

SUNVIC CHEMICAL HOLDINGS LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number: 200406502E)

ANNOUNCEMENT REGARDING THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 AND PURSUANT TO RULE 704(6) OF THE LISTING MANUAL IN RELATION TO THE UNAUDITED FINANCIAL STATEMENTS AND THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

1. AUDITED FINANCIAL STATEMENTS

The Board of Directors (the “**Board**” or “**Directors**”) of Sunvic Chemical Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce the release of the audited financial statements for the financial year ended 31 December 2019 (the “**Audited Financial Statements**”) as annexed to this announcement as Appendix A.

The Board wishes to inform that the Company’s annual report for the financial year ended 31 December 2019 (which will include the Audited Financial Statements) will be released in due course and the annual general meeting in relation to the financial year ended 31 December 2019 to among others, approve the Audited Financial Statements, will be convened and held at such later date accordingly.

The Board further refers to the Company’s announcement on 16 December 2020 regarding the notice of annual general meeting in relation to the financial year ended 31 December 2018 (“**AGM 2018**”) and wishes to remind the shareholders of the Company (“**Shareholders**”) that AGM 2018 will be held by way of electronic means on Tuesday, 5 January 2021 at 10:00 a.m.. Please refer to the Company’s announcement on 16 December 2020 regarding the notice of AGM 2018 for more details regarding AGM 2018.

2. RULE 704(6) OF THE LISTING MANUAL

The Board refers to the announcement on the unaudited financial statements for the financial year ended 31 December 2019 (the “**Preliminary Results**”) released on 17 September 2020.

Pursuant to Rule 704(6) of the Listing Manual, the Board wishes to announce that there are certain material adjustments to the Preliminary Results as reflected in the Audited Financial Statements. Details of these adjustments are annexed to this announcement as Appendix B.

3. CIRCULAR TO SHAREHOLDERS BY THE COMPANY REGARDING THE VOLUNTARY CONDITIONAL CASH OFFER BY W CAPITAL MARKETS PTE. LTD. FOR AND ON BEHALF OF HARRIER GROUP PTE. LTD.

The Board refers to the announcement made on 9 December 2020 by W Capital Markets Pte. Ltd. ("**W Capital**"), for and on behalf of Harrier Group Pte. Ltd. (the "**Offeror**"), that the formal offer document dated 9 December 2020 (the "**Offer Document**") containing the terms and conditions of the voluntary conditional cash offer (the "**Offer**") to acquire all the issued and paid-up ordinary shares (the "**Shares**") in the capital of the Company other than those already held by the Company as treasury shares in accordance with Rule 15 of the Singapore Code on Take-overs and Mergers, and enclosing the appropriate Acceptance Forms (as defined in the Offer Document) had been despatched to the Shareholders on 9 December 2020.

A circular containing, amongst others, the advice of Asian Corporate Advisors Pte. Ltd. (the "**IFA**"), the independent financial adviser appointed to advise the Directors who are considered independent for the purposes of the Offer (the "**Independent Directors**"), and the recommendation of the Independent Directors in respect of the Offer (the "**Offeree Circular**") will be despatched by the Company to the Shareholders within 14 days from the date of despatch of the Offer Document, being no later than 23 December 2020.

The Company will make an announcement to inform Shareholders of the despatch of the Offeree Circular in due course.

In the meantime, Shareholders are advised to exercise caution when dealing in their Shares and refrain from taking any action in respect of their Shares which may be prejudicial to their interests, until they or their advisers have considered the information and the recommendations of the Independent Directors as well as the advