment variables, RMB and the crude oil pricing moved in a way that was favorable to the Group. RMB, our Group's functional currency and the currency that all of our revenues are denominated, appreciated apparently in 2017 when comparing to 2016, which contributed to the Group in terms of various areas, in particular, lower procurement costs as majority of our procurements are denominated in USD and exchange gain (2017: net foreign exchange gain of approximately RMB62 million vs. 2016: net foreign exchange loss of approximately RMB114 million), while the appreciation of RMB also had an adverse impact to the Group in terms of investment loss of approximately RMB108 million in respect of hedge arrangements entered into by the Group in 2016 for the purpose of mitigating the market risks in respect of the depreciation of RMB in 2015 and 2016. Another unexpected favorable change of macro environment variables to the Group is the stabilization of crude oil pricing in first half of 2017 and the further upward movement of crude oil pricing in second half of 2017, which improved the market sentiments across the oil and chemical sector (the "**Sector**") and it led to stronger demands for crude oil-derivative products like EO, EG and PP and, in turn, the improvement of gross profit margin in midstream level of the Group.

Methanol pricing, however, moved in an unexpected unfavorable way to the Group during the year under review. Methanol cost counts approximately two-third towards the feedstock procurement cost and methanol pricing increased by approximately 36% (on a simple average basis) from approximately RMB2,100/MT in 2016 to approximately RMB2,850/MT in 2017 while the direct downstream outputs of Methanol, being Ethylene and Propylene from our perspective, only increased by approximately 8% and 21% (on a simple average basis) respectively during the corresponding period, which led to the decline of gross profit margin in upstream level of the Group by approximately 11% in 2017. The unexpected price movements of Methanol was considered to be primarily attributable to a number of factors: 1) there has been a delay of new supply of Methanol that the market has been expecting as a result of new production capacity from Iran of approximately 4 million MT on an annual basis since early 2017 and such delay affected the market sentiment as to Methanol pricing and led to supply crunch of Methanol (from the perspective of producers in the People's Republic of China ("**PRC**") focusing on importing Methanol from overseas through vessels) in certain extent given the fact that the total volume of Methanol importing from overseas into PRC was expected to be approximately 9 million MT in 2017; 2) there has been more regulatory pressures and measures in terms of environmental protection in light of the growing concern over air-pollution which limited the output of coal, being one of the two major feedstocks for Methanol production in PRC, in particular, during winter and the additional costs incurred for environmental-related facilities and measures also pushed up the Methanol pricing; and 3) there was a new regulatory trend coming out since November 2017 which required burning less coal and using more nature gas, being another one of the two major feedstocks for Methanol production in PRC, for residential heating purpose during winter, which led to the shortage of natural gas as it limited the natural gas usage at industrial and chemical plants.

To respond to the aforesaid unexpected price movements of Methanol, during the year under review, the Group implemented a number of measures for Methanol To Olefins ("**MTO**") production facility, which included but not limited to adjusting production capacity of MTO in certain timings and adjusting timings and volume for Methanol procurement to mitigate the adverse impacts to the Group. The Group considers that the Methanol pricing will return to a lower level gradually after the expected ramp up of the aforesaid new capacity from Iran in 2018 and, on a medium term basis, the Group believes Methanol pricing will eventually come down to a similar level of 2016, representing approximately RMB2,100/MT in average on a yearly basis as the Group is of the view that RMB2,100/MT in average is an equilibrium level for: 1) the demand side, in the event of the MTO production facilities, being the most major demand catalyst for Methanol in the last few years, failing to operate with certain profit margins, any new expansion plans in respect of MTO production facilities would be put on hold and existing players would decrease their production capacities and in turn, dragging down the demand for Methanol; and 2) the supply side, which is the Methanol producers, who have been making substantial profits due to the low feedstock costs for them, keeping aggressive expansion plans for Methanol production facilities and, in turn, pushing up the supply for Methanol on a medium term basis.

Nevertheless, the Group has well defined its competitive position by implementing very rigorous measures during the course of executing and monitoring the construction and ramp-up of its MTO production facility as well as its other production facilities over the period from the tendering process of construction to commercial operation stage and during the normal course of operations, which enabled to the Group to lower the capital expenditures and the operating costs as much as possible, which would provide the Group with the competitive advantage to outperform the other players in the industry on a medium and long term.

During the year under review, revenue of the Group increased by approximately 33.9% when comparing to 2016, primarily resulted from: 1) as the sales price of ethylene glycol soared in 2017, the average selling price increased by approximately 34.0% from approximately RMB4,578/MT in 2016 to approximately RMB6,136/MT in 2017. Therefore, the Group expanded the production capacity of ethylene glycol in the 5th phase ethylene oxide/ethylene glycol production facility, leading to the increase of sale volume by 44.5%, which in turns resulting in an increase in sales of ethylene glycol by approximately RMB1.057 billion or 93.6%; and 2) compared with 2016, sales of polypropylene business line increased by approximately 33.2% as the average price of propylene increased by approximately 21.0% (calculated on a simple average basis). Net profit attributable to shareholders was approximately RMB690.8 million and basic earnings per share was approximately RMB67.30 fens, for the year ended 31 December 2017, representing increases of approximately 25.0% and 20.0% respectively as compared with 2016, which was primarily attributable to the increase in overall gross profit by 19.7%, primarily resulted from the increases in average selling price of EG line of businesses by approximately 34.0% in 2017.

We are now in the progress of finalising the fine-tuning of the production processes of the 5th Phase EO/EG production facilities and expect the total output of the 5th Phase EO/EG production facilities will increase by more than 20% on a yearly basis. We are also finalising the construction of the 2nd Phase PP production facility, which has a 300,000MT production capacity on a yearly basis. Going forward, we will continue to pursue our established well-formulated strategies by being a more diversified vertical-integrated chemical group and we will keep assessing our product mix from time to time in terms of the balance of risk and the flexibility of adjustments in response to the market changes.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to express my thanks to our shareholders, banks, customers and vendors for their supports and trusts as well as our management and all staffs for their hard workings and commitments during the year.

GUAN Jianzhong
Chairman
PRC, 26 March 2018

MANAGEMENT
DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

Revenue

The breakdown by line of business in terms of revenue, sales volume, average selling price and gross profit margin during the years under review are set forth below:

	Full year 2017	% of revenue	Full year 2016	% of revenue	Variance +/(−)
REVENUE (RMB'000)					
Ethylene oxide	**2,851,373**	**32%**	2,683,430	40%	6.3%
Ethylene glycol	**2,186,596**	**25%**	1,129,261	17%	93.6%
Polypropylene	**2,155,791**	**24%**	1,618,495	24%	33.2%
Surfactants	**589,359**	**7%**	461,859	7%	27.6%
MTBE/C4	**455,076**	**5%**	356,612	5%	27.6%
C5	**288,240**	**3%**	190,948	3%	51.0%
Others	**370,708**	**4%**	206,414	3%	79.6%
	8,897,143	**100%**	6,647,019	100%	33.9%
SALES VOLUME (MT)					
Ethylene oxide	**350,618**		366,042		−4.2%
Ethylene glycol	**356,373**		246,672		44.5%
Polypropylene	**317,809**		298,057		6.6%
Surfactants	**162,755**		154,738		5.2%
MTBE/C4	**99,879**		101,185		−1.3%
C5	**63,596**		45,016		41.3%
AVERAGE SELLING PRICE (RMB)					
Ethylene oxide	**8,132**		7,331		10.9%
Ethylene glycol	**6,136**		4,578		34.0%
Polypropylene	**6,783**		5,430		24.9%
Surfactants	**3,621**		2,985		21.3%
MTBE/C4	**4,556**		3,524		29.3%
C5	**4,532**		4,242		6.9%
GROSS PROFIT MARGIN (%)					
Ethylene oxide	**22.3%**		26.7%		−4.4%
Ethylene glycol	**22.0%**		15.4%		6.6%
Polypropylene	**−9.4%**		−5.9%		−3.5%
Surfactants	**20.3%**		13.6%		6.7%
MTBE/C4	**6.1%**		−0.1%		6.2%
C5	**−0.4%**		−0.5%		0.1%

Ethylene oxide sales

During the year under review, the revenue from EO line of business increased by approximately 6.3% when compared to 2016, which was primarily resulted from the combined effect of the increase in average selling price of EO by approximately 10.9% and the decrease in EO sales volume by approximately 4.2% as the Group tuned the 5th phase EO/EG production facilities, which is a swing production facility in terms of EO and EG outputs, to maximise the output for EG in view of the fact that the selling price of EG soared in 2017 with average selling price increased by approximately 34.0% in 2017.

Ethylene glycol sales

During the year under review, the revenue from EG line of business increased by approximately 93.6% when compared to 2016 as the Group maximized the output capacity and, in turn, the sales volume of EG for the 5th phase EO/EG production facilities by approximately 44.5% as the selling price of EG soared in 2017 with average selling price increased by approximately 34.0% from approximately RMB4,578/MT in 2016 to approximately RMB6,136/MT in 2017

Polypropylene sales

During the year under review, the revenue from polypropylene line of business increased by approximately 33.2% when compared to 2016, which was primarily resulted from the increase in average price of Propylene by approximately 21.0% (on a simple average basis) in 2017 when comparing to 2016 which pushed up the selling price of polypropylene.

Gross profit margin

Overall gross profit margin decreased by approximately 1.4%, primarily resulted from the increase in Methanol pricing by approximately 36% (on a simple average basis) from approximately RMB2,100/MT in 2016 to approximately RMB2,850/MT in 2017 while the direct downstream outputs of Methanol, being Ethylene and Propylene from our perspective, only increased by approximately 8% and 21% (on a simple average basis) respectively during the corresponding period.

Administrative expenses

Administrative expenses consist mainly of staff related costs, various local taxes and educational surcharge, depreciation, amortization of land use rights, operating lease rental expenses, audit fee and miscellaneous expenses.

LIQUIDITY AND FINANCIAL RESOURCES

Financial position and bank borrowings

The Group had cash and bank balances of approximately RMB273.7 million (2016: approximately RMB348.2 million), most of which were denominated in Renminbi. The Group had interest-bearing borrowings of approximately RMB2,351.6 million as at 31 December 2017 (2016: approximately RMB3,717.3 million).

The Group's gearing, expressed as a percentage of total interest-bearing borrowings to total assets, was 27.1% as at 31 December 2017 as compared to 42.9% as at 31 December 2016. The Group has a gearing guidance of not more than 66.7% on total interest-bearing borrowings to total assets basis, which management considers is a better measure when comparing to total interest-bearing borrowings to total equity basis as the Group will have rapid expansion of various production facilities in the coming years and there is a time lag of approximately 2 years between the construction period of production facilities and the profit and revenue generated from these facilities.

Working capital

The inventory turnover days maintained in a similar level during the year under review (2017: 40.5 days; 2016: 38.9 days).

The trade and notes receivables turnover days maintained at a relatively low level in both 2017 and 2016 (2017: 10.6 days; 2016: 24.0 days).

The trade and notes payables turnover days maintained at a similar level in both 2017 and 2016 (2017: 65.9 days; 2016: 86.1 days).

CAPITAL COMMITMENTS

As at 31 December 2017, the Group had capital commitments amounted to approximately RMB16.9 million which was primarily related to the procurement of plant and machinery for the constructions of additional production capacities.

CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	2017	2016
	RMB'000	RMB'000
Guarantees given to banks in connection with facilities granted to:		
A related party/joint venture	**787,200**	649,358
A joint operation	**—**	265,898
	787,200	915,256

As at 31 December 2017, the banking facility granted to a related party subject to guarantees given to banks by the Group was utilised to the extent of approximately RMB295,227,000 (2016: RMB89,989,000). The banking facility granted to a joint operation doesn't exist (2016: RMB120,573,000).

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2017, the Group employed a total of 1,049 full-time employees (2016: 1,054 employees). For the year ended 31 December 2017, the employee benefit expense was approximately RMB166.8 million (2016: approximately RMB146.2 million). The Group's employee benefits included housing subsidies, shift subsidies, bonuses, allowances, medical check-up, staff quarters, social insurance contributions and housing fund contributions. The remuneration committee of the Company reviews such packages annually, or when the occasion requires. The executive Directors, who are also employees of the Company, receive remuneration in the form of fees, salaries, bonuses and other allowances.

DIRECTORS
AND SENIOR MANAGEMENT

Directors and Senior Management

BIOGRAPHIES OF DIRECTORS

GUAN Jianzhong (管建忠)

aged 49, has been an executive Director since 22 March 2010. Mr. Guan is also the Chairman of the Board and one of the founders of the Group. He is primarily responsible for the overall management and strategy of our Group. Mr. Guan is also a director of each of the subsidiaries of our Group and has over 30 years of experience in the chemical industry.

Mr. Guan completed a training course in business administration at a management training centre of Zhejiang University (浙江大學) in 2007 and a corporate management training course at Tsinghua University (清華大學) in October 2009. Mr. Guan has been serving as the chairman of the board of directors of both Zhejiang Jiahua Group Co., Ltd.* (浙江嘉化集團股份有限公司) and Zhejiang Jiahua Energy Chemical Co., Ltd. ("**Jiahua Energy**") (which was formerly known as Zhejiang Jiahua Industrial Park Investment and Development Co., Ltd.) since 2008. Zhejiang Jiahua Group Co., Ltd. and Jiahua Energy are principally engaged in the manufacturing and supply of agrochemicals and desalinated water and steam in Zhejiang Province, the PRC and both companies are not in competition with the Group. Mr. Guan is the spouse of Ms. Han Jianhong, an executive Director, and the brother-in-law of Mr. Han Jianping, an executive Director. Mr. Guan is a director of Sure Capital Holdings Limited, which together with Mr. Guan himself beneficially owned approximately 41.89% of the issued share capital of the Company.

HAN Jianhong (韓建紅)

aged 43, has been an executive Director since 22 March 2010. Ms. Han is also one of the founders of the Group. She is primarily responsible for the business planning, business structuring and restructuring, overseeing legal matters and investor relations of the Group. Ms. Han is also a director of various subsidiaries of the Group and has over 17 years of experience in the chemical industry. Ms. Han is the spouse of Mr. Guan Jianzhong, an executive Director, and the sister of Mr. Han Jianping, an executive Director.

HAN Jianping (韓建平)

aged 46, has been an executive Director since 24 August 2010. He is primarily responsible for the sales of the Group. Mr. Han is also a director of certain subsidiaries of the Group and has over 22 years of experience in the chemical industry. Mr. Han is the brother of Ms. Han Jianhong, an executive Director, and the brother-in-law of Mr. Guan Jianzhong, an executive Director. Mr. Han joined the Group in 1998.

RAO Huotao (饒火濤)

aged 44, was recently apportioned as an executive Director on 15 March 2017. He is primarily responsible for the project management of the Group. Mr. Rao obtained a bachelor's degree in chemical process from Wuhan Institute of Technology in 1996 and a master's degree in chemical engineering from Zhejiang University in 2008 and has over 21 years of experience in the chemical manufacturing industry. Mr. Rao joined the Group in 2010.

SHEN Kaijun (沈凱軍)

aged 50, has been an independent non-executive Director since 24 August 2010. He is the chairman of the audit committee and a member of the nomination committee of the Company. Mr. Shen graduated with a bachelor's degree in accounting from Hangzhou Institute of Electronic Engineering (杭州電子工業學院) in 1995 and was admitted as a certified public accountant in China in December 1993. Mr. Shen was further awarded the qualifications as a licensed certified accountant to engage in securities-related businesses in July 1997 and a certified tax agent in June 2000. Mr. Shen has over 25 years of experience in accounting and corporate management.

PEI Yu (裴愚)

aged 46, has been an independent non-executive Director since 30 June 2014. She is a member of all the audit committee, the remuneration committee and the nomination committee. Ms. Pei graduated from the Beijing Normal University (北京師範大學) with a bachelor degree in arts in June 1992 and obtained a double degree in laws from China University of Political Science and Law (中國政法大學) in June 1997. Ms. Pei has more than 16 years of experience in the legal field in China.

KONG Liang (孔良)

aged 52, has been an independent non-executive Director since 25 July 2016. He is a member of the audit committee and the remuneration committee. Mr. Kong obtained a bachelor's degree in management science from the Fudan University in 1988, a master's degree in economics from the University of International Business and Economics in 1991, a master's degree in business administration from the Nyenrode Business Universiteit in 1995 and a doctrine degree in education economics and management from Peking University in 2011. Mr. Kong has more than 16 years of experience in providing higher education course in business management.

BIOGRAPHIES OF SENIOR MANAGEMENT

CHEN Xian (陳嫻)

aged 43, is the secretary of the Board and the chief accountant of the Group. Ms. Chen is primarily responsible for the financial management of the Group. Ms. Chen graduated with a diploma in accounting from the Hangzhou Institution of Commerce of Zhejiang Gongshang University (浙江工商大學杭州商學院) in 1996 and a bachelor's degree in accounting from Renmin University of China (中國人民大學) in 2013. She joined the Group in 2009.

DING Rong Guo (丁嶸國)

aged 42, is the head of production department of the Group. Mr. Ding is primarily responsible for the production management and safety and environment protection of the Group. He joined the Group in 2004.

YIP Ngai Hang (葉毅恒)

aged 41, is the financial controller and company secretary of the Group. Mr. Yip is primarily responsible for the overall planning, financial reporting and budgeting and implementing business strategies of the Group. Mr. Yip graduated with a bachelor's degree in Accounting with Honours from the University of Hertfordshire in the United Kingdom in 1999. He joined the Group in 2010.

If there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of names or any descriptions in Chinese which are marked with "*" is for identification purpose only.

ENVIRONMENTAL,
SOCIAL AND GOVERNANCE REPORT

The Company is committed to undertake corporate social responsibility ("**CSR**") and considers CSR as a long-term worthy commitment. The Company is also committed to incorporating the concept of sustainable development into its business operations and management processes to better achieve an all-win situation and comprehensive development for the economy, society and the environment. This report covers the financial year ended 31 December 2017 and discloses the Company's CSR approach, strategy, priorities and objectives.

This report has been reviewed and approved by the board (the "**Board**") of directors (the "**Directors**") of the Company after their discussion with the relevant management of the Group regarding the effectiveness of the relevant CSR systems.

REPORT SCOPE

This report covers the core business of the Company and its subsidiaries (collectively, the "**Group**") in the PRC, namely manufacturing and supplying of ethylene oxide, ethylene glycol, polypropylene and surfactants and the provision of processing services. This report covers the Company and all its subsidiaries.

ENVIRONMENTAL ASPECTS

Emission

The Group has a policy in place to pursue emission reduction vigorously and to the best knowledge of the Directors, during the year ended 31 December 2017 and up to the date of this report, the Directors are not aware of any non-compliance with relevant laws and regulations regarding emissions including air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

The management of the Group always looks for ways to improve emission reduction. Being a vertical-integrated chemical group, the management of the Group believes any outputs from its production processes can be reused/recycled in a certain extent as inputs in other production processes. During the year under review, the Group implemented some test-run fine-tuning programs for the purpose of reusing certain heats/gas generated during the production processes which led to some fluctuation in emissions.

Key performance indicators	2017	2016
Compliance rate for wastewater discharge (%)	**100.0**	100.0
Change in industrial water consumption (%)	**−9.6**	0.4
Change in COD in wastewater (%)	**6.1**	1.1
Change in SO_2 emission (%)	**0.0**	0.0
Change in nitrogen oxides emission (%)	**65.5**	0.0
Change in ammoniac nitrogen emission (%)	**6.1**	1.1
Investment in environmental protection (RMB million)	**20.1**	16.9

Use of Resources

The Group has a policy in place to pursue energy conservation and improvement of resource utilization rate vigorously.

Being a vertical-integrated chemical group, the management of the Group always looks for ways to improve energy conservation and resource utilization rate as the management of the Group believes improvement of energy conservation or resource utilization rate can lead to the increase in production efficiency and in turn the increase in gross profit margin. The Group has been fine-tuning the structure of certain pipelines in order to use spare heats from certain production facilities to generate low pressure steam as well as exploring ways to use low pressure steam to replace high pressure steam for the chemical reactions of other facilities and for certain production processes respectively which will reduce the overall energy/heat losses and save operating costs. The management of the Group considers it as a long-term ongoing measure, which leads to the procurement requirement on low pressure steam on a group basis decreasing over times.

The Environment and Natural Resources

The Group has a policy in place to pursue the minimisation of the Group's impact on the environment and natural resources.

The Group puts continuing efforts in raising the environmental consciousness of its employees by imposing various measures. For instance, (i) when outdoor temperature drops to 25°C, all air-conditioners in production facilities would be turned off; and (ii) the Group has been working towards a no-paper working environment since 2015, with the transaction/agreement approval system substantially upgraded to paperless since 2016.

SOCIAL

Employment

The Group has a policy in place to cover employee compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. To the best knowledge of the Directors, during the year ended 31 December 2017 and up to the date of this report, the Directors are not aware of any non-compliance with relevant laws and regulations regarding employee compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

The Group values its employees and offers competitive packages to attract and retains qualified employees by providing competitive remuneration and pension, career advancement opportunity, and various benefits in kind. Salaries are reviewed and adjusted regularly based on performance appraisals and the market trend.

Key performance indicators	2017	2016
Total number of employees	**1,049**	1,054
Total number of male employees	**890**	880
Total number of female employees	**159**	174
Total number of employees	**1,049**	1,054
Total number of full-time employees	**1,049**	1,054
Total number of part-time employees	**0**	0
Total number of employees	**1,049**	1,054
Within the age group of 18–35	**746**	772
Within the age group of 36–55	**292**	272
Within the age group of >55	**11**	10
Turnover rate of employees	**12.0%**	10.1%
Turnover rate of male employees	**12.5%**	9.9%
Turnover rate of female employees	**9.4%**	11.5%
Turnover rate of employees	**12.0%**	10.1%
Within the age group of 18–35	**14.9%**	12.3%
Within the age group of 36–55	**4.5%**	3.3%
Within the age group of >55	**18.2%**	30.0%

Health and Safety

The Group has a policy in place to ensure a safe working environment and protect employees from occupational hazards. To the best knowledge of the Directors, during the year ended 31 December 2017 and up to the date of this report, the Directors are not aware of any non-compliance with relevant laws and regulations in terms of providing a safe working environment and protecting employees from occupational hazards.

Being a vertical-integrated chemical group, the management of the Group always put safe working environment and safe production in the highest priority as the management of the Group believes it is the key of ensuring the sustainability of the Group on a long-term basis. The management of the Group regularly reinforces the importance of safe working environment and safe production in managerial meetings that are usually held on a quarterly basis. In addition, the Group also regularly reviews procedures and provides training to its employees as to safe working environment and safe production in order to raise their awareness and cautiousness.

Since 2016, the Group has launched a long-term campaign called "**safety and healthy cup**" encouraging competitions among all operating departments in terms of safe working environment and safe production. The "**safety and healthy cup**" is a reward system that departments and staffs with outstanding performance would be rewarded, while departments and staffs with poor performance would be penalised. Besides, in order to raise the health awareness of all employees, the Group also launched an annual health check-up programme since 2013, in which the Group provides additional day-off and all medical subsidies to ensure all employees having a thorough health check-up in hospital each year.

Key performance indicators	2017	2016
Number of work-related fatalities	**0**	0
Rate of work-related fatalities (as a% of total employees)	**0**	0
Lost days due to work injury	**0**	0

Development and Training

The Group has a policy in place to ensure that comprehensive trainings are provided to employees on a regular basis. The Group fully understands the importance of provision of training to its employees and how it creates value to the Group in a long run. The Group is committed to hire different external training institutions to provide relevant and comprehensive trainings to its employees at all grades in each year.

Key performance indicators	2017	2016
Total number of employees received training	**1,049**	1,054
Total number of male employees received training	**890**	880
Total number of female employees received training	**159**	174
Total number of senior management received training	**16**	16
Total number of middle management received training	**51**	54
Total number of the rest of staffs received training	**982**	984
Average training hours for male employee	**12 days**	12 days
Average training hours for female employee	**12 days**	12 days
Average training hours for senior management	**20 days**	20 days
Average training hours for middle management	**20 days**	20 days
Average training hours for the rest of staffs	**12 days**	12 days

Labour Standards

The Group has a policy in place to prevent child and forced labour from hiring and working within the Group. To the best knowledge of the Directors, during the year ended 31 December 2017 and up to the date of this report, the Directors are not aware of any non-compliance with relevant laws and regulations in terms of hiring and having child and forced labour work within the Group.

The Group has rigorous recruitment procedures and guidelines which set out the basic requirements of each posts, including the education background, age, probation period, promotion path etc.. Each job applicant would be required to fill in his/her information on a recruitment questionnaire, which would then be checked and verified by the Group's human resource department to ensure the accuracy of the information provided and to ensure the Group's compliance of relevant laws and regulations in terms of hiring child and forced labour, working permission etc.. Such exercise enables the Group to hire suitable candidate in accordance with the job requirements.

Supply Chain Management

The Group has a policy in place to manage the environmental and social risks of the supply chain. The Group implements a set of strict procedures as to suppliers selection, product/service selection and timing of procurement for raw materials and all these decisions are required to be approved by the Chairman of the Board. The Group maintains a supplier Enterprise Resource Planning ("**ERP**") system which requires vetting and registration for every supplier and the finance department of the Group would only be able to process payments to suppliers that have been properly registered and approved in the supplier ERP system. The supplier ERP system sets out a list of procedures and questionnaires to be documented, requiring a certain level of due diligence works to be performed on company background, credibility, operation capacity and track record, management background etc..

The Group also implements a set of strict procedures as to tendering for construction works for production facilities, buildings and properties in order to provide a fair and transparent platform for securing the best suppliers and the best pricing. The Chairman of the Board attends and chairs every meeting as to bid opening to ensure a fair tendering process.

Key performance indicators	2017	2016
Number of suppliers (i.e. major suppliers with annual procurement amount of more than RMB1 million) in PRC	**160**	39
Number of suppliers (i.e. major suppliers with annual procurement amount of more than RMB1 million) Overseas	**24**	14

Product Responsibility

The Group has a policy regarding product responsibility in place to cover issues like product safety, advertising, labeling etc. To the best knowledge of the Directors, during the year ended 31 December 2017 and up to the date of this report, the Directors are not aware of any non-compliance with relevant laws and regulations relating product safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.

Being a vertical-integrated chemical group, the Group's major products like ethylene oxide, ethylene glycol and polypropylene are all crude oil derivative, standardised and intermediate products and given these product natures, the Group focuses its businesses with long-term recurring customers and it is the Group's practice to enter into long-term volume contracts with these customers. Similar to the Group's supplier ERP system, the Group implements a customer ERP system to facilitate customer selection which requires vetting and registration for every customer and the production department of the Group would only be in the position to deliver the goods to customers that have been properly registered and approved in the customer ERP system. The customer ERP system sets out a list of procedures and questionnaires requiring a certain level of due diligence to be conducted on company background, credibility, operation capacity and track record, management background etc. The Group would go through and confirm the product specification details with new customers during the course of setting up accounts in the customer ERP system as well as entering into long-term volume contracts with new customers.

Anti-corruption

The Group has a policy in place to prohibit from any wrongdoing in respect of bribery, extortion, fraud and money laundering. To the best knowledge of the Directors, during the year ended 31 December 2017 and up to the date of his report, the Directors are not aware of any non-compliance with relevant laws and regulations regarding bribery, extortion, fraud and money laundering.

The Group implements a code of conduct that requires all Directors and employees of the Group adhering to a high standard of integrity, avoiding situations that would compromise with conflicts of interest, assets misappropriation and making appropriate declarations/reporting to the Directors in due course.

Community Investment

The Group has a policy in place as to community engagement where the Group has been working closely with the local government in providing various assistances to the local community. The Group has been providing funding assistance to run a regular direct bus line between Zhapu, the local region where the headquarter of the Group is located at, and Shanghai to improve the communication of people with Shanghai since 2013. The Group has been keeping the dialogues with local education institutions and local labour unions as to the employment needs and the Group has been providing the accommodative measures in this aspects.

CORPORATE
GOVERNANCE REPORT

Corporate Governance Report

The board of directors (the "**Board**") believes that good corporate governance will not only improve management accountability and investor confidence, but also will lay a good foundation for the long-term development of the Group. The Board reviews the corporate governance practices of the Group from time to time in order to fulfill its commitment to excellence in corporate governance and comply with the increasingly stringent regulatory requirements.

The Company has adopted the code provisions in the Corporate Governance Code ("**CG Code**"), including any revisions and amendments from time to time, as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as its own code of corporate governance. The Board considers that the Company has complied with all the code provisions of the CG Code during the year ended 31 December 2017 and up to the date of this annual report.

BOARD OF DIRECTORS

The Board takes full responsibility of supervising and overseeing all major matters of the Company, including the formulation and approval of overall management and operation strategies, reviewing the internal control and risk management systems, reviewing financial performance, considering dividend policies and monitoring the performance of the senior management, while the management is responsible for the daily management and operations of the Group.

The Board currently comprises:

Executive Directors:
Mr. Guan Jianzhong *(Chairman)*
Ms. Han Jianhong
Mr. Han Jianping
Mr. Rao Huotao (appointed on 15 March 2017)
Mr. Niu Yingshan (resigned on 15 March 2017)

Independent non-executive Directors:
Mr. Shen Kaijun
Ms. Pei Yu
Mr. Kong Liang

The Board currently comprises four executive Directors and three independent non-executive Directors from different business and professional fields. The profiles of each Director are set out in the "**Directors and Senior Management**" section in this annual report. The Directors, including the independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective delivery of the Board functions.

Mr. Guan Jianzhong ("**Mr. Guan**"), the Chairman of the Board and an executive Director, is the spouse of Ms. Han Jianhong ("**Ms. Han**"), one of the executive Directors. Mr. Han Jianping, an executive Director, is the brother and brother- in-law of Ms. Han and Mr. Guan respectively. Save as disclosed, there is no other relationship (whether financial, business, family or other material/relevant relationship) among members of the Board.

The Company has received from each of Mr. Shen Kaijun, Ms. Pei Yu and Mr. Kong Liang, the independent non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors meet the independence criteria set out in Rule 3.13 of the Listing Rules.

The Board has established various Board committees including the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**") and the nomination Committee (the "**Nomination Committee**") with written terms of reference as suggested under the CG Code. Further details of these committees are set out below.

BOARD MEETINGS

The Company has adopted the practice of holding Board meetings regularly for at least four times in a period of 12 months at approximately quarterly intervals to discuss, among other matters, the financial performance and the business operation and strategic development of the Group. Ad-hoc meetings will also be held if necessary. Notice of Board meeting will be sent to all Directors at least 14 days prior to a regular Board meeting. Reasonable notice will be given to the Directors for ad-hoc Board meetings. Directors may participate either in person or through electronic means of communication.

Agenda and Board papers with complete and reliable information are sent to all the Directors in a timely manner before the meetings. All the Directors are provided with sufficient resources to discharge their duties and there are agreed procedures for the Directors to seek independent professional advice at the Company's expenses in appropriate circumstances. All Directors will have the opportunity to include matters in the agenda for Board meetings. The company secretary of the Company is responsible for keeping the minutes of Board meetings and meetings of Board committees. All minutes are open for inspection by any Director at reasonable time on reasonable notice.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for a period of three years and each of the independent non-executive Directors has been appointed for a period of two years.

In accordance with the Company's Articles of Association, at each annual general meeting of the Company, one-third of the Directors shall retire from office by rotation and every Director shall be subject to retirement at least once every three years. Director(s) newly appointed by the Board shall hold office until the next following general meeting of the Company and shall then be eligible for re-election at the meeting.

Newly appointed Director(s) will be given an induction on the information of the Group and a manual on the duties and responsibilities as a director of a listed company under the Listing Rules and applicable laws.

BOARD COMMITTEES

Audit Committee

As at the date of this report, the Audit Committee consists of three members, namely Messrs. Shen Kaijun, Kong Liang and Ms. Pei Yu, all of whom are independent non-executive Directors. The chairman of the Audit Committee is Mr. Shen Kaijun. The primary responsibilities of the Audit Committee include, among others, reviewing and supervising the financial reporting process and internal control system of the Group, nominating and monitoring external auditors and providing advice and comments to the Board.

During the year ended 31 December 2017 and up to the date of this annual report, the Audit Committee reviewed the interim results of the Group for the six months ended 30 June 2017 and the annual results of the Group for the year ended 31 December 2017, including the accounting principles and practices adopted by the Group, and the Group's internal control functions.

Remuneration Committee

As at the date of this report, the Remuneration Committee consists of three members, namely Messrs. Kong Liang, Guan Jianzhong and Ms. Pei Yu of whom Mr. Kong Liang and Ms. Pei Yu are independent non-executive Directors and Mr. Guan Jianzhong is the Chairman of the Board and an executive Director. The chairman of the Remuneration Committee is Ms. Pei Yu. The primary responsibilities of the Remuneration Committee include, among others, evaluating the performance and making recommendation on the remuneration package of the Directors and senior management, and evaluating and making recommendation on the share award plan of the Company.

During the year ended 31 December 2017 and up to the date of this annual report, one meeting was held by the Remuneration Committee to review the remuneration packages of the Directors and senior management for the year ended 31 December 2017.

Nomination Committee

As at the date of this report, the Nomination Committee consists of three members, namely Messrs. Guan Jianzhong and Shen Kaijun and Ms. Pei Yu, of whom Mr. Shen Kaijun and Ms. Pei Yu are independent non-executive Directors and Mr. Guan Jianzhong is the Chairman of the Board and an executive Director. The chairman of the Nomination Committee is Mr. Guan Jianzhong. The primary responsibilities of the Nomination Committee include, among others, considering and recommending to the Board suitably qualified persons to become the member of the Board and reviewing the structure, size and composition of the Board on a regular basis and as required.

During the year ended 31 December 2017 and up to the date of this annual report, two meeting was held by the Nomination Committee to discharge duties, including assessing the independency of independent non-executive directors under the Listing Rules and review the Board diversity policy and terms of reference.

The attendance of individual members of the Board and other Board committees meetings during the year ended 31 December 2017 and up to the date of this annual report is set out below:

	Meetings attended/held			
	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors				
Mr. Guan Jianzhong *(Chairman)*	10*/10	N/A	1/1	2/2
Ms. Han Jianhong	10*/10	N/A	N/A	N/A
Mr. Han Jianping	4/10	N/A	N/A	N/A
Mr. Rao Huotao (appointed on 15 March 2017)	4/10	N/A	N/A	N/A
Mr. Niu Yingshan (resigned on 15 March 2017)	0/10	N/A	N/A	N/A
Independent Non-Executive Directors				
Mr. Shen Kaijun	4/10	2/2	N/A	2/2
Ms. Pei Yu	4/10	2/2	1/1	2/2
Mr. Kong Liang	4/10	2/2	1/1	N/A

* Out of the 10 board meetings, 6 were held specifically to discuss the Company's finance and administrative matters in Hong Kong instead of the operations of the Group as a whole and Executive Directors responsible for other businesses of the Group and Independent Non-Executive Directors were invited to join on a voluntary basis.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules as its model code for securities transactions by Directors and senior management. Having made specific enquiries, all the Directors confirmed that they have complied with the Model Code during the year ended 31 December 2017 and up to the date of this annual report.

FINANCIAL REPORTING AND INTERNAL CONTROL

Financial reporting

The Board, supported by the financial controller and the finance department of the Group, is responsible for the preparation of the financial statements of the Group. The Board has prepared the financial statements in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. Appropriate accounting policies have also been used and applied consistently. The Board aims to present a clear and balanced assessment of the Group's performance in the annual and interim reports to the shareholders, and make appropriate disclosure and announcement in a timely manner.

The Directors consider that the Group has adequate resources to continue the business for the foreseeable future and are not aware of any material uncertainties which may cast significant doubt upon the Group's ability to continue as going concern.

Independent auditors

During the year ended 31 December 2017, the professional fees paid or payable to the independent auditors, Ernst & Young, for services rendered are set out below:

	RMB'000
Annual audit service	1,880

The independence of the external auditors is monitored by the Audit Committee which is also responsible for making recommendations to the Board on the appointment of the external auditor as well as approving their terms of engagement and remuneration.

Internal controls

The Board is responsible for the internal control of the Group and for reviewing its effectiveness. Procedures have been designed to safeguard the assets of the Company and ensure maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, ensure compliance of applicable laws, rules and regulations.

For the year under review, the Board has reviewed the effectiveness of the Group's internal control system. The Board considers that the internal control system is effective and adequate for the Group as a whole. The Board further considers that (i) there was no issue relating to the material controls, including financial, operational and compliance controls and risk management functions, of the Group; and (ii) that there were adequate staff with appropriate qualifications and experience, resources and budget of its accounting and financial reporting function, and adequate training programmes have been provided for during the year ended 31 December 2017.

DIRECTORS' RESPONSIBILITY ON THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2017, and confirm that the financial statements give a true and fair view of the results of the Group and are prepared in accordance with the applicable statutory requirements and accounting standards.

The statement made by the external auditors regarding their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on page 38 of this annual report.

NON-COMPETITION UNDERTAKINGS

The Company has received declaration from Mr. Guan and Sure Capital Holdings Limited (the "**Covenantors**"), the controlling shareholder of the Company, of their compliance with the terms of the non-competition undertaking ("**Undertaking**"). The Covenantors declared that they have fully complied with the Undertaking during the year ended 31 December 2017 and up to the date of this annual report.

The independent non-executive Directors have also reviewed the compliance of the Undertaking by the Covenantors and formed the opinion that the Covenantors have not breached any terms of the Undertaking during the year under review.

COMMUNICATION WITH SHAREHOLDERS

The Company endeavours to maintain an on-going dialogue with its shareholders and in particular, through annual general meetings or other general meetings to communicate with the shareholders and encourage their participation. The Chairman of the Board will make himself available at the forthcoming annual general meeting to be held on Monday, 21 May 2018 to answer any questions from shareholders.

The Group's website www.chinasanjiang.com contains an "**Investor Relations**" section which offers timely access to the Company's press releases, financial reports and announcements.

The Company will continue to maintain an open and effective investor communication policy and to update investors with relevant information of the Group in a timely manner.

REPORT
OF THE DIRECTORS

The board (the "**Board**") of directors (the "**Directors**") presents its report and the audited consolidated financial statements of the Group for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group are the manufacturing and supplying of ethylene oxide, ethylene glycol, polypropylene and surfactants and the provision of processing services. The principal activities and other particulars of the subsidiaries are set out in note 1 to the financial statements.

RESULTS

The results of the Group for the year ended 31 December 2017 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 42 to 131 of this annual report.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the latest five financial years is set out on page 131 of this annual report.

DIVIDENDS

The Board recommends the payment of a final dividend of HK12.5 cents per share in respect of the year, representing a dividend payout of approximately RMB119.8 million and a dividend payout ratio of approximately 30% for the year ended 31 December 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 15 May 2018 to Monday, 21 May 2018, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the AGM. In order to qualify for the right to attend and vote at the forthcoming AGM, all transfers documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 14 May 2018. In addition, the register of members of the Company will be closed from Monday, 28 May 2018 to Tuesday, 29 May 2018, both days inclusive, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all transfers documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 25 May 2018.

RESERVES

Profit attributable to equity shareholders, (before dividends, if any) of RMB690,793,000 (2016: RMB552,614,000) have been transferred to reserves. Other movements in reserves are set out in the Consolidated Statement of Changes in Equity.

NON-CURRENT ASSETS

Movements in non-current assets (including property, plant and equipment, prepaid land lease payments and intangible assets) during the financial year are set out in notes 12 to 14 to the financial statements.

BANK BORROWINGS

Particulars of the bank borrowings of the Group as at the end of the financial year are set out in note 24 to the financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 27 to the financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year under review, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

PRE-EMPTIVE RIGHTS

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

DIRECTORS

The Directors during the year ended 31 December 2017 and up to the date of this annual report were:

Executive Directors:
Mr. Guan Jianzhong *(Chairman)*
Ms. Han Jianhong
Mr. Han Jianping
Mr. Rao Huotao (appointed on 15 March 2017)
Mr. Niu Yingshan (resigned on 15 March 2017)

Independent non-executive Directors:
Mr. Shen Kaijun
Ms. Pei Yu
Mr. Kong Liang

Details of the Directors' biographies are set out on pages 9 and 11 of this annual report.

Pursuant to article 105 of the Articles of Association, one-third of the Directors shall retire from office by rotation at each annual general meeting of the Company. Mr. Guan Jianzhong, Mr. Han Jianping and Mr. Rao Huotao shall retire from office by rotation at the AGM and, being eligible, offer themselves for re-election as Directors at the AGM.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors namely, Mr. Guan Jianzhong, Ms. Han Jianhong, Mr. Han Jianping and Mr. Rao Huotao has entered into a service contract with the Company for a term of three years and is subject to termination by either party giving not less than three months' written notice.

Each of the independent non-executive Directors, namely Mr. Shen Kaijun, Ms. Pei Yu and Mr. Kong Liang, has been appointed for a term of two years and is subject to termination by either party giving not less than three months' written notice.

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

DIRECTORS' REMUNERATION

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the sections headed "**Connected Transactions**" and "**Continuing Connected Transactions**" in this report and note 36 (Related Party Transactions) to the financial statements, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2017, the interests and short positions of the Directors and/or chief executives of the Company in any shares of the Company (the "**Shares**"), underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which are required, pursuant to Section 352 of Part XV of the SFO, to be entered in the register kept by the Company, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors (the "**Model Code**") are as follows:

Interest in shares of the Company

Name of Directors	Capacity/Nature of interest	Long/ Short position	Number of Shares	Approximate% of issued share capital
Guan Jianzhong ("**Mr. Guan**")	Interests in controlled corporation	Long position	498,451,000(Note)	41.89%
	Beneficial owner	Long position	990,000	0.08%
Han Jianhong ("**Ms. Han**")	Interests of spouse	Long position	499,441,000(Note)	41.97%

Note: These Shares were held by Sure Capital Holdings Limited ("**Sure Capital**"), the entire issued ordinary shares of which were owned as to approximately 84.71% by Mr. Guan and approximately 15.29% by Ms. Han, the spouse of Mr. Guan. By virtue of the SFO, Mr. Guan was deemed to be interested in the Shares held by Sure Capital and Ms. Han was deemed to be interested in the Shares in which Mr. Guan was interested for the purposes of Divisions 2 and 3 of Part XV of the SFO.

Interest in shares of associated corporation of the Company

Name of Directors	Name of associated corporation	Capacity/ Nature of interest	Long/Short position	Number of shares	Approximate% of issued share capital
Mr. Guan	Sure Capital	Beneficial owner	Long position	8,473	84.71%
Ms. Han	Sure Capital	Beneficial owner	Long position	1,529	15.29%

Save as disclosed above, none of the Directors or chief executive of the Company was interested or had any short position in any Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as at 31 December 2017.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2017, so far as is known to the Directors, the following persons (other than the Directors or chief executive of the Company), who have interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company in accordance with the provision of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, are as follows:

Name of Directors	Capacity/Nature of interest	Long/ Short position	Number of Shares	Approximate% of issued share capital
Sure Capital	Beneficial owner	Long position	498,451,000(Note)	41.89%

Note: The entire issued ordinary shares of Sure Capital were owned as to approximately 84.71% by Mr. Guan and approximately 15.29% by Ms. Han, the spouse of Mr. Guan. By virtue of the SFO, Mr. Guan was deemed to be interested in the Shares held by Sure Capital and Ms. Han was deemed to be interested in the Shares in which Mr. Guan was interested for the purposes of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, no other interest or short position in the shares and underlying shares of the Company were recorded in the register required to be kept under section 336 of the SFO as at 31 December 2017.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases attributable to the Group's major customers and suppliers respectively during the year are as follows:

	2017	2016
As a percentage of the Group's total sales		
The largest customer	**12.17%**	12.70%
Five largest customers in aggregate	**36.51%**	27.45%
As a percentage of Group's total purchases		
`The largest supplier	**13.00%**	11.77%
Five largest suppliers in aggregate	**38.90%**	46.88%

None of the Directors or any of their associates or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's major customers and suppliers during the year ended 31 December 2017.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "**Share Option Scheme**"), which was adopted on 24 August 2010 (the "**Adoption Date**"), for the purpose of providing incentives or rewards to selected eligible participants for their contribution to the Group. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for 10 years from the Adoption Date.

Eligible participants of the Share Option Scheme include the following:

(i) any employee (whether full time or part time) of the Group or any entity (the "**Invested Entity**") in which any member of the Group holds any shareholding (including any executive director but excluding any non-executive director of the Group or any Invested Entity);

(ii) any non-executive directors (including independent non-executive directors) of the Group or any Invested Entity;

(iii) any supplier of goods or services to any member of the Group or any Invested Entity;

(iv) any customer of the Group or any Invested Entity;

(v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;

(vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(vii) any adviser (professional or otherwise) or consultant to any area of business or business development of the Group or any Invested Entity; and

(viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliances or other business arrangement to the development and growth of the Group.

As at the date of this annual report, the total number of Shares available for issue under the Share Option Scheme is 119,000,000, representing approximately 10.00% of the issued share capital of the Company as at the date of this annual report. The maximum number of Shares issuable upon exercise of the options which may be granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of share options in excess of this limit is subject to Shareholders' approval in a general meeting.

Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their respective associates (as defined under the Listing Rules), are subject to approval in advance by the independent non-executive Directors (excluding independent non-executive Director who is the grantee of the options). In addition, where any grant of share options to a substantial shareholder or an independent non-executive Director, or to any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in excess of 0.1% of the Shares in issue and with an aggregate value (based on the closing price of the Shares at the date of the grant) in excess of HK$5 million, in a 12-month period up to and including the date of grant, such grant of share options are subject to Shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 by the grantee. The exercise period for the share options granted is determined by the Board, which period may commence from the date of acceptance of the offer for the grant of share options but shall end in any event not later than 10 years from the date of the grant of the option subject to the provisions for early termination under the Share Option Scheme.

The subscription price for Shares under the Share Option Scheme shall be a price determined by the Board, but shall not be less than the highest of:

(i) the closing price of Shares as stated in the daily quotations sheet of the Stock Exchange on the date of the offer of the grant, which must be a business day;

(ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of grant; and

(iii) the nominal value of the Shares.

Since the Adoption Date and up to 31 December 2017, no share option has been granted by the Company.

CONTRACT OF SIGNIFICANCE

Save as disclosed in the sections headed "**Connected Transactions**" and "**Continuing Connected Transactions**" in this annual report and note 36 (Related Party Transactions) to the financial statements, no contracts of significance in relation to the Company's business to which the Company, or its subsidiaries was a party and in which a Director has a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year, no contract of significance had been entered into between the Company or any of its subsidiaries and the controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries and no contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholder of the Company or any of its subsidiaries was entered into.

MANAGEMENT CONTRACTS

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

CONTINUING CONNECTED TRANSACTIONS

The following related party transactions entered into during the year ended 31 December 2017 constitutes continuing connected transactions for the Company under the Listing Rules and are required to be disclosed in this annual report in accordance with Chapter 14A of the Listing Rules:

1. Water and Miscellaneous Materials Supply Agreement

Pursuant to the four renewed desalinated water and miscellaneous materials supply agreements entered into by Sanjiang Chemical Co., Ltd. ("**Sanjiang Chemical**") and Zhejiang Sanjiang Chemical New Material Co., Ltd.* (浙江三江化工新材料有限公司) ("**Sanjiang New Material**") respectively with Zhejiang Jiahua Energy Chemical Co., Ltd.* (浙江嘉化能源化工股份有限公司) ("**Jiahua Energy Chemical Co**") on 30 December 2015 and 28 January 2016 respectively, Jiahua Energy Chemical Co has agreed to supply desalinated water and miscellaneous materials such as sodium hydroxide and sodium hypochlorite to Sanjiang Chemical and Sanjiang New Material at market price for an aggregate term commencing from 1 January 2016 and expiring on 31 December 2018. Relevant details of the agreements and the transactions contemplated thereunder are set out in the announcement dated 30 December 2015 and the circular dated 16 March 2016.

Sanjiang Chemical and Sanjiang New Material are wholly-owned subsidiaries of the Company. Jiahua Energy Chemical Co is a non-wholly owned subsidiary of Zhejiang Jiahua Group Co., Ltd., which is ultimately controlled by Mr. Guan and Ms. Han, the executive Directors. Jiahua Energy Chemical Co is an associate of Mr. Guan and Ms. Han and is thus a connected person of our Company under Rule 14A.11(4) of the Listing Rules.

2. Low Pressure Steam Supply Agreement

Pursuant to the four renewed low pressure steam supply agreements entered into by Sanjiang Chemical and Sanjiang New Material respectively with Jiahua Energy Chemical Co on 30 December 2015 and 28 January 2016 respectively, Jiahua Energy Chemical Co agreed to supply low pressure steam to Sanjiang Chemical and Sanjiang New Material at market price for an aggregate term commencing from 1 January 2016 and expiring on 31 December 2018. Relevant details of the agreements and the transactions contemplated thereunder are set out in the announcement dated 30 December 2015 and the circular dated 16 March 2016.

3. Medium Pressure Steam Supply Agreement

Pursuant to the four renewed medium pressure steam supply agreements entered into by Sanjiang Chemical and Sanjiang New Material respectively with Jiahua Energy Chemical Co on 30 December 2015 and 28 January 2016 respectively, Jiahua Energy Chemical Co agreed to supply medium pressure steam to Sanjiang Chemical and Sanjiang New Material at market price for an aggregate term commencing from 1 January 2016 and expiring on 31 December 2018. Relevant details of the agreements and the transactions contemplated thereunder are set out in the announcement dated 30 December 2015 and the circular dated 16 March 2016.

4. **Rewang Low Pressure Steam Supply Agreement**

Pursuant to the two renewed Rewang low pressure steam supply agreements entered into by Sanjiang Chemical and Sanjiang New Material together with Jiaxing Xinggang Rewang Co., Ltd.* (嘉興興港熱網有限公司) ("**Rewang**") on 30 December 2015 and 28 January 2016 respectively, Rewang agreed to supply low pressure steam to Sanjiang Chemical and Sanjiang New Material at market price for an aggregate term commencing from 1 January 2016 and expiring on 31 December 2018. Relevant details of the agreements and the transactions contemplated thereunder are set out in the announcement dated 30 December 2015 and the circular dated 16 March 2016.

5. **Xing Xing Steam Purchase Agreement**

Pursuant to the steam purchase agreement entered into by Zhejiang Xingxing New Energy Technology Co., Ltd.* (浙江興興新能源科技有限公司) ("**Xing Xing**") with Jiahua Energy Chemical Co on 27 January 2015, Jiahua Energy Chemical Co agreed to supply high pressure steam to Xing Xing at market price for a term commencing from 1 April 2015 and expiring on 31 December 2017. Relevant details of the agreement and the transaction contemplated thereunder are set out in the circular dated 4 March 2015. As Xing Xing's methanol-to-olefins technology-based production facility ("**MTO production facility**") commenced its test run early April 2015 and after certain fine-tuning of chemical reaction process, Xing Xing was able to use certain spare heats generated from the MTO production facility together desalinated water to generated steam to substitute certain steam to be supplied by Jiahua Energy Chemical Co, on 30 April 2015, Xing Xing entered into a supplemental agreement to the Xing Xing Steam Purchase Agreement with Jiahua Energy Chemical Co to add two additional terms allowing Xing Xing to purchase less amount of steam from Jiahua Energy Chemical Co and at the same time, buy desalinated water from Jiahua Energy Chemical Co for not more that reduced amount with the annual transaction cap amount remained unchanged. Save for the aforesaid amendments contained in the supplemental agreement and the corresponding and consequential changes, all other terms and conditions of the Xing Xing. Steam Purchase Agreement shall remain in full force and effect.

Xing Xing is a company established in the PRC with limited liability on 19 January 2011 and a non-wholly owned subsidiary of the Company, which is indirectly owned as to 77.5% by the Company, 9.5% by Jiahua Energy Chemical Co. and 13% by Independent Third Parties.

6. **Sanjiang Chemical Port Loading and Service Agreement**

Pursuant to the port loading and service agreement entered into by Sanjiang Chemical with Zhejiang Zhapu Mei Fu Port & Storage Co. Ltd (浙江乍浦美福碼頭倉儲有限公司*) ("**Mei Fu Port**") on 10 April 2015, Mei Fu Port agreed to provide port loading, unloading and storage service to Sanjiang Chemical at market price for a term commencing from 10 April 2015 and expiring on 31 December 2017. Relevant details of the agreement and the transaction contemplated thereunder are set out in the announcements dated 27 April 2015, 11 November 2015 and 11 December 2016.

7. **Xing Xing Port Loading and Service Agreement**

Pursuant to the port loading and service agreement entered into by Xing Xing with Mei Fu Port on 10 April 2015, Mei Fu Port agreed to provide port loading, unloading and storage service to Xing Xing at market price for a term commencing from 10 April 2015 and expiring on 31 December 2017. Relevant details of the agreement and the transaction contemplated thereunder are set out in the announcements dated 27 April 2015, 11 November 2015 and 11 December 2016.

8. Fatty Alcohol Supply Agreement

Pursuant to the fatty alcohol supply agreement entered into by Sanjiang Chemical with Jiahua Energy Chemical Co on 31 May 2017, Jiahua Energy Chemical Co agreed to supply fatty alcohol of no more than 7,000 tonnes to Sanjiang Chemical on an ongoing basis at market price for a term commencing from 1 June 2017 and expiring on 31 December 2017. Relevant details of the agreement and the transaction contemplated thereunder are set out in the announcement dated 2 June 2017.

9. Sanjiang Chemical Methanol Agency Agreement

Pursuant to the methanol agency agreement entered into by Sanjiang Chemical with Xing Xing on 1 September 2015, Sanjiang Chemical agreed to procure methanol as an agent on behalf of Xing Xing at market service fee for a term commencing from 1 September 2015 and expiring on 31 August 2018. Relevant details of the agreement and the transaction contemplated thereunder are set out in the announcement dated 2 September 2015.

10. Ethylene Supply Agreement

Pursuant to the ethylene supply agreement entered into by Sanjiang Chemical and Sanjiang New Material together with Xing Xing on 1 September 2015, Xing Xing agreed to supply ethylene to Sanjiang Chemical and/or Sanjiang New Material at market price for a term commencing from 1 October 2015 and expiring on 30 September 2018. Relevant details of the agreement and the transaction contemplated thereunder are set out in the circular dated 22 October 2015.

11. Nitrogen Supply Agreement

Pursuant to the nitrogen supply agreement entered into by Sanjiang Chemical with Xing Xing on 1 September 2015, Sanjiang Chemical agreed to supply nitrogen to Xing Xing at market price for a term commencing from 1 October 2015 and expiring on 30 September 2018. Relevant details of the agreement and the transaction contemplated thereunder are set out in the circular dated 22 October 2015.

12. Mei Fu Petrochemical Loan and Guarantee Agreement

Pursuant to the loan and guarantee agreement entered into by the Company with Mei Fu Petrochemical on 17 June 2016, the Company agreed to continue to (i) provide the Loan to Mei Fu Petrochemical and (ii) guarantee certain repayment obligations of Mei Fu Petrochemical for a term of three years after the completion of the disposal of Mei Fu Petrochemical. Relevant details of the agreement and the transaction contemplated thereunder are set out in the circular dated 12 August 2016.

13. Sanjiang Chemical Condensate Water Purchase Agreement

Pursuant to the condensate water purchase agreement entered into by Sanjiang Chemical with Jiahua Energy Chemical Co on 31 May 2017, Sanjiang Chemical agreed to supply condensate water to Jiahua Energy Chemical Co at a price at the weighted average of those obtained by Jiahua Energy Chemical Co from its independent suppliers for the relevant product of comparable quality during the same month of supply for a term commencing from 1 June 2017 and expiring on 31 December 2017. Relevant details of the agreement and the transaction contemplated thereunder are set out in the announcement dated 2 June 2017.

14. MIXED C-4 PURCHASE AGREEMENT

Pursuant to the mixed C-4 purchase agreement entered into by Sanjiang Chemical with Xing Xing on 10 July 2017, Xing Xing agreed to supply mixed C-4 to Sanjiang Chemical in accordance with a pricing formula which is regarded as an approximation of market price for a term commencing from 1 August 2017 and expiring on 31 July 2020. Relevant details of the agreement and the transaction contemplated thereunder are set out in the circular dated 11 August 2017.

15. MANAGEMENT AGREEMENT

Pursuant to the management agreement entered into between the Company, Capitol International (a wholly-owned subsidiary of the Company) and Grand Novel Developments Limited ("**Grand Novel**") on 6 November 2017, Grand Novel agreed to act as a manager of the Company for a term commencing from 6 November 2017 and expiring on 31 October 2020. Relevant details of the agreement and the transaction contemplated thereunder are set out in the announcement dated 6 November 2017.

16. FRAMEWORK AGREEMENT

Pursuant to the framework agreement entered into between the Company and Jiaxing Gangqu Gangan Industrial Equipment Installing Co., Ltd ("**Gangan Industrial**") on 1 August 2017, Gangan Industrial agreed to provide repair and maintenance services in respect of chemical plant and machineries for the Group for a term commencing from 1 August 2017 and expiring on 31 July 2020. Relevant details of the agreement and the transaction contemplated thereunder are set out in the announcement dated 1 August 2017.

17. Xing Xing Condensate Water Purchase Agreement

Pursuant to the condensate water purchase agreement entered into by Xing Xing with Jiahua Energy Chemical Co on 14 June 2017, Xing Xing agreed to supply condensate water to Jiahua Energy Chemical Co at a price at the weighted average of those obtained by Jiahua Energy Chemical Co from its independent suppliers for the relevant product of comparable quality during the same month of supply for a term commencing from 15 June 2017 and expiring on 31 December 2018. Relevant details of the agreement and the transaction contemplated thereunder are set out in the announcement dated 15 June 2017.

18. Xing Xing Desalinated Water Supply Agreement

Pursuant to the desalinated water supply agreement entered into by Xing Xing with Jiahua Energy Chemical Co on 14 June 2017, Jiahua Energy Chemical Co agreed to supply desalinated water at a price at the weighted average of those offered by Jiahua Energy Chemical Co to its independent purchasers for desalinated water of comparable quality during the same month of supply for a term commencing from 15 June 2017 and expiring on 31 December 2018. Relevant details of the agreement and the transaction contemplated thereunder are set out in the announcement dated 15 June 2017.

19. C-4 Supply Agreement

Pursuant to the C-4 supply agreement entered into by Mei Fu Petrochemical with Xing Xing on 1 September 2015, Xing Xing agreed to supply C-4 to Mei Fu Petrochemical at market price for a term commencing from 1 October 2015 and expiring on 30 September 2018. Relevant details of the agreement and the transaction contemplated thereunder are set out in the circular dated 22 October 2015.

The actual amount of the transactions and approved annual caps for the above mentioned continuing connected transactions during the year ended 31 December 2017 are as follows:

	Nature of transaction	Actual transaction amount RMB	Annual Cap amount RMB	Annual Cap period
1.	Water and Miscellaneous Materials Supply Agreement	6,187,000	6,200,000	2017/1/1–2017/12/31
2.	Low Pressure Steam Supply Agreement	113,440,000	132,500,000	2017/1/1–2017/12/31
3.	Medium Pressure Steam Supply Agreement	79,988,000	82,190,000	2017/1/1–2017/12/31
4.	Rewang Low Pressure Steam Supply Agreement	9,507,000	25,900,000	2017/1/1–2017/12/31
5.	Xing Xing Steam Purchase Agreement	192,455,000	290,000,000	2017/1/1–2017/12/31
6.	Sanjiang Chemical Port Loading and Service Agreement	4,954,000	5,000,000	2017/1/1–2017/12/31
7.	Xing Xing Port Loading and Service Agreement	65,501,000	70,000,000	2017/1/1–2017/12/31
8.	Fatty Alcohol Supply Agreement	52,803,000	61,450,000	2017/6/1–2017/12/31
9.	Sanjiang Chemical Methanol Agency Agreement	8,128,000	8,400,000	2016/9/1–2017/8/31
9.	Sanjiang Chemical Methanol Agency Agreement	Cap period not yet finished	8,400,000	2017/9/1–2018/8/31
10.	Ethylene Supply Agreement	2,678,299,000	2,736,600,000	2016/10/1–2017/9/30
10.	Ethylene Supply Agreement	Cap period not yet finished	2,736,600,000	2017/10/1–2018/9/30
11.	Nitrogen Supply Agreement	40,408,000	65,200,000	2016/10/1–2017/9/30
11.	Nitrogen Supply Agreement	Cap period not yet finished	65,200,000	2017/10/1–2018/9/30
12.	Mei Fu Petrochemical Loan and Guarantee Agreement	Cap period not yet finished	1,792,310,000	2017/6/1–2018/5/31
13.	Sanjiang Chemical Condensate Water Purchase Agreement	1,486,000	2,500,000	2017/6/1–2017/12/31
14.	Mixed C-4 Purchase Agreement	Cap period not yet finished	423,000,000	2017/8/1–2018/7/31
15.	Management Agreement	Cap period not yet finished	50,000,000	2017/11/1–2018/10/31
16.	Framework Agreement	Cap period not yet finished	30,000,000	2017/8/1–2018/7/31
17.	Xing Xing Condensate Water Supply Agreement	2,215,000	6,450,000	2017/6/15–2017/12/31
18.	Xing Xing Desalinated Water Supply Agreement	10,681,000	18,260,000	2017/6/15–2017/12/31
19.	C–4 Supply Agreement	–	119,700,000	2016/10/1–2017/9/30
19.	C–4 Supply Agreement	Cap period not yet finished	119,700,000	2017/10/1–2018/9/30

The Board, including the independent non-executive Directors, have reviewed the continuing connected transactions and confirmed that the transactions were entered into:

(a) in the ordinary and usual course of business of the Company;

(b) on normal commercial terms no less favourable to the Company than terms available to or from independent third parties; and

(c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the HKICPA. The auditors of the Company have issued their qualified letter containing their findings and conclusion in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of listing rules before bulk print date of annual report. The annual cap period of certain continuing connected transactions did not fall in the same period as the Company's financial year end date of 31 December ("**Transactions with Non-aligned Cap Periods**"). The qualification in the auditors' letter was in respect of the comparison of those Transactions with Non-aligned Cap Periods that continue after 31 December 2017 with their respective annual caps corresponding to annual cap periods ending after 31 December 2017.

For the purpose of drawing a conclusion on whether the Transactions with Non-aligned Cap Periods have exceeded the annual caps, the auditors of the Company could only perform procedures on those Transactions with Non-aligned Cap Periods that did not continue after 31 December 2017 with the respective annual cap periods ended before 31 December 2017. For those Transactions with Non-aligned Cap Periods that continue after 31 December 2017, the auditors were unable to conduct a meaningful comparison between such transactions and their respective annual caps corresponding to annual cap periods ending after 31 December 2017.

In respect of the Group's disclosed continuing connected transactions, the auditors of the Company confirmed that:

a. nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors.

b. for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group.

c. nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

d. with respect to the aggregate amount of each of the continuing connected transactions, based on the procedures performed and the evidence obtained by them, except for the Transactions with Non-aligned Cap Periods that continue after 31 December 2017, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

The independent non-executive directors of the Company have reviewed the relevant continuing connected transactions and confirmed that the transaction amounts during annual cap periods ended in 2017 had not exceeded the respective annual caps.

The directors of the Company will not implement procedures to align all annual cap periods with the Company's financial year as the directors of the Company consider that the Listing Rules do not explicitly require any alignment of annual cap periods with the Company's financial year.

Save as disclosed above, there were no other continuing connected transaction which are required to be disclosed in this annual report in accordance with the requirements of Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

The following related party transaction entered into during the year ended 31 December 2017 constitutes connected transactions for the Company under the Listing Rules and are required to be disclosed in this annual report in accordance with Chapter 14A of the Listing Rules:

1. Xing Xing Equity Acquisition Agreement

   Pursuant to the acquisition agreement entered into by Sanjiang Chemical with Zhejiang Jiahua Group Co., Ltd. ("**Jiahua Group**") on 15 December 2017, Sanjiang Chemical agreed to purchase and Jiahua Group agreed to sell 2.5% of the equity interest in Xing Xing at the consideration of RMB20,000,000. Relevant details of the agreement and the transaction contemplated thereunder are set out in the announcement dated 15 December 2017.

Save as disclosed above, there were no other connected transactions which are required to be disclosed in this annual report in accordance with the requirements of Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules.

RETIREMENT AND PENSION SCHEMES

The Group participates certain defined contribution retirement schemes which cover the all the Group's eligible employees in the PRC, and a Mandatory Provident Fund scheme for the employees in Hong Kong.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of Mr. Shen Kaijun, Ms. Pei Yu and Mr. Kong Liang, the independent non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors meet the independence criteria set out in Rule 3.13 of the Listing Rules.

PERMITTED INDEMNITY PROVISIONS

During the year ended 31 December 2017, the Company has purchased liability insurance for all directors to minimise their risks arising from the performance of their duties. The permitted indemnity provisions are provided in such directors liability insurance in respect of potential liability and costs associated with legal proceedings that may be brought against such directors

AUDITORS

Ernst & Young will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Ernst & Young as auditors of the Company will be proposed at the AGM.

By order of the Board
GUAN Jianzhong
Chairman

People's Republic of China, 26 March 2018

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Independent auditor's report
To the shareholders of China Sanjiang Fine Chemicals Company Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Sanjiang Fine Chemicals Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 42 to 131 which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment of long-lived assets The carrying amount of the net assets of the Group was higher than the market capitalisation of the Company as at 31 December 2017, which represented an indication of impairment of long-lived assets. For this reason, the Group performed an impairment test of the various cash-generating units ("CGUs"). The impairment test was significant for our audit, since the estimation process was complex and subjective and based on assumptions. The assumptions included expectations for sales, unit selling prices of products, unit purchase prices of raw materials, budgeted gross margins and growth rate and overall market and economic conditions. The Group's disclosures about impairment of assets are included in note 2.4 and note 3, which explain the accounting policies and management's accounting estimates. The Group's disclosures about long-lived assets are included in note 12, note 13 and note 14.	We evaluated management's assessment of impairment indications and management's definition on CGUs within the Group. We reviewed and tested management's future forecasted cash flows and key assumptions by comparing to the Group's development plan and external forecast and analysis on the industry. We also performed sensitivity analysis on the forecasts and assessed the status of significant commercial contracts under negotiation. We involved our valuation specialist to assist us in evaluating the key valuation parameters such as the discount rates, the terminal growth rates and the valuation model used in the forecasted cash flows.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is SIU FUNG TERENCE HO.

Consolidated Statement of Profit or Loss

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
REVENUE	5	**8,897,143**	6,647,019
Cost of sales		**(7,811,868)**	(5,740,449)
Gross profit		**1,085,275**	906,570
Other income and gains	5	**886,509**	667,565
Selling and distribution expenses		**(25,801)**	(26,502)
Administrative expenses		**(259,998)**	(317,880)
Other expenses	5	**(783,053)**	(387,695)
Finance costs	6	**(159,086)**	(261,681)
Share of profits of joint ventures		**—**	112,438
PROFIT BEFORE TAX	7	**743,846**	692,815
Income tax expense	10	**(120,709)**	(93,964)
PROFIT FOR THE YEAR		**623,137**	598,851
Attributable to:			
Owners of the parent		**690,793**	552,614
Non-controlling interests		**(67,656)**	46,237
		623,137	598,851
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	11		
Basic			
—For profit for the year		**RMB67.30 fen**	RMB56.09 fen
Diluted			
—For profit for the year		**RMB67.19 fen**	RMB55.96 fen

Consolidated Statement of Comprehensive Income

Year ended 31 December 2017

	2017 RMB'000	2016 RMB'000
PROFIT FOR THE YEAR	**623,137**	598,851
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	**2,005**	(1,982)
Reclassification adjustments for losses included in the consolidated statement of profit or loss	**899**	9,510
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**2,904**	7,528
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**626,041**	606,379
Attributable to:		
Owners of the parent	**693,697**	560,142
Non-controlling interests	**(67,656)**	46,237
	626,041	606,379

Consolidated Statement of Financial Position

31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**5,525,528**	5,763,307
Prepaid land lease payments	13	**366,297**	301,476
Intangible assets	14	**197,723**	225,246
Advance payments for property, plant and equipment		**17,866**	16,390
Available-for-sale investments	16	**1,000**	1,000
Due from related parties	36(c)	**99,697**	609,000
Deferred tax assets	26	**8,316**	—
Total non-current assets		**6,216,427**	6,916,419
CURRENT ASSETS			
Inventories	17	**1,007,914**	724,229
Trade and notes receivables	18	**347,926**	170,367
Prepayments, deposits and other receivables	19	**291,931**	406,338
Due from related parties	36(c)	**221,229**	235,935
Derivative financial instruments	23	**19,651**	41,941
Available-for-sale investments	16	**235,962**	424,371
Pledged deposits	20	**50,000**	410,273
Cash and cash equivalents	20	**273,678**	348,224
Total current assets		**2,448,291**	2,761,678
CURRENT LIABILITIES			
Trade and bills payables	21	**1,365,415**	1,454,312
Other payables and accruals	22	**927,201**	1,062,561
Derivative financial instruments	23	**36,646**	9,626
Interest-bearing bank and other borrowings	24	**1,753,337**	2,636,267
Due to related parties	36(c)	**343,066**	595,897
Tax payable		**110,363**	86,340
Total current liabilities		**4,536,028**	5,845,003
NET CURRENT LIABILITIES	2.1	**2,087,737**	3,083,325
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,128,690**	3,833,094

	Notes	2017 RMB'000	2016 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,128,690**	3,833,094
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	24	**598,262**	1,081,011
Deferred tax liabilities	26	**13,771**	22,913
Total non-current liabilities		**612,033**	1,103,924
Net assets		**3,516,657**	2,729,170
EQUITY			
Equity attributable to owners of the parent			
Issued capital	27	**102,662**	86,048
Reserves	29	**3,326,032**	2,478,191
		3,428,694	2,564,239
Non-controlling interests		**87,963**	164,931
Total equity		**3,516,657**	2,729,170

Guan Jianzhong
Director

Han Jianhong
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2017

	Attributable to owners of the parent													
	Issued capital RMB'000	Share premium* RMB'000	Capital redemption reserve* RMB'000	Shares repurchased for share award plan* RMB'000	Merger reserve* RMB'000	Available for-sale investment revaluation reserve* RMB'000	Statutory surplus reserve* RMB'000	Share award plan reserve* RMB'000	Safety production reserve* RMB'000	Retained profits* RMB'000	Special reserve* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016	86,048	1,006,429	2,371	(33,012)	(627,092)	(9,510)	312,074	8,131	9,410	1,374,769	–	2,129,618	118,694	2,248,312
Profit for the year	–	–	–	–	–	–	–	–	–	552,614	–	552,614	46,237	598,851
Other comprehensive income for the year:														
Changes in fair value of available-for-sale investments	–	–	–	–	–	7,528	–	–	–	–	–	7,528	–	7,528
Total comprehensive income for the year	–	–	–	–	–	7,528	–	–	–	552,614	–	560,142	46,237	606,379
Equity-settled share award plan amortisation	–	–	–	–	–	–	–	878	–	–	–	878	–	878
Reduction in reserve due to shares awarded becoming vested	–	(1,523)	–	4,270	–	–	–	(2,747)	–	–	–	–	–	–
Offset with dividends	–	–	–	1,994	–	–	–	–	–	–	–	1,994	–	1,994
Appropriation to statutory surplus reserve	–	–	–	–	–	–	34,199	–	–	(34,199)	–	–	–	–
Appropriation to safety production reserve	–	–	–	–	–	–	–	–	33,643	(33,643)	–	–	–	–
Safety production reserve used	–	–	–	–	–	–	–	–	(13,830)	13,830	–	–	–	–
Interim 2016 dividend	–	–	–	–	–	–	–	–	–	(128,393)	–	(128,393)	–	(128,393)
At 31 December 2016	86,048	1,004,906	2,371	(26,748)	(627,092)	(1,982)	346,273	6,262	29,223	1,744,978	–	2,564,239	164,931	2,729,170

	Attributable to owners of the parent													
	Issued capital RMB'000	Share premium* RMB'000	Capital redemption reserve* RMB'000	Shares repurchased for share award plan* RMB'000	Merger reserve* RMB'000	Available for-sale investment revaluation reserve* RMB'000	Statutory surplus reserve* RMB'000	Share award plan reserve* RMB'000	Safety production reserve* RMB'000	Retained profits* RMB'000	Special reserve* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017	86,048	1,004,906	2,371	(26,748)	(627,092)	(1,982)	346,273	6,262	29,223	1,744,978	–	2,564,239	164,931	2,729,170
Profit for the year	–	–	–	–	–	–	–	–	–	690,793	–	690,793	(67,656)	623,137
Other comprehensive income for the year:														
Changes in fair value of available-for-sale investments	–	–	–	–	–	2,904	–	–	–	–	–	2,904	–	2,904
Total comprehensive income for the year	–	–	–	–	–	2,904	–	–	–	690,793	–	693,697	(67,656)	626,041
Equity-settled share award plan amortisation	–	–	–	–	–	–	–	1,291	–	–	–	1,291	–	1,291
Reduction in reserve due to shares awarded becoming vested	–	(1,774)	–	4,807	–	–	–	(3,033)	–	–	–	–	–	–
Offset with dividends	–	–	–	2,177	–	–	–	–	–	–	–	2,177	–	2,177
Appropriation to statutory surplus reserve	–	–	–	–	–	–	86,956	–	–	(86,956)	–	–	–	–
Appropriation to safety production reserve	–	–	–	–	–	–	–	–	38,595	(38,595)	–	–	–	–
Safety production reserve used	–	–	–	–	–	–	–	–	(36,285)	36,285	–	–	–	–
Interim 2017 dividend	–	–	–	–	–	–	–	–	–	(189,143)	–	(189,143)	–	(189,143)
Issue of shares	16,614	362,187	–	–	–	–	–	–	–	–	–	378,801	–	378,801
Share issue expenses	–	(11,680)	–	–	–	–	–	–	–	–	–	(11,680)	–	(11,680)
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	–	–	(10,688)	(10,688)	(9,312)	(20,000)
At 31 December 2017	102,662	1,353,639	2,371	(19,764)	(627,092)	922	433,229	4,520	31,533	2,157,362	(10,688)	3,428,694	87,963	3,516,657

* These reserve accounts comprise the consolidated reserves of RMB3,326,032,000 (2016: RMB2,478,191,000) in the consolidated statement of financial position.

	Notes	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**743,846**	692,815
Adjustments for:			
Finance costs	6	**159,086**	261,681
Share of profits of joint ventures		**—**	(112,438)
Bank interest income	5	**(16,224)**	(8,415)
Loss on disposal of a joint venture	5	**—**	1,544
Investment income from available-for-sale investments	5	**(6,621)**	(9,162)
Fair value losses on derivative financial instruments	5	**31,663**	2,783
Fair value gains on derivative financial instruments	5	**—**	(40,078)
Interest income from related parties	5	**(56,346)**	(119,903)
Foreign exchange differences, net		**8,120**	(5,774)
Investment loss/(income) from derivative financial instruments	5	**75,599**	(55,049)
Depreciation	12	**521,787**	586,778
Gain on disposal of intangible assets	5	**(301)**	—
Gain on disposal of items of property, plant and equipment	5	**(4)**	—
Amortisation of prepaid land lease payments	13	**7,394**	6,936
Amortisation of intangible assets	14	**27,503**	27,850
Amortisation of consignment fee		**—**	6,823
Write-down/(reversal) of inventories to net realisable value		**6,158**	(76,286)
Impairment of trade receivables	7	**—**	2,583
Equity-settled share award plan expense	28	**1,291**	878
		1,502,951	1,163,566
Increase in inventories		**(289,843)**	(148,345)
(Increase)/decrease in trade and notes receivables		**(203,487)**	527,209
Decrease in prepayments, deposits and other receivables		**116,525**	153,920
Decrease/(increase) in amounts due from related parties		**64,988**	(123,349)
(Decrease)/increase in trade and bills payables		**(90,897)**	197,196
(Decrease)/increase in other payables and accruals		**(6,092)**	78,258
(Decrease)/increase in amounts due to related parties		**(14,694)**	21,322
Cash generated from operations		**1,079,451**	1,869,777
Income tax paid		**(114,144)**	(36,838)
Net cash flows from operating activities		**965,307**	1,832,939

	Notes	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(412,944)**	(861,536)
Purchases of prepaid land lease payments		**(71,930)**	—
Purchases of intangible assets		**(35)**	(6,377)
Proceeds from disposal of items of property, plant and equipment		**23**	—
Loans to a related party		**(59,796)**	(281,440)
Repayment of loans from related parties		**473,460**	551,190
Purchases of available-for-sale investments		**(213,653)**	(422,625)
Sales of available-for-sale investments		**411,587**	437,893
Exercise of the bullion options and forward		**29,394**	3,253
Purchases and sales of futures		**(11,747)**	8,835
Bank interest received		**17,757**	13,224
Interest received from a related party		**64,512**	145,446
Disposal of intangible assets		**356**	—
Disposal of a joint venture		**65,119**	359,881
Decrease in deposits pledged for bank loans		**360,273**	291,191
Proceeds from sales of derivative financial instruments		**(75,599)**	55,049
Net cash flows from investing activities		**576,777**	293,984
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**367,121**	—
New bank loans		**1,696,417**	5,243,724
Repayment of bank loans		**(2,769,981)**	(6,671,159)
Repayment of a short-term bond		**—**	(600,000)
Interest paid for a bank loan		**(131,556)**	(247,103)
Interest paid for loans from related parties		**(24,688)**	(22,527)
Loans from related parties		**180,000**	350,000
Repayment of loans from related parties		**(437,599)**	(102,000)
Dividends paid		**(189,143)**	(128,393)
Proceeds from sale and lease back transactions		**—**	481,000
Repayment of sale and lease back transactions		**(299,081)**	(179,758)
Net cash flows used in financing activities		**(1,608,510)**	(1,876,216)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(66,426)**	250,707
Cash and cash equivalents at beginning of year		**348,224**	91,743
Effect of foreign exchange rate changes, net		**(8,120)**	5,774
CASH AND CASH EQUIVALENTS AT END OF YEAR	20	**273,678**	348,224

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated with limited liability in the Cayman Islands on 30 January 2009. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business in China is Pinghai Road, Jiaxing port Area, Zhejiang Province, People's Republic of China (the "PRC").

During the year, the Group was principally engaged in the manufacture and supply of ethylene oxide ("EO"), ethylene glycol ("EG"), propylene, polypropylene ("PP"), methyl tert-butyl ether ("MTBE") and surfactants in the PRC. The Group was also engaged in the provision of processing services for PP, MTBE and surfactants to its customers and the production and supply of other chemical products such as C4, crude pentene and industrial gases, namely oxygen, nitrogen and argon in the PRC. EO is a key intermediary component for the production of ethylene derivative products such as ethanolamines and glycol ethers and a wide range of surfactants. EG is a type of semi-finished goods that is used to produce other bio-organic chemical products such as mono ethylene glycol which is used to produce polyester and anti-frozen chemical liquids. Propylene is commonly used in the production of PP, acrylonitrile, propylene oxide, acetone, etc., to produce a variety of important organic chemical raw materials and to produce synthetic resin, synthetic rubber and some other fine chemicals. PP is a kind of thermoplastic resin, which can be used in knitting products, injection moulding products, film products, fibre products, pipes, etc. MTBE is a kind of gasoline additive, used as an oxygenate to raise the octane number and is almost exclusively used as a fuel component in fuel for gasoline engines. Surfactants are widely applied in different industries as scouring agents, moisturising agents, emulsifiers and solubilisers.

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Sure Capital Holdings Limited ("Sure Capital"), which was incorporated in the British Virgin Islands.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place and date of incorporation/ registration and place of operations	Issued ordinary share/registered share capital	Percentage of equity attributable to the Company	Principal activities
Capitol International Limited ("Capitol International)	Hong Kong 18 July 2003	HK$1,000,000	100% (direct)	Investment holding
Sanjiang Chemical Co., Ltd. ("Sanjiang Chemical") (note (ii))	PRC/Mainland China 9 December 2003	US$152,783,800	100% (indirect)	Manufacture and sale of EO, surfactants, EG, MTBE, PP, polymer grade ethylene, industrial gases, provision of processing services, and lease and storage services
Jiaxing Port Chemical Industry Park Pipe Gallery Co., Ltd. ("Guanlang") (note (i))	PRC/Mainland China 29 September 2005	RMB13,000,000	83.85% (indirect)	Construction and management of a pipe network at Jiaxing Port Chemical Industrial Park
Sanjiang Trading Co., Ltd. ("Sanjiang Trading") (note (i))	PRC/Mainland China 29 October 2004	RMB5,000,000	100% (indirect)	Trading of ethylene, EO and other chemical products
Hangzhou Textile Auxiliaries Co., Ltd. ("Hangzhou Sanjiang") (note (i))	PRC/Mainland China 1 April 2010	RMB5,000,000	100% (indirect)	Manufacture and sale of alcohol ethoxylate, nonylphenols and textile auxiliaries
Zhejiang Sanjiang Chemical New Material Co., Ltd. ("Sanjiang New Material") (note (i))	PRC/Mainland China 23 December 2011	US$100,000,000	100% (indirect)	Manufacture and sale of EO and EG
Zhejiang Xingxing New Energy Technology Co., Ltd. ("Xingxing New Energy") (note (i))	PRC/Mainland China 19 January 2011	RMB800,000,000	77.5% (indirect)	Manufacture and sale of ethylene and polyethylene

Note:

(i) These entities are limited liability enterprises established under PRC law.

(ii) The entity is a wholly-foreign-owned enterprise established under PRC law.

2.1 BASIS OF PREPARATION

These financial statements have been prepared 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 ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain available-for-sale investments and derivative financial instruments which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern assumption

As at 31 December 2017, the Group's net current liabilities amounted to approximately RMB2,087,737,000 which comprised current assets of approximately RMB2,448,291,000 and current liabilities of approximately RMB4,536,028,000. 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 fulfil the Group's debt obligations and capital expenditure requirements.

As at 31 December 2017, the Group's total borrowings amounted to RMB2,351,599,000, of which RMB1,753,337,000 will be due within twelve months from 31 December 2017. The Group has not experienced any significant difficulties in renewing its short-term borrowings upon their maturities and there is no indication that the banks will not renew the existing borrowings if the Group applies for the renewal. As at 31 December 2017, the Group had unutilised credit facilities from banks of RMB3,617,885,000 to meet the debt obligations and capital expenditure requirements.

The directors of the Company have reviewed the Group's cash flow forecast prepared by management which covers a period of twelve months from the end of the reporting period. They are of the opinion that, taking into account the above-mentioned measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future.

Accordingly, the consolidated financial statements have been prepared on a basis that the Group will be able to continue as a going concern.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014–2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

None of the above amendments to HKFRSs has had a significant financial effect on these financial statements. Disclosure has been made in note 31 to the financial statements upon the adoption of amendments to HKAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

2.3 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 these financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014–2016 Cycle	*Amendments to HKFRS 1 and HKAS 28*[1]
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below. Of those standards, HKFRS 9 and HKFRS 15 will be applicable for the Group's financial year ending 31 December 2018 and are expected to have a significant impact upon adoption. Whilst management has performed a detailed assessment of the estimated impacts of these standards, that assessment is based on the information currently available to the Group. The actual impacts upon adoption could be different to those below, depending on additional reasonable and supportable information being made available to the Group at the time of applying the standards.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met. The Group will adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt HKFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018.During 2017, the Group has performed a detailed assessment of the impact of the adoption of HKFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(a) Classification and measurement

Upon adoption of HKFRS 9, the classification and measurement of financial assets depends on two assessments: the financial asset's contractual cash flow characteristics and the entity's business model for managing the financial asset. The Group has assessed that the unlisted equity investment of RMB1,000,000 as at 31 December 2017, that is currently measured at cost and is not held for trading, would not pass the contractual cash flow characteristics test in HKFRS 9 and the Group elects to reclassify it to financial assets at fair value through other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investment cannot be recycled to profit or loss when the investment is derecognised.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(a) Classification and measurement (continued)

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised. Derivative financial instruments will be measured at financial fair value through profit or loss as the investments would not pass the contractual cash flow characteristics test in HKFRS 9.

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The Group expects that the impact on the Group's financial position and results of operations upon the adoption of HKFRS 9 will not be material.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

HKFRS 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group plans to adopt the transitional provisions in HKFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018. The Group expects that the transitional adjustment to be made on 1 January 2018 upon initial adoption of HKFRS 15 will not be material.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKFRS 16, issued in May 2016, replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 January 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption, and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 34 to the financial statements, at 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately RMB8,655,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

Amendments to HKAS 28 issued in January 2018 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKAS 40, issued in April 2017, clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The Group expects to adopt the amendments prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 22, issued in June 2017, provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 January 2018. The interpretation is not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 23, issued in July 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's investments in the joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of joint ventures is included as part of the Group's investments in joint ventures.

If an investment in a joint venture becomes an investment in an associate or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in joint operations (continued)

The assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation are accounted for in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its derivative financial instruments and certain available-for-sale investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

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 of disposal, 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 statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an 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 other than goodwill 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 statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

(a) the party is a person or a close member of that person's family and that person

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

or

(b) the party is an entity where any of the following conditions applies:

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a 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 depreciates them accordingly.

Depreciation 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%–7%
Office equipment	18%–20%
Motor vehicles	18%–20%

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 including 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 statement of profit or loss 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 buildings and plant and machinery under construction, which are stated at cost less any impairment losses, and are 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill)

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 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.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

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 statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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.

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 and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition” below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

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 as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

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 by 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 and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial assets are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for “Revenue recognition” below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- 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, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. 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.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually 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.

The amount of any impairment loss identified 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 yet 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).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount 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 write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, 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 discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss — is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity investments classified as available for sale are not reversed through the statement of profit or loss. Increases in the fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss and loans and borrowings, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals, amounts due to related parties, derivative financial instruments and interest-bearing bank borrowings.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing 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. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

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 statement of profit or loss.

Offsetting of financial instruments

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

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as foreign currency options and swaps, futures, bullion options contracts, forward contracts for silver and deferred bullion sale facilities to hedge the commodity price risk and foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments (continued)

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Treasury shares

Own equity instruments that are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

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 statement 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 consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

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 in equity.

Current tax assets and liabilities 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 interpretations and practices prevailing in the country 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:

- when 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 and joint ventures, when 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

- when 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 and joint ventures, 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 and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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 on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the rendering of processing services 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;

(d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(e) dividend income, when the shareholders' right to receive payment has been established.

Share-based payments

The Company operates a share award plan for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value of the shares at the date at which they are granted. The fair value is measured at the market value of the shares, adjusted for the exclusion of expected dividends to be received in the vesting period,further details of which are given in note 28 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding non-vested ordinary shares is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 14% of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 a 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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. 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 are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in note 30 to the financial statements.

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 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 prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

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 measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

3. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. 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.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Joint arrangement — Group as joint operator

The Group determines the joint arrangement of Sanjiang Honam Chemical Co., Ltd. ("Sanjiang Honam") as a joint operation, based on the evaluation of its rights and obligations arising from the arrangement, according to which the Group has the rights to the assets, and obligations for the liabilities.

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 described below.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there is any indicator of impairment for all non-financial assets at the end of each reporting period. All non-financial assets of the Group 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 of disposal and its value in use. The calculation of the fair value less costs of disposal 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.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in downstream industries. Any write-down of inventories to net realisable value or reversal of write-down of inventories will impact on the carrying values of the inventories and the expenses of that period. Management reassesses these estimates at the end of each reporting period. The carrying amount of inventories carried at net realisable value as at 31 December 2017 was RMB189,410,000 (2016: RMB222,253,000).

3. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Estimation uncertainty (continued)

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the tax losses can be utilised. Significant management judgement 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. The amount of unrecognised tax losses at 31 December 2017 was RMB653,452,000 (2016: RMB277,329,000). The amount of unrecognised deductible temporary differences at 31 December 2017 was RMB35,277,000 (2016: RMB32,416,000). Further details are contained in note 26 to the financial statements.

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 judgements based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income tax. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences are realised. Further details are disclosed in note 10 to these financial statements.

Fair value of available-for-sale investments

Certain of the Group's available-for-sale investments have been valued based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. This valuation requires the Group to make estimates about expected future cash flows, credit risk, volatility and discount rates, and hence they are subject to uncertainty. The fair value of the available-for-sale investments at 31 December 2017 was RMB235,962,000 (2016: RMB424,371,000). Further details are included in note 16 to the financial statements.

Impairment of available-for-sale financial assets

The Group classifies certain assets as available for sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the statement of profit or loss. At 31 December 2017, no impairment loss has been recognised for available-for-sale financial assets (2016: Nil).

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 judgements and estimates. Where the actual outcome is different from the original estimate, such differences will impact on the carrying values of the trade and other receivables and the impairment loss in the period in which such estimate has been changed.

3. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Estimation uncertainty (continued)

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 and 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 residual 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.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their products and services and only has one reportable operating segment. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resources allocation and performance assessment.

Information about products and services

The following table sets forth the total revenue from external customers by product and service during the year:

	2017 RMB'000	2016 RMB'000
EO	**2,851,373**	2,683,430
EG	**2,186,596**	1,129,261
Propylene	**1,356,208**	1,063,022
PP	**645,470**	555,473
C4 and crude pentene	**523,762**	547,560
Surfactants	**554,627**	428,656
Liquefied nitrogen, ethylene glycol and others	**338,000**	196,848
Processing services	**225,962**	33,203
MTBE	**206,716**	—
Rental income	**8,429**	9,566
	8,897,143	6,647,019

Geographical information

All external revenue of the Group during the year was attributable to customers established in the PRC, the place of domicile of the Group's operating entities.

The Group's non-current assets are all located in Mainland China.

4. OPERATING SEGMENT INFORMATION (continued)

Information about a major customer

Revenue of approximately RMB1,082,874,000 (2016: RMB845,629,000) which amounted to 10% or more of the total revenue was derived from sales of EG to a single customer.

5. REVENUE, OTHER INCOME AND GAINS AND OTHER EXPENSES

Revenue represents the net invoiced value of goods sold and government surcharges and after allowances for returns and trade discounts; the value of services rendered; and gross rental income received and receivable during the year.

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

	Notes	2017 RMB'000	2016 RMB'000
Revenue			
Sale of goods		**8,662,752**	6,604,250
Rendering of services		**225,962**	33,203
Rental income		**8,429**	9,566
		8,897,143	6,647,019
Other income			
Sales of raw materials		**645,817**	163,547
Foreign exchange gain, net		**62,356**	–
Sales of ethylene		**59,667**	46,813
Interest income from related parties		**56,346**	119,903
Bank interest income		**16,224**	8,415
Government subsidies	(a)	**11,353**	17,514
Guarantee fee		**9,662**	10,199
Sales of circular water		**6,023**	10,070
Utility income		**5,886**	7,168
Gross rental income		**1,775**	1,765
Commission fee		**891**	998
Sales of low sulphur fuel oil		**–**	98,404
Management service fee		**–**	69,811
Reparation income		**–**	2,500
Agency fee		**–**	60
Others		**2,602**	3,537
		878,602	560,704

5. REVENUE, OTHER INCOME AND GAINS AND OTHER EXPENSES (continued)

	Notes	2017 RMB'000	2016 RMB'000
Gains			
Investment income from available-for-sale investments		**6,621**	9,162
Investment income from derivative financial instruments		**981**	55,049
Gain on disposal of intangible assets		**301**	—
Gain on disposal of items of property, plant and equipment		**4**	—
Fair value gains on derivative financial instruments		**—**	40,078
Gain on disposal of silver catalysts	(b)	**—**	2,572
		7,907	106,861
Other income and gains		**886,509**	667,565
Other expenses			
Cost of sales of raw materials		**598,705**	140,055
Investment loss from derivative financial instruments		**76,580**	—
Cost of sales of ethylene		**56,570**	41,100
Fair value losses on derivative financial instruments		**31,663**	2,783
Write-down/(reversal of) inventories to net realisable value	(c)	**9,423**	(18,451)
Loss on disposal of silver catalysts	(b)	**8,915**	—
Foreign exchange losses, net		**—**	114,483
Cost of sales of low sulphur fuel oil		**—**	92,768
Loss on disposal of a joint venture		**—**	1,544
Investment loss from available-for-sale investments		**—**	8,173
Others		**1,197**	5,240
		783,053	387,695

Notes:

(a) Government subsidies mainly represent incentives provided by the local government to the Group for its operation in Jiaxing, Zhejiang Province, the PRC. There are no unfulfilled conditions or contingencies attached to these government grants.

(b) Gain or loss on disposal of silver catalysts represents the gain or loss from disposal of silver catalysts used in production which were replaced during overhaul for the EO production line.

(c) Write-down/(reversal of) of inventories to net realisable value represents the write-down/(reversal of) of inventories to net realisable value for the silver catalysts in inventories caused by the fluctuation in silver price.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2017 RMB'000	2016 RMB'000
Interest on bank loans and other borrowings	**159,086**	235,958
Interest on discounted notes receivable	**—**	25,723
	159,086	261,681

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2017 RMB'000	2016 RMB'000
Cost of inventories sold		**7,712,568**	5,724,098
Cost of services provided		**96,823**	13,870
Depreciation*	12	**521,787**	586,778
Amortisation of prepaid land lease payments	13	**7,394**	6,936
Amortisation of intangible assets**	14	**27,503**	27,850
Loss on disposal of a joint venture	15	**—**	1,544
Gain on disposal of intangible assets		**301**	—
Write down/(reversal) of inventories to net realisable value***		**9,423**	(76,286)
Impairment of trade receivables		**—**	2,583
Auditor's remuneration		**2,267**	2,221
Minimum lease payments under operating leases		**1,414**	1,676
Employee benefit expense (including directors' remuneration (note 8)):****			
Wages and salaries		**152,796**	132,968
Pension scheme contributions		**6,154**	6,196
Staff welfare expenses		**6,589**	6,140
Equity-settled share award plan expense		**1,291**	878
		166,830	146,182

7. PROFIT BEFORE TAX (continued)

* The depreciation of property, plant and equipment of RMB482,878,000 (2016: RMB521,646,000) for the year is included in "Cost of sales" in the consolidated statement of profit or loss.

** The amortisation of intangible assets of RMB7,679,000 (2016: RMB6,341,000) for the year is included in "Cost of sales" in the consolidated statement of profit or loss.

*** Reversal of inventories to net realisable value of RMB10,467,000 for the year 2016 was included in "Cost of sales" in the consolidated statement of profit or loss of 2016.

**** The employee benefit expense of RMB88,331,000 (2016: RMB78,781,000) for the year is included in "Cost of sales" in the consolidated statement of profit or loss.

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2017 RMB'000	2016 RMB'000
Fees	**312**	318
Other emoluments:		
Salaries, allowances and benefits in kind	**2,495**	3,832
Management fee paid to a related company*	**21,038**	1,029
Equity-settled share award plan expense	**147**	106
Pension scheme contributions	**59**	61
	23,739	5,028
	24,051	5,346

* The Company entered into a management agreement with Guan Jianzhong and Grand Novel Developments Limited ("Grand Novel"), a company incorporated in the British Virgin Islands and is controlled by a director of the Company, Guan Jianzhong. Pursuant to the management agreement, Grand Novel agreed to act as a manager of the Company and in return, the Company agreed to pay Grand Novel a monthly fee of HK$100,000 and a management bonus in such sum as the board of directors (the "Board") may in its absolute discretion determine, provided that the aggregate amount of management bonus payable for each financial year shall not exceed 5 per cent of the audited net profit of the Company (after taxation and non-controlling interests and payment of such bonus but excluding extraordinary and exceptional items) in respect of each financial year.

During the year ended 31 December 2013, certain directors were awarded shares, in respect of their services to the Group, under the share award plan of the Company, further details of which are set out in note 28 to the financial statements. The fair value of these shares, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of award and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

8. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2017 RMB'000	2016 RMB'000
Shen Kaijun	**104**	103
Mui Ho Cheung, Gary[1]	**—**	69
Pei Yu	**104**	103
Kong Liang[2]	**104**	43
	312	318

Notes:

(1) Mui Ho Cheung, Gary resigned as an independent non-executive director on 26 May 2016.

(2) Kong Liang was appointed as an independent non-executive director on 25 July 2016.

There were no other emoluments payable to the independent non-executive directors during the year (2016: Nil).

(b) Executive directors

	Salaries, allowances and benefits in kind RMB'000	Management fee paid to a related company RMB'000	Equity-settled share award plan expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2017					
Guan Jianzhong	**—**	**21,038**	**—**	**—**	**21,038**
Han Jianhong	**1,313**	**—**	**—**	**22**	**1,335**
Niu Yingshan[1]	**126**	**—**	**22**	**5**	**153**
Rao Huotao[2]	**618**	**—**	**38**	**16**	**672**
Han Jianping	**438**	**—**	**87**	**16**	**541**
	2,495	**21,038**	**147**	**59**	**23,739**
2016					
Guan Jianzhong	500	1,029	—	—	1,529
Han Jianhong	1,316	—	—	21	1,337
Niu Yingshan	1,056	—	53	21	1,130
Han Jianping	960	—	53	19	1,032
	3,832	1,029	106	61	5,028

8. DIRECTORS' REMUNERATION (continued)

(b) Executive directors (continued)

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

The Group did not appoint a chief executive, and the duty of a chief executive was performed by the chairman.

Notes:

(1) Niu Yingshan resigned as an executive director on 15 March 2017.

(2) Rao Huotao was appointed as an executive director on 15 March 2017.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees included two directors (2016: three), details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2016: two) non-director highest paid employees for the year are as follows:

	2017 RMB'000	2016 RMB'000
Salaries, allowances and benefits in kind	**2,592**	5,675
Equity-settled share award plan expense	**195**	66
Pension scheme contributions	**59**	36
	2,846	5,777

The numbers of non-director highest paid employees whose remuneration fell within the following bands are as follows:

	Number of employees	
	2017	2016
HK$1,000,001 to HK$1,500,000	**3**	–
HK$3,000,001 to HK$3,500,000	**–**	2
	3	2

During the year ended 31 December 2013, shares were awarded to two non-director highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 28 to the financial statements. The fair value of such share awards, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of award and the amount included in the financial statements for the current year is included in the above non-director highest paid employees' remuneration disclosures.

10. INCOME TAX

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 year is analysed as follows:

	2017 **RMB'000**	2016 RMB'000
Current — Mainland China		
Charge for the year	**138,167**	76,405
Deferred (note 26)	**(17,458)**	17,559
Total tax charge for the year	**120,709**	93,964

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.

Pursuant to the relevant tax law of the Hong Kong Special Administrative Region, Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. No provision for income tax has been made as the Group did not generate any assessable profits in Hong Kong during the year (2016: Nil).

The applicable income tax rate of the Group's subsidiaries operating in Mainland China is generally 25% in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for the following entities who are entitled to preferential tax rates.

Pursuant to the approval of the tax bureau, Sanjiang Chemical has been qualified as a High and New Technology Enterprise since 2010 and enjoys a preferential corporate income tax rate of 15% from 2016 to 2018. Therefore, Sanjiang Chemical was subject to corporate income tax at a rate of 15% for the year ended 31 December 2017 (2016: 15%).

Pursuant to the approval of the tax bureau, Sanjiang Honam has been qualified as a High and New Technology Enterprise since 2014 and enjoys a preferential corporate income tax rate of 15% from 2017 to 2019. Therefore, Sanjiang Honam was subject to corporate income tax at a rate of 15% for the year ended 31 December 2017 (2016: 15%).

10. INCOME TAX (continued)

Pursuant to the approval of the tax bureau, Sanjiang New Material has been qualified as a High and New Technology Enterprise since 2016 and enjoys a preferential corporate income tax rate of 15% from 2016 to 2018. Therefore, Sanjiang New Material was subject to corporate income tax at a rate of 15% for the year ended 31 December 2017 (2016: 15%).

Pursuant to the approval of the tax bureau, Xingxing New Energy has been qualified as a High and New Technology Enterprise since 2017 and enjoys a preferential corporate income tax rate of 15% from 2017 to 2019. Therefore, Xingxing New Energy was subject to corporate income tax at a rate of 15% for the year ended 31 December 2017 (2016: 25%).

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for Mainland China to the tax expense at the effective tax rate is as follows:

	2017 RMB'000	2016 RMB'000
Profit before tax	**743,846**	692,815
Tax at the statutory tax rate	**185,961**	173,204
Lower tax rates enacted by local authority or in other countries	**(84,239)**	(39,024)
Adjustments in respect of current tax of previous periods	**(12,006)**	—
Additional deduction for research and development activities	**(46,393)**	(14,098)
Expenses not deductible for tax	**11,225**	35,995
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries (note 26)	**10,071**	8,664
Profits attributable to joint ventures	**—**	(28,110)
Tax losses utilised from previous years	**(1,847)**	(43,261)
Temporary differences not recognised	**(451)**	(5,909)
Tax losses not recognised	**58,388**	6,503
Tax charge at the Group's effective rate	**120,709**	93,964

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the year. The number of shares for the current year has been arrived at after eliminating the shares of the Company held under the share award scheme and shares repurchased.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares under the share award plan.

The calculations of basic and diluted earnings per share are based on:

	2017 RMB'000	2016 RMB'000
Earnings		
Profit for the year attributable to ordinary equity holders of the parent	**690,793**	552,614

	Number of shares 2017 '000	 2016 '000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,026,452**	985,240
Effect of dilution — weighted average number of ordinary shares under the share award plan	**1,633**	2,334
	1,028,085	987,574

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2017						
At 1 January 2017:						
Cost	1,129,080	5,855,823	28,225	13,170	222,878	7,249,176
Accumulated depreciation	(186,055)	(1,280,699)	(10,602)	(8,513)	—	(1,485,869)
Net carrying amount	943,025	4,575,124	17,623	4,657	222,878	5,763,307
At 1 January 2017, net of accumulated depreciation	943,025	4,575,124	17,623	4,657	222,878	5,763,307
Additions	54,261	26,919	639	85	202,123	284,027
Disposals	—	—	—	(19)	—	(19)
Depreciation provided during the year	(58,232)	(457,822)	(4,502)	(1,231)	—	(521,787)
Transfers	16,632	102,061	3,359	—	(122,052)	—
At 31 December 2017, net of accumulated depreciation	955,686	4,246,282	17,119	3,492	302,949	5,525,528
At 31 December 2017:						
Cost	1,199,973	5,858,889	32,223	13,070	302,949	7,407,104
Accumulated depreciation	(244,287)	(1,612,607)	(15,104)	(9,578)	—	(1,881,576)
Net carrying amount	955,686	4,246,282	17,119	3,492	302,949	5,525,528

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2016						
At 1 January 2016:						
Cost	990,555	5,691,419	16,030	13,170	166,609	6,877,783
Accumulated depreciation	(132,723)	(941,031)	(7,382)	(7,183)	—	(1,088,319)
Net carrying amount	857,832	4,750,388	8,648	5,987	166,609	5,789,464
At 1 January 2016, net of accumulated depreciation	857,832	4,750,388	8,648	5,987	166,609	5,789,464
Additions	869	116,129	1,635	—	441,988	560,621
Depreciation provided during the year	(53,332)	(528,896)	(3,220)	(1,330)	—	(586,778)
Transfers	137,656	237,503	10,560	—	(385,719)	—
At 31 December 2016, net of accumulated depreciation	943,025	4,575,124	17,623	4,657	222,878	5,763,307
At 31 December 2016:						
Cost	1,129,080	5,855,823	28,225	13,170	222,878	7,249,176
Accumulated depreciation	(186,055)	(1,280,699)	(10,602)	(8,513)	—	(1,485,869)
Net carrying amount	943,025	4,575,124	17,623	4,657	222,878	5,763,307

As at 31 December 2017, the Group's buildings, plant and machinery of RMB151,458,000 (2016: RMB358,321,000) were pledged to secure finance lease payables (note 24(ii)).

13. PREPAID LAND LEASE PAYMENTS

	2017 RMB'000	2016 RMB'000
Carrying amount at beginning of year	**308,412**	315,348
Additions	**73,689**	—
Recognised during the year	**(7,394)**	(6,936)
Carrying amount at end of year	**374,707**	308,412
Current portion included in prepayments, deposits and other receivables (note 19)	**(8,410)**	(6,936)
Non-current portion	**366,297**	301,476

As at 31 December 2017, the Group's leasehold land of RMB161,469,000 (2016: RMB165,018,000) was pledged to secure bank loan facilities granted to the Group (note 24(i)).

As at 31 December 2017, the Group has not obtained a legal title for certain leasehold land with a carrying amount of RMB73,230,000 (2016: nil). The Group is not able to assign, transfer or mortgage the asset until the legal title is obtained.

14. INTANGIBLE ASSETS

	Software RMB'000	Technology use rights RMB'000	Others RMB'000	Total RMB'000
31 December 2017				
Cost at 1 January 2017, net of accumulated amortisation	**494**	**195,108**	**29,644**	**225,246**
Additions	**35**	**—**	**—**	**35**
Disposal	**—**	**—**	**(55)**	**(55)**
Amortisation provided during the year	**(66)**	**(25,089)**	**(2,348)**	**(27,503)**
At 31 December 2017	**463**	**170,019**	**27,241**	**197,723**
At 31 December 2017:				
Cost	**787**	**279,707**	**34,835**	**315,329**
Accumulated amortisation	**(324)**	**(109,688)**	**(7,594)**	**(117,606)**
Net carrying amount	**463**	**170,019**	**27,241**	**197,723**

14. INTANGIBLE ASSETS (continued)

	Software RMB'000	Technology use rights RMB'000	Others RMB'000	Total RMB'000
31 December 2016				
Cost at 1 January 2016, net of accumulated amortisation	426	217,442	28,851	246,719
Additions	121	3,789	2,467	6,377
Amortisation provided during the year	(53)	(26,123)	(1,674)	(27,850)
At 31 December 2016	494	195,108	29,644	225,246
At 31 December 2016:				
Cost	751	279,706	34,888	315,345
Accumulated amortisation	(257)	(84,598)	(5,244)	(90,099)
Net carrying amount	494	195,108	29,644	225,246

15. INVESTMENTS IN A JOINT VENTURE

On 17 June 2016, the Group entered into an agreement to dispose of 51% of interest in Zhejiang Meifu Petrochemical Co., Ltd. ("Mei Fu Petrochemical") to Sure Capital, the holding company and the ultimate holding company of the Company and Jianghao Investment Co., Ltd. ("Jianghao Investment"), an entity under significant influence of the ultimate controlling shareholder, for an aggregate consideration of RMB306,000,000.

	2016 RMB'000
Share of net assets of a joint venture disposed of	307,544
Loss on disposal of a joint venture	(1,544)
Total consideration	306,000
Satisfied by:	
Cash	300,381
Amount due from a related party	5,619
	306,000

15. INVESTMENTS IN A JOINT VENTURE (continued)

Results of the joint venture:

	From 1 January 2016 to 30 September 2016 RMB'000
Revenue	1,989,480
Interest income	3,926
Cost of sales	(1,646,153)
Depreciation and amortisation	(58,639)
Interest expenses	(89,926)
Income tax expense	(64,769)
Profit and total comprehensive income for the period/year	151,738

16. AVAILABLE-FOR-SALE INVESTMENTS

	2017 RMB'000	2016 RMB'000
Unlisted investments, at fair value	**235,962**	424,371
Unlisted equity investments, at cost	**1,000**	1,000
	236,962	425,371

Unlisted investments represent investments in certain financial assets and paper silver issued by licensed financial institutions in the PRC. The investments bear expected yield rates of 1.65% to 5.0% (2016: 1.65% to 3.6%) per annum upon maturity.

During the year, the gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to RMB2,005,000 (2016: loss of RMB1,982,000). The loss of RMB899,000 (2016: loss of RMB9,510,000) in respect of matured investments was reclassified from other comprehensive income to the statement of profit or loss for the year.

As at 31 December 2017, certain unlisted equity investments with a carrying amount of RMB1,000,000 (2016: RMB1,000,000) were stated at cost because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

As at 31 December 2017, the Group's certain unlisted investments of RMB28,000,000 (2016: RMB100,444,000) were pledged for notes payable of RMB93,000,000 (2016: RMB100,000,000) (note 21).

As at 31 December 2016, the Group's certain unlisted investments of RMB237,000,000 were pledged to secure bank loan facilities granted to the Group (note 24(iv)).

17. INVENTORIES

	2017 RMB'000	2016 RMB'000
Raw materials	**940,244**	646,387
Finished goods	**67,670**	77,842
	1,007,914	724,229

18. TRADE AND NOTES RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade receivables	**56,045**	44,307
Notes receivable	**294,464**	128,643
	350,509	172,950
Impairment	**(2,583)**	(2,583)
	347,926	170,367

The credit period is generally 15 to 30 days, extending up to three months for certain 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. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables of the Group as at the end of the reporting period, based on the invoice date, is as follows:

	2017 RMB'000	2016 RMB'000
1 to 30 days	**51,610**	39,925
31 to 60 days	**663**	202
61 to 90 days	**136**	318
91 to 360 days	**647**	1,289
Over 360 days	**2,989**	2,573
	56,045	44,307

18. TRADE AND NOTES RECEIVABLES (continued)

An ageing analysis of the trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	2017 RMB'000	2016 RMB'000
Neither past due nor impaired	**50,203**	39,925
Less than 30 days past due	**2,071**	202
31 to 60 days past due	**136**	318
61 to 90 days past due	**149**	542
91 to 360 days past due	**497**	747
Over 360 days past due	**2,989**	2,573
	56,045	44,307

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 a number of independent customers 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's notes receivable were all aged within one year and were neither past due nor impaired.

At 31 December 2017, the Group endorsed certain notes receivable accepted by the certain banks in the PRC (the "Endorsed Notes") to certain of its suppliers in order to settle the trade and other payables due to such suppliers with a carrying amount in aggregate of RMB664,163,000 (2016: RMB510,037,000) (the "Endorsement"). In addition, the Group discounted certain notes receivable accepted by certain banks in the PRC (the "Discounted Notes") with a carrying amount in aggregate of RMB20,000,000 (2016: RMB729,146,000) (the "Discount"). The Endorsed Notes and the Discounted Notes had a maturity from one to twelve months as at 31 December 2017. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Endorsed Notes and the Discounted Notes have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement").

In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to certain Endorsed Notes and the Discounted Notes accepted by large and reputable banks with amounts of RMB529,031,000 (2016: RMB419,151,000) and RMB20,000,000 (2016: RMB665,146,000), respectively (the "Derecognised Notes"). Accordingly, it has derecognised the full carrying amounts of the Derecognised Notes and the associated trade and other payables settled by the Endorsed Notes. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Notes and the undiscounted cash flows to repurchase these Derecognised Notes is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Notes are not significant.

18. TRADE AND NOTES RECEIVABLES (continued)

The Group continued to recognise the full carrying amount of the remaining Endorsed Notes and the associated trade and other payables settled with an amount of RMB135,132,000 as at 31 December 2017 (2016: RMB90,886,000). The Group recognised the proceeds received from the discount of the remaining Discounted Notes with an amount of RMB64,000,000 as short-term loans at 31 December 2016 because the Directors believed that the Group has retained the substantial risks and rewards, which include default risks relating to such remaining Endorsed Notes and Discounted Notes.

As at 31 December 2017, an amount of RMB2,900,000 of the Group's notes receivable (2016: RMB10,950,000) was pledged to secure the foreign currency options and swap transactions entered into by the Group (note 23).

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 **RMB'000**	2016 RMB'000
Deposits and other receivables	**100,495**	239,601
Prepayments	**181,879**	157,692
Prepaid land lease payments (note 13)	**8,410**	6,936
Loans to employees	**1,123**	1,263
Prepaid expenses	**24**	846
	291,931	406,338

The loans to employees were given by the Group for the purpose of enabling the employees to purchase property.

None of the above assets is either past due or impaired. The financial assets included in the above balances are non-interest-bearing, unsecured and repayable on demand and relate to receivables for which there was no recent history of default.

20. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2017 RMB'000	2016 RMB'000
Cash and bank balances	**273,678**	348,224
Time deposits	**50,000**	410,273
	323,678	758,497
Less: Pledged time deposits:		
Pledged for notes payable (note 21)	**50,000**	322,064
Pledged for letters of credit	**–**	69,400
Pledged for bank loans (note 24(iii))	**–**	13,805
Pledged for foreign currency options and swaps (note 23)	**–**	5,004
	50,000	410,273
Cash and cash equivalents	**273,678**	348,224
Denominated in RMB	**131,815**	220,164
Denominated in United States dollars	**140,238**	125,020
Denominated in other currencies	**1,625**	3,040
Cash and cash equivalents	**273,678**	348,224

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB131,815,000 (2016: RMB220,164,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

21. TRADE AND BILLS PAYABLES

	2017 RMB'000	2016 RMB'000
Trade payables	**1,245,598**	803,409
Bills payable	**119,817**	650,903
	1,365,415	1,454,312

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2017 RMB'000	2016 RMB'000
Within 3 months	**1,230,755**	1,301,188
3 to 6 months	**128,253**	17,097
6 to 12 months	**3,110**	132,218
12 to 24 months	**1,443**	2,160
24 to 36 months	**1,341**	1,638
Over 36 months	**513**	11
	1,365,415	1,454,312

Trade payables are non-interest-bearing and have an average credit term of three months. Bills payable all age within one year.

As at 31 December 2017, the bills payable of RMB119,817,000 (2016: RMB650,903,000) were secured by the Group's pledged deposits with a carrying amount of RMB50,000,000 (2016: RMB322,064,000) (note 20) and unlisted investments with a carrying amount of RMB28,000,000 (2016: RMB100,444,000) (note 16).

22. OTHER PAYABLES AND ACCRUALS

	2017 RMB'000	2016 RMB'000
Other payables	**686,830**	809,440
Advances from customers	**90,332**	147,600
Payroll payable	**61,834**	64,852
Taxes payable other than income tax	**84,695**	33,573
Interest payable	**3,510**	7,096
	927,201	1,062,561

Other payables are non-interest-bearing and repayable on demand.

23. DERIVATIVE FINANCIAL INSTRUMENTS

	2017 Assets RMB'000	 Liabilities RMB'000
Futures	**19,651**	**—**
Bullion options contracts	**—**	**25**
Foreign currency options and swaps	**—**	**36,621**
	19,651	**36,646**

	2016 Assets RMB'000	 Liabilities RMB'000
Futures	8,770	—
Bullion options contracts	—	1,889
Forward contracts for silver	1,075	—
Foreign currency options and swaps	32,096	7,737
	41,941	9,626

The Group has entered into various foreign currency options and swaps to manage its exchange rate exposures. These foreign currency options and swaps are not designated for hedge purposes and are measured at fair value through profit or loss. Changes in the fair value of non-hedging currency derivatives amounting to RMB27,454,000 were charged to the statement of profit or loss during the year (2016: RMB39,796,000).

As at 31 December 2017, the foreign currency options and swaps of RMB2,959,000 (2016: RMB963,000) were secured by the Group's notes receivable with a carrying amount of RMB2,900,000 (2016:RMB10,950,000) (note 18).

As at 31 December 2016, the foreign currency options and swaps of RMB2,317,000 were secured by the Group's pledged deposits of RMB5,004,000 (note 20).

24. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	2017 RMB'000	2016 RMB'000
Current				
Finance lease payables (note 25)	4.750–5.250	2018/2017	**29,625**	292,115
Bank loans — secured	2.265	2018	**26,535**	—
US$17,488,000 secured bank loans	2.256–3.500	2018	**114,275**	—
US$42,820,000 secured bank loans	1.600–3.151	2017	**—**	297,046
Bank loans — unsecured	4.350–4.620	2018	**554,531**	—
	2.287–4.850	2017	**—**	900,343
US$88,055,000 unsecured bank loans	1.930	2018	**575,371**	—
US$105,620,000 unsecured bank loans	1.124–3.716	2017	**—**	732,670
HK$56,000,000 unsecured bank loans	4.611	2017	**—**	50,093
Current portion of long-term	4.750–4.900	2018	**438,298**	—
Other loans — secured	4.900	2017	**—**	300,000
US$2,250,000 secured bank loans	5.329	2018	**14,702**	—
			1,753,337	2,572,267
Discounted notes receivable	2.960	2017	**—**	64,000
			1,753,337	2,636,267

24. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

	Effective interest rate (%)	Maturity	2017 RMB'000	2016 RMB'000
Non-current				
Finance lease payables (note 25)	4.750–5.250	2018	–	29,625
US$2,250,000 secured bank loans	5.329	2018	–	15,608
Bank loans-secured	4.750–4.900	2019	598,262	598,386
	4.750–4.900	2018	–	437,392
			598,262	1,081,011
			2,351,599	3,717,278
Analysed into:				
Bank loans repayable:				
Within one year			1,723,712	2,344,152
In the second year			598,262	453,000
In the third to fifth years, inclusive			–	598,386
			2,321,974	3,395,538
Other borrowings repayable:				
Within one year			29,625	292,115
In the second year			–	29,625
			29,625	321,740
			2,351,599	3,717,278

24. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Notes:

Certain of the Group's bank borrowings and finance lease payables are secured by:

(i) mortgages over the Group's leasehold land, which had an aggregate carrying value at the end of the reporting period of approximately RMB161,469,000 (2016: RMB165,018,000) (note 13);

(ii) mortgages over the Group's property, plant and equipment, which had an aggregate carrying value at the end of the reporting period of approximately RMB151,458,000 (2016: RMB358,321,000) (note 12);

(iii) the pledge of certain of the Group's time deposits amounting to RMB13,805,000 as at 31 December 2016 (note 20); and

(iv) the pledge of certain unlisted investments amounting to RMB237,000,000 as at 31 December 2016 (note 16).

Except for the secured bank loans amounted to RMB128,977,000 (2016: RMB312,654,000) and unsecured bank loans amounted to RMB575,371,000 (2016: RMB732,670,000) which are denominated in United States dollars, unsecured bank loans amounted of RMB50,093,000 as at 31 December 2016 which are denominated in Hong Kong dollars, all borrowings are in RMB.

Xingxing New Energy entered into a syndicated loan agreement with Industrial and Commercial Bank of China Limited, China Construction Bank Limited and Bank of China Limited in June 2013 in relation to the funding requirement for the construction of the Methanol To Olefins ("MTO") production facility with a total loan amount of RMB1,600,000,000 which was guaranteed by its shareholders, Sanjiang Chemical, holding 77.5% of its equity interest, and Zhejiang Jiahua Group Co., Ltd. ("Jiahua Group"), holding 9.5% of its equity interest, for amounts not exceeding RMB1,200,000,000 and RMB400,000,000, respectively. Xingxing New Energy had used RMB798,262,000 of the facility of as at 31 December 2017 (2016: RMB1,098,386,000) and the facility was also secured by its leasehold land with a carrying value of approximately RMB161,469,000 as at 31 December 2017 (2016: RMB165,018,000) which was included in the amount in note (i) above.

Sanjiang New Material entered into a syndicated loan agreement with Industrial and Commercial Bank of China Limited and China Merchants Bank in September 2014 in relation to the funding requirement for the construction of the EO/EG production facility with a total loan amount of RMB500,000,000 which was guaranteed by Sanjiang Chemical and Xingxing New Energy for amounts not exceeding RMB600,000,000 and RMB600,000,000, respectively. Sanjiang New Material had used RMB253,000,000 of the facility as at 31 December 2017 (2016: RMB253,000,000).

Sanjiang Chemical entered into a sale and lease back agreement with International Far Eastern Leasing Co., Ltd. in November 2016 with a total present value of minimum lease payments of RMB29,625,000 as at 31 December 2017 (2016: RMB140,740,000) which was secured by certain of its plant and machinery amounting to RMB151,458,000 (2016: RMB161,212,000) which were included in the amount in note (ii) above.

25. FINANCE LEASE PAYABLES

The Group sells and leases back certain of its plant and machinery. These leases are classified as finance leases and have remaining lease terms ranging from one to two years.

At 31 December 2017, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease Payments 2017 HK$'000	Minimum lease payments 2016 HK$'000	**Present value of minimum lease payments 2017 HK$'000**	Present value of minimum lease payments 2016 HK$'000
Amounts payable:				
Within one year	**30,396**	299,081	**29,625**	292,115
In the second year	**–**	30,396	**–**	29,625
Total minimum finance lease payments	**30,396**	329,477	**29,625**	321,740
Future finance charges	**(771)**	(7,737)		
Total net finance lease payables	**29,625**	321,740		
Portion classified as current liabilities (note 24)	**(29,625)**	(292,115)		
Non-current portion (note 24)	**–**	29,625		

As the risks and rewards of the assets remain with the Group, the transaction could be accounted for based on its substance which is a borrowing arrangement, with the assets held as security. Hence, the Group continues to recognise the leased assets at their previous carrying amount as if no sale had taken place, and recognises proceeds received as a liability.

26. DEFERRED TAX

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

Deferred tax liabilities

	Fair value change on derivative financial instruments RMB'000	Capitalised trial production loss RMB'000	Withholding tax on distributable profits RMB'000	Total RMB'000
At 31 December 2015 and 1 January 2016	—	—	18,537	18,537
Deferred tax charged to the statement of profit or loss during the year (note 10)	7,034	—	1,164	8,198
At 31 December 2016 and 1 January 2017	**7,034**	**—**	**19,701**	**26,735**
Deferred tax (credit)/charged to the statement of profit or loss during the year (note 10)	**(7,034)**	**458**	**(5,930)**	**(12,506)**
Gross deferred tax liabilities at 31 December 2017	**—**	**458**	**13,771**	**14,229**

26. DEFERRED TAX (continued)

Deferred tax assets

	Fair value change on derivative financial instruments RMB'000	Impairment of assets RMB'000	Government grants RMB'000	Interest income on discounted long-term receivables RMB'000	Capitalised trial production gain RMB'000	Total RMB'000
At 1 January 2016	1,322	9,182	321	2,358	—	13,183
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	(1,316)	(7,555)	(23)	(1,373)	906	(9,361)
At 31 December 2016 and 1 January 2017	**6**	**1,627**	**298**	**985**	**906**	**3,822**
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	**4,112**	**739**	**(23)**	**177**	**(53)**	**4,952**
Gross deferred tax assets at 31 December 2017	**4,118**	**2,366**	**275**	**1,162**	**853**	**8,774**

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

	2017 RMB'000	2016 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**8,316**	—
Net deferred tax liabilities recognised in the consolidated statement of financial position	**13,771**	22,913

26. DEFERRED TAX (continued)

Deferred tax assets (continued)

Pursuant to the PRC Corporate Income Tax 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 treaty/arrangement between Mainland China and the jurisdiction of the foreign investors and the foreign investors are the beneficial owners of the dividends. The Group is therefore liable to withholding taxes on dividends distributed by those foreign invested subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

Pursuant to the approval of the tax bureau in 2013, a 5% withholding tax is levied on dividends declared from the profits of 2010 and 2011 of Sanjiang Chemical according to the related tax arrangement between Mainland China and Hong Kong. In the opinion of the directors, the lower withholding tax rate of 5% should be applied for the dividends declared since 2012 in view of the fact that Capitol International engages in substantive operation activities in Hong Kong and is the beneficial owner of the dividends.

Deferred tax liabilities are recognised based on 30% of the accumulated distributable earnings of the subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries established in Mainland China will distribute the remaining 70% of such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised was approximately RMB1,987,552,000 as at 31 December 2017 (2016: RMB1,517,571,000).

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 tax losses of RMB653,452,000 (2016: RMB277,329,000) and deductible temporary differences of RMB35,277,000 (2016: RMB32,416,000) as it is uncertain that taxable profits will be available against which the tax losses and the temporary differences can be utilised.

The Group has tax losses arising in Mainland China of RMB636,920,000 (2016: RMB272,021,000) that will expire in one to five years for offsetting against future taxable profits.

The Group has tax losses arising in Hong Kong of RMB16,532,000 (2016: RMB5,308,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

27. SHARE CAPITAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 30 January 2009 with authorised share capital of HK$500,000,000 divided into 5,000,000,000 shares of HK$0.1 each.

The issued capital of the Company are as follows:

	Number of shares	Amount RMB'000
Issued and fully paid ordinary shares of HK$0.1 each:		
At 31 December 2016 and 1 January 2017	993,104,000	86,048
Issue of placing shares (a)	196,896,000	16,614
At 31 December 2017	1,190,000,000	102,662

Note:

(a) On October 9, 2017, the Company held the board meeting in relation to the placing for an aggregate of 196,896,000 ordinary shares of the Company at the placing price of HK$2.28 per share (the "Placing Shares").

On October 17, 2017, the Placing Shares with par value of HK$0.1 each were issued at a placing price of HK$2.28 per share to certain investors for aggregate placing proceeds of HK$448,923,000 (equivalent to approximately RMB378,801,000), of which HK$19,690,000 (equivalent to approximately RMB16,614,000) was credited to share capital and HK$429,233,000 (equivalent to approximately RMB362,187,000) was credited to share premium. Transaction costs in relation to the placing of RMB11,680,000 were debited to share premium.

These shares represented approximately 16.55% of the enlarged issued share capital of the Company as at the date of placing.

28. SHARE AWARD PLAN

The Company adopted a share award plan on 31 March 2011 (the "Share Award Plan"). The purposes of the Share Award Plan are to recognise and reward the contribution of certain eligible employees for the growth and development of the Group, to give incentives thereto in order to retain them for the continual growth and development of the Group, and to attract suitable personnel for further development of the Group. The eligible employees include any employee (whether full time or part time, including any executive director) of the Company, any subsidiary or any invested entity.

The Share Award Plan will be valid and effective for a term of 50 years commencing on the date on which the Share Award Plan was adopted.

Under the rules of the Share Award Plan (the "Plan Rules"), the Share Award Plan will be subject to the administration of the board or the plan administrator, who is authorised by the board to render supports in all aspects to the Board in connection with the implementation of the Share Award Plan, whose decisions on all matters arising in relation to the Share Award Plan or its interpretation or effect shall be final, conclusive and binding on all persons who may be affected thereby.

28. SHARE AWARD PLAN (continued)

The Group has appointed a trustee (the "Trustee") for the purposes of administering the Share Award Plan. The Trustee will be notified by the directors in writing upon making an award to an eligible employee under the Share Award Plan. Upon the receipt of such notice, the Trustee will set aside the appropriate number of awarded shares out of a pool of shares comprising the following:

(A) such shares as may be (i) transferred to the Trustee from any person (other than the Group) by way of gift, or (ii) purchased by the Trustee on the Stock Exchange by utilising the funds received by the Trustee from any person (other than the Group) by way of gift;

(B) such shares as may be purchased by the Trustee on the Stock Exchange by utilising the funds allocated by the board out of the Company's resources;

(C) such shares as may be subscribed for at par value by the Trustee by utilising the funds allocated by the board out of the Company's resources; and

(D) such shares which remain unvested and revert to the Trustee.

The legal and beneficial ownership of the relevant awarded shares shall vest in the relevant selected employee within 10 business days after the latest of: (a) the earliest vesting date as specified in the award notice to which such award relates; and (b) where applicable, the date on which the conditions or performance targets (if any) to be attained by such selected employee as specified in the related award notice have been attained and notified to the Trustee by the board in writing.

Under the Plan Rules, the employees of the Group shall not have any right to receive any shares awarded to them under the Share Award Plan and all other interest attributable thereto unless and until the Trustee has transferred the legal and beneficial ownership of such awarded shares to them and the legal and beneficial ownership of those awarded shares vested in them. When the participant ceased to be the Group's employee, the unvested shares would be retained by the Trustee.

The fair value of services received in return for shares granted is measured by reference to the fair value of shares granted. The fair value of the shares granted is measured at the grant date at the market value of the shares, adjusted for the exclusion of expected dividends to be received in the vesting period.

Pursuant to share award notices issued on 7 June 2011 to those selected employees, an aggregate of 1,912,000 shares (the "2011 Awarded Shares") of the Company of HK$0.01 each were granted at nil consideration and the earliest vesting date of the 2011 Awarded Shares was 1 April 2016. There is no other performance target required except the eligible participant remains as an employee of the Group during the vesting period. On 1 April 2016, 1,698,000 shares were vested.

Pursuant to share award notices issued on 1 December 2012 to those selected employees, an aggregate of 2,940,000 shares (the "2012 Awarded Shares") of the Company of HK$0.1 each were granted at nil consideration and the earliest vesting date of the 2012 Awarded Shares was 1 December 2017. There is no other performance target required except the eligible participant remains as an employee of the Group during the vesting period. On 1 December 2017, 2,600,000 shares were vested.

28. SHARE AWARD PLAN (continued)

Pursuant to share award notices issued on 1 December 2013 to those selected employees, an aggregate of 2,998,000 shares (the "2013 Awarded Shares") of the Company of HK$0.1 each were granted at nil consideration and the earliest vesting date of the 2013 Awarded Shares is 1 December 2018. There is no other performance target required except the eligible participant remains as an employee of the Group during the vesting period.

The following awarded shares were outstanding under the Share Award Plan during the year:

	Number of shares purchased for the Share Award Plan	Number of awarded shares
At 1 January 2016	5,409,000	7,850,000
Vested	—	(1,698,000)
At 31 December 2016	5,409,000	6,152,000
Exercisable as at 31 December 2016	—	—
At 1 January 2017	**5,409,000**	**6,152,000**
Vested	**—**	**(2,600,000)**
At 31 December 2017	**5,409,000**	**3,552,000**
Exercisable as at 31 December 2017	**—**	**—**

During the year, Share Award Plan expense of RMB1,291,000 was charged to the consolidated statement of profit or loss (2016: RMB878,000), of which an amount of RMB147,000 was included in the directors' remuneration (2016: RMB106,000).

29. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 46 of the financial statements.

Pursuant to the PRC Company Law and the respective entities' 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 until such reserve fund reaches 50% of the share capital of these entities. The statutory reserve can be utilised to offset prior years' losses or to increase capital. However, except for offsetting prior years' losses, such reserve must be maintained at a minimum of 25% of the share capital after usage.

30. DIVIDENDS

	2017 RMB'000	2016 RMB'000
Interim — HK11.5 cents (2016: HK15 cents) per ordinary share	**100,696**	128,393
Interim — HK10.5 cents (2016: Nil) per ordinary share	**88,447**	—
Proposed final — HK12.5 cents (2016: HK11.5 cents) per ordinary share	**119,800**	101,675
	308,943	230,068

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

31. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Bank and other loans RMB'000	Finance lease payables RMB'000	Interest payable RMB'000	Amount due to related parties RMB'000
At 1 January 2017	3,395,538	321,740	7,096	441,745
Changes from financing cash flows	(1,073,564)	(299,081)	(131,556)	(282,287)
Interest expense	—	6,966	127,970	24,150
At 31 December 2017	2,321,974	29,625	3,510	183,608

32. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	2017 RMB'000	2016 RMB'000
Guarantees given to banks in connection with facilities granted to:		
A related party/joint venture	**787,200**	649,358
A joint operation	**–**	265,898
	787,200	915,256

As at 31 December 2017, the banking facility granted to a related party subject to guarantees given to banks by the Group was utilised to the extent of approximately RMB295,227,000 (2016: RMB89,989,000). As at 31 December 2016, the banking facility granted to a joint operation subject to guarantees given to banks by the Group was RMB120,573,000.

33. PLEDGE OF ASSETS

Details of the Group's bills payable, interest-bearing bank and other borrowings and derivative financial instruments, which are secured by the assets of the Group, are included in note 21, note 24 and note 23 to these financial statements, respectively.

34. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases its pipes under operating lease arrangements as at 31 December 2017. Leases for pipes are negotiated for terms ranging from six to ten years. The Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	2017 RMB'000	2016 RMB'000
Within one year	12,124	7,281
In the second to third years, inclusive	23,220	13,523
In the fourth to fifth years, inclusive	20,005	12,445
After five years	32,105	18,824
	87,454	52,073

As lessee

The Group leases certain of its office properties under operating lease arrangements as at 31 December 2017. Leases for properties are negotiated for terms ranging from three to eight years. The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017 RMB'000	2016 RMB'000
Within one year	1,929	1,188
In the second to third years, inclusive	3,859	2,178
In the fourth to fifth years, inclusive	1,638	–
After five years	1,229	–
	8,655	3,366

35. COMMITMENTS

In addition to the operating lease commitments detailed in note 34 above, the Group had the following capital commitments at the end of the reporting period:

	2017 RMB'000	2016 RMB'000
Contracted, but not provided for:		
Plant and machinery	79,117	7,240

36. RELATED PARTY TRANSACTIONS

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

Name	Relationship with the Company
Guan Jianzhong	Ultimate controlling shareholder
Han Jianhong	Director
Jiahua Group	An entity controlled by the ultimate controlling shareholder
Zhejiang Jiahua Energy Chemical Co., Ltd. ("Jiahua Energy")	An entity controlled by the ultimate controlling shareholder
Mei Fu Petrochemical*	An entity controlled by the ultimate controlling shareholder
Zhejiang Zhapu Meifu Port & Storage Co., Ltd. ("Mei Fu Port")	An entity controlled by the ultimate controlling shareholder
Grand Novel	An entity controlled by the ultimate controlling shareholder
Hangzhou Haoming Investment Co., Limited ("Hangzhou Haoming")	An entity controlled by the ultimate controlling shareholder
Jiaxing Xinggang Rewang Co., Ltd. ("Jiaxing Rewang")	An entity under significant influence of the ultimate controlling shareholder
Zhejiang Jiahua Import Export Co., Ltd. ("Jiahua Import Export")	An entity controlled by the ultimate controlling shareholder
Haoxing Energy Conservation Technology Co., Ltd. ("Haoxing Energy Conservation")	An entity controlled by the ultimate controlling shareholder
Gangqu Gangan Industrial Equipment Installing Co., Ltd. ("Gangqu Gangan")	An entity controlled by the ultimate controlling shareholder
Jiaxing Jianghao Eco-agriculture Co., Ltd. ("Jianghao Eco-agriculture")	An entity controlled by the ultimate controlling shareholder
Jiaxing Jianghao Estate Co., Ltd. ("Jianghao Estate")	An entity controlled by the ultimate controlling shareholder
Jianghao Investment	An entity under significant influence of the ultimate controlling shareholder
Sure Capital	Holding company and the ultimate holding company of the Company

* Mei Fu Petrochemical, a joint venture, was disposed of on 30 September 2016 and since then it was treated as an entity controlled by the ultimate controlling shareholder instead of a joint venture.

36. RELATED PARTY TRANSACTIONS (continued)

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Notes	2017 RMB'000	2016 RMB'000
Sales of goods to:			
Mei Fu Petrochemical	(i)	—	132,430
Jiahua Energy	(i)	4,843	4,399
		4,843	136,829
Purchases of goods from:			
Jiahua Energy	(i)	455,904	329,753
Jiaxing Rewang	(i)	9,507	2,721
Gangqu Gangan	(i)	11,821	1,368
Jianghao Eco-agriculture	(i)	878	601
Mei Fu Petrochemical	(i)	330	594
Haoxing Energy Conservation	(i)	2,200	—
Jianghao Estate	(i)	17	—
		480,657	335,037
Loading and service provided by:			
Mei Fu Port	(ii)	71,980	69,201

36. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

	Notes	2017 RMB'000	2016 RMB'000
Rental income from:			
Mei Fu Petrochemical	(ii)	**1,965**	2,058
Jiaxing Rewang	(ii)	**841**	868
Jiahua Energy	(ii)	**1,342**	1,035
		4,148	3,961
Agency fee to:			
Jiahua Import Export	(ii)	**2,513**	142
Agency fee from:			
Mei Fu Petrochemical	(ii)	**–**	60
Rental expense to:			
Hangzhou Haoming	(ii)	**600**	600
Royalty fee to:			
Jiahua Group	(ii)	**1,014**	1,014
Loans to:			
Mei Fu Petrochemical	(iii)	**87,723**	286,490
Loans from:			
Jiahua Group	(iv)	**180,000**	350,000
Interest income from:			
Mei Fu Petrochemical	(iii)	**47,977**	105,754
Interest expense to:			
Jiahua Group	(iv)	**24,150**	23,222
Guarantee fee from:			
Mei Fu Petrochemical	(v)	**9,434**	10,000
Consultancy service income from:			
Mei Fu Petrochemical	(vi)	**–**	69,811

36. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

	Notes	2017 RMB'000	2016 RMB'000
Management fees to:			
Grand Novel (note 8)		**21,038**	1,029
Payments by a related party on behalf of the Group:			
Jiahua Import Export	(vii)	**–**	42,320
Land lease payment to:			
Mei Fu Petrochemical	(viii)	**28,479**	–

Notes:

(i) The sales and purchases of goods to and from the related parties were made according to the published prices and conditions offered by the related parties to their major customers and suppliers.

(ii) The transactions were conducted at the prevailing market rates mutually agreed between the relevant parties.

(iii) The Group made loans to Mei Fu Petrochemical amounting to RMB87,723,000 (2016: RMB286,490,000) as working capital. An aggregate amount of RMB473,459,000 (2016: RMB551,000,000) had been repaid during the year. These loans were unsecured, bore interest at 8% to 10% per annum and were repayable within three years.

(iv) The Group obtained a loan from Jiahua Group amounting to RMB180,000,000 (2016: RMB350,000,000) as the working capital for the new operation of Xingxing New Energy during the year, and an amount of RMB435,103,000 (2016: RMB102,000,000) had been repaid during the year. The loan was unsecured of which RMB180,000,000 bore interest at 8% per annum and was repayable on demand within one year. The interest expense amounting to RMB24,150,000 (2016: RMB23,222,000) was incurred during the year.

(v) The Group has guaranteed bank loans made to Mei Fu Petrochemical up to RMB295,227,000 (2016: RMB89,989,000) as at the end of the reporting period and charged Mei Fu Petrochemical a guarantee fee of RMB9,434,000 (2016: RMB10,000,000).

(vi) The consultancy service income was determined after arm's length negotiations between the relevant parties, taking into account the time, expertise and resources that the Group provided in the provision of the consultancy services during the transition year.

(vii) The payments were made on behalf of the Group based on the actual cost incurred.

(viii) The Group has purchased a land use right amounting to RMB28,479,000 from Mei Fu Petrochemical in 2017.

36. RELATED PARTY TRANSACTIONS (continued)

(b) Other transactions with related parties

(i) Xingxing New Energy entered into a syndicated loan agreement with Industrial and Commercial Bank of China Limited, China Construction Bank Limited and Bank of China Limited in June 2013 in relation to the funding requirement for the construction of the MTO production facility with a total loan amount of RMB1,600,000,000 which was guaranteed by its shareholders, Sanjiang Chemical, holding 75% of its equity interest, and Jiahua Group, holding 25% of its equity interest, for amounts not exceeding RMB1,200,000,000 and RMB400,000,000, respectively. Xingxing New Energy had used RMB798,262,000 of the facility as at 31 December 2017 (2016: RMB1,098,386,000) as further detailed in note 24 to the financial statements.

(ii) In 2016, the Group entered into an agreement to dispose of 51% of interest in Mei Fu Petrochemical to Jianghao Investment and Sure Capital at an aggregate consideration of RMB306,000,000. Further details of the transaction are included in note 15 to the financial statements.

(c) Outstanding balances with related parties:

	2017 RMB'000	2016 RMB'000
Due from related parties:		
Mei Fu Petrochemical	**261,479**	728,549
Jiahua Energy	**58,603**	110,269
Hangzhou Haoming	**122**	122
Jiahua Import Export	**720**	284
Sure Capital	**—**	5,619
Jiahua Group	**2**	92
	320,926	844,935
Due to related parties:		
Grand Novel	**26,686**	9,929
Mei Fu Petrochemical	**494**	30,080
Mei Fu Port	**23,199**	8,269
Jiahua Energy	**82,993**	67,253
Jiaxing Rewang	**2,262**	392
Jiahua Group	**200,566**	435,201
Jiahua Import Export	**—**	42,320
Haoxing Energy Conservation	**924**	1,763
Gangqu Gangan	**5,940**	672
Jianghao Eco-agriculture	**2**	18
	343,066	595,897

36. RELATED PARTY TRANSACTIONS (continued)

(c) (continued)

The balances with related parties are unsecured, interest-free and repayable on demand, except the loan balances due from Mei Fu Petrochemical, which bear interest at 8% to 10% per annum and are repayable within three years and the loan balance due to Jiahua Group, of which RMB180,000,000 bears interest at 8% and is repayable within one year.

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

	2017 RMB'000	2016 RMB'000
Short term employee benefits	**26,894**	11,615
Equity-settled share award plan expense	**373**	629
Pension scheme contributions	**138**	141
Total compensation paid to key management personnel	**27,405**	12,385

Further details of directors' remuneration are included in note 8 to these financial statements.

The related party transactions in respect of sales of goods to Jiahua Energy and Mei Fu Petrochemical, purchases of goods from Jiahua Energy, Jiaxing Rewang, Gangqu Gangan, Jianghao Eco-agriculture, Mei Fu Petrochemical, Haoxing Energy Conservation and Jianghao Estate, loading and service fee to Mei Fu Port, rental income from Mei Fu Petrochemical, Jiaxing Rewang and Jiahua Energy, an agency fee to Jiahua Import Export, a rental expense to Hangzhou Haoming, a royalty fee to Jiahua Group, loans to Mei Fu Petrochemical, loans from Jiahua Group, interest income from Mei Fu Petrochemical, an interest expense to Jiahua Group, a guarantee fee from Mei Fu Petrochemical, consultancy service income from Mei Fu Petrochemical, a management fee to Grand Novel and land lease payment to Mei Fu Petrochemical above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

37. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

	2017			
	Financial assets at fair value through profit or loss			
	Held for trading RMB'000	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Trade and notes receivables	—	**347,926**	—	**347,926**
Financial assets included in prepayments, deposits and other receivables	—	**101,618**	—	**101,618**
Due from related parties	—	**320,926**	—	**320,926**
Available-for-sale investments	—	—	**235,962**	**235,962**
Derivative financial instruments	**19,651**	—	—	**19,651**
Pledged deposits	—	**50,000**	—	**50,000**
Cash and cash equivalents	—	**273,678**	—	**273,678**
	19,651	**1,094,148**	**235,962**	**1,349,761**

	2016			
	Financial assets at fair value through profit or loss			
	Held for trading RMB'000	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Trade and notes receivables	—	170,367	—	170,367
Financial assets included in prepayments, deposits and other receivables	—	240,864	—	240,864
Due from related parties	—	844,935	—	844,935
Available-for-sale investments	—	—	425,371	425,371
Derivative financial instruments	41,941	—	—	41,941
Pledged deposits	—	410,273	—	410,273
Cash and cash equivalents	—	348,224	—	348,224
	41,941	2,014,663	425,371	2,481,975

37. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

	2017		
	Financial liabilities at fair value through profit or loss Held for trading RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	—	1,365,415	1,365,415
Financial liabilities included in other payables and accruals	—	690,340	690,340
Derivative financial instruments	36,646	—	36,646
Interest-bearing bank and other borrowings	—	2,351,599	2,351,599
Due to related parties	—	343,066	343,066
	36,646	4,750,420	4,787,066

	2016		
	Financial liabilities at fair value through profit or loss Held for trading RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	—	1,454,312	1,454,312
Financial liabilities included in other payables and accruals	—	816,536	816,536
Derivative financial instruments	9,626	—	9,626
Interest-bearing bank and other borrowings	—	3,717,278	3,717,278
Due to related parties	—	595,897	595,897
	9,626	6,584,023	6,593,649

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to their fair values, are as follows:

	Carrying amounts		Fair values	
	2017	2016	**2017**	2016
Financial assets				
Due from related parties	**99,697**	609,000	**99,697**	609,000
Available-for-sale investments	**235,962**	424,371	**235,962**	424,371
Derivative financial instruments	**19,651**	41,941	**19,651**	41,941
	355,310	1,075,312	**355,310**	1,075,312
Financial liabilities				
Derivative financial instruments	**36,646**	9,626	**36,646**	9,626

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and notes receivables, financial assets included in prepayments, deposits and other receivables, trade and bills payables, financial liabilities included in other payables and accruals, amounts due from/to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments. The fair values of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the floating interest rate or the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the financial controller and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the financial controller. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of certain available-for-sale investments have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for available-for-sale investments as at 31 December 2017 was assessed to be insignificant.

The fair value of long-term amount due from related parties has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with A credit ratings. Derivative financial instruments, including foreign currency options and swaps, futures, bullion options contracts, forward contracts for silver and deferred bullion sale facilities are measured using valuation techniques, including the Black-Scholes option pricing model, net present value of the cash flows model and the model of purchase prices as at the issue date and the expected yield. The models incorporate various market observable inputs including the risk-free interest rate, implied volatility of the exchange rate, spot prices and implied volatility of silver's prices. The carrying amounts of foreign currency options and swaps, futures, bullion options contracts, forward contracts for silver and deferred bullion sale facilities are the same as their fair values.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	inputs Total RMB'000
Derivative financial instruments	**19,651**	**–**	**–**	**19,651**
Available-for-sale investments	**–**	**235,962**	**–**	**235,962**
	19,651	**235,962**	**–**	**255,613**

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	inputs Total RMB'000
Derivative financial instruments	8,770	33,171	–	41,941
Available-for-sale investments	–	424,371	–	424,371
	8,770	457,542	–	466,312

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Liabilities measured at fair value:

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	inputs Total RMB'000
Derivative financial instruments	**–**	**36,646**	**–**	**36,646**

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	inputs Total RMB'000
Derivative financial instruments	–	9,626	–	9,626

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2016: Nil).

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise interest-bearing bank and other 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 Group also enters into derivative transactions, including principally foreign currency options and swaps, futures, bullion options contracts, forward contracts for silver and deferred bullion sale facilities. The purpose is to manage the commodity price risk and foreign currency risk arising from the Group's operations and its sources of finance.

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 summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

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 and other borrowings. Some of these interest-bearing bank and other 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 repayment of borrowings are disclosed in note 24 above.

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

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax** RMB'000
2017		
RMB	**5**	**(684)**
RMB	**(5)**	**684**
United States dollar	**5**	**(60)**
United States dollar	**(5)**	**60**
Hong Kong dollar	**5**	**–**
Hong Kong dollar	**(5)**	**–**
2016		
RMB	5	(1,575)
RMB	(5)	1,575
United States dollar	5	(97)
United States dollar	(5)	97
Hong Kong dollar	5	(10)
Hong Kong dollar	(5)	10

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 58% (2016:54%) of the Group's purchases for the year ended 31 December 2016 are denominated in currencies other than the functional currencies of the operating units making the purchase, whilst almost 100% (2016: 100%) of sales for the year are denominated in the respective operating 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 arise.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the United States dollar, Hong Kong dollar and Euro 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).

	Increase/ (decrease) in foreign currency rate %	Increase/ (decrease) in profit before tax RMB'000
2017		
If RMB weakens against the United States dollar	**5**	**(77,280)**
If RMB strengthens against the United States dollar	**(5)**	**77,280**
If RMB weakens against the Hong Kong dollar	**5**	**(75)**
If RMB strengthens against the Hong Kong dollar	**(5)**	**75**
If RMB weakens against Euro	**5**	**2**
If RMB strengthens against Euro	**(5)**	**(2)**
2016		
If RMB weakens against the United States dollar	5	(53,432)
If RMB strengthens against the United States dollar	(5)	53,432
If RMB weakens against the Hong Kong dollar	5	(2,254)
If RMB strengthens against the Hong Kong dollar	(5)	2,254
If RMB weakens against Euro	5	2
If RMB strengthens against Euro	(5)	(2)

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 the Chairman.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, pledged deposits, amounts due from related parties, other receivables and certain derivative instruments, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 32 to the financial statements.

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. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed.

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 notes 18 and 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 and other borrowings to meet its working capital requirements.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2017				
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade and bills payables	442,026	662,820	260,569	–	1,365,415
Other payables	604,781	72,485	13,074	–	690,340
Finance lease payables	–	30,396	–	–	30,396
Derivative financial instruments	–	36,646	–	–	36,646
Interest-bearing bank borrowings	–	690,356	1,124,004	619,149	2,433,509
Due to related parties	343,066	–	–	–	343,066
Guarantees given to banks in connection with facilities granted to:					
a related party	295,227	–	–	–	295,227
	1,685,100	1,492,703	1,397,647	619,149	5,194,599

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	2016				
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade and bills payables	198,075	721,323	534,914	–	1,454,312
Other payables	587,235	55,195	174,106	–	816,536
Finance lease payables	–	180,049	119,032	30,396	329,477
Derivative financial instruments	–	9,626	–	–	9,626
Interest-bearing bank and other borrowings	–	1,239,560	887,565	1,438,084	3,565,209
Due to related parties	595,897	–	–	–	595,897
Guarantees given to banks in connection with facilities granted to:					
a related party	89,989	–	–	–	89,989
a joint operation	120,573	–	–	–	120,573
	1,591,769	2,205,753	1,715,617	1,468,480	6,981,619

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 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. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 2017.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

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

	2017 **RMB'000**	2016 RMB'000
Trade and bills payables	**1,365,415**	1,454,312
Other payables and accruals	**927,201**	1,062,561
Interest-bearing bank and other borrowings	**2,351,599**	3,717,278
Due to related parties	**343,066**	595,897
Less: Cash and cash equivalents	**(273,678)**	(348,224)
Pledged deposits	**(50,000)**	(410,273)
Net debt	**4,663,603**	6,071,551
Equity attributable to owners of the parent	**3,428,694**	2,564,239
Capital and net debt	**8,092,297**	8,635,790
Gearing ratio	**58%**	70%

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**426,588**	426,588
CURRENT ASSETS		
Prepayments, deposits and other receivables	**3,900**	2,818
Due from a subsidiary	**610,187**	458,130
Cash and cash equivalents	**451**	584
Total current assets	**614,538**	461,532
CURRENT LIABILITIES		
Other payables and accruals	**50,406**	30,435
Due to a subsidiary	**41,014**	42,842
Due to a related party	**6,686**	7,155
Total current liabilities	**98,106**	80,432
NET CURRENT ASSETS	**516,432**	381,100
TOTAL ASSETS LESS CURRENT LIABILITIES	**943,020**	807,688
Net assets	**943,020**	807,688
EQUITY		
Issued capital	**102,662**	86,048
Reserves (note)	**840,358**	721,640
Total equity	**943,020**	807,688

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

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

	Share premium RMB'000	Capital redemption reserve RMB'000	Shares repurchased for share award plan RMB'000	Share award plan reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2016	818,311	2,371	(33,012)	8,131	54,214	850,015
Total comprehensive loss for the year	–	–	–	–	(2,854)	(2,854)
Equity-settled share award plan expense	(1,523)	–	6,264	(1,869)	–	2,872
Interim 2016 dividend	–	–	–	–	(128,393)	(128,393)
At 31 December 2016 and 1 January 2017	**816,788**	**2,371**	**(26,748)**	**6,262**	**(77,033)**	**721,640**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(46,114)**	**(46,114)**
Equity-settled share award plan expense	**(1,774)**	**–**	**6,984**	**(1,742)**	**–**	**3,468**
Issue of shares	**362,187**	**–**	**–**	**–**	**–**	**362,187**
Share issue expenses	**(11,680)**	**–**	**–**	**–**	**–**	**(11,680)**
Interim 2017 dividend	**–**	**–**	**–**	**–**	**(189,143)**	**(189,143)**
At 31 December 2017	**1,165,521**	**2,371**	**(19,764)**	**4,520**	**(312,290)**	**840,358**

41. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 26 March 2018.

	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000
REVENUE	**8,897,143**	6,647,019	4,966,427	3,636,800	3,940,471
Gross profit	**1,085,275**	906,570	164,449	242,122	638,212
Finance costs	**159,086**	261,681	276,978	125,608	74,967
PROFIT/(LOSS) BEFORE TAX	**743,846**	692,815	(164,964)	147,370	685,771
Income tax expense	**120,709**	93,964	62,268	16,564	81,011
Net profit/(loss) for the year	**623,137**	598,851	(227,232)	130,806	604,760
Profits/(Losses) attributable to ordinary equity holders of the parent	**690,793**	552,614	(145,502)	132,780	605,131
NON-CURRENT ASSETS	**6,216,427**	6,916,419	6,711,126	5,965,643	3,740,212
CURRENT ASSETS	**2,448,291**	2,761,678	3,956,061	4,447,142	3,333,774
Interest-bearing borrowings	**2,351,599**	3,717,278	5,428,841	5,660,481	3,040,329
CURRENT LIABILITIES	**4,536,028**	5,845,003	7,048,488	6,019,294	4,068,497
NET CURRENT (LIABILITIES)/ASSETS	**(2,087,737)**	(3,083,325)	(3,092,427)	(1,572,152)	(734,723)
NON-CURRENT LIABILITIES	**612,033**	1,103,924	1,370,387	1,915,776	538,120
Net assets/Total equity	**3,516,657**	2,729,170	2,248,312	2,477,715	2,467,369
Cash inflow from operating activities	**965,307**	1,832,939	43,218	156,137	808,930
Cash inflow/(outflow) from investing activities	**576,777**	293,984	6,837	(1,842,812)	(2,527,633)
Cash (outflow)/inflow from financing activities	**(1,608,510)**	(1,876,216)	(361,183)	1,832,691	1,628,460

	RMB fens	RMB fens	RMB fens	RMB fens	RMB fens
Earnings/(loss) per share — Basic	**67.30**	56.09	(14.79)	13.49	61.33
Earnings/(loss) per share — Diluted	**67.19**	55.96	(14.73)	13.44	61.12

	In %	In %	In %	In %	In %
Gross profit margin	**12.2**	13.6	3.3	6.7	16.2
Gearing — total interest-bearing borrowings to total asset	**27.1**	42.9	50.9	54.2	43.1

	2017 In days	2016 In days	2015 In days	2014 In days	2013 In days
Inventory turnover days — Average opening and closing inventories divided by cost of sales x 365 days	**40.5**	38.9	30.0	28.9	37.8
Trade and notes receivables turnover days — Average opening and closing trade and note receivables divided by revenue x 365 days	**10.6**	24.0	37.8	26.5	16.1
Trade and bills payables turnover days — Average opening and closing trade payables divided by cost of sales x 365 days	**65.9**	86.1	97.2	135.1	111.1

Corporate Information

DIRECTORS

Executive Directors
GUAN Jianzhong *(Chairman)*
HAN Jianhong
HAN Jianping
RAO Huotao

Independent non-executive Directors
SHEN Kaijun
PEI Yu
KONG Liang

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Zhejiang Province, PRC

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Jiaxing Branch
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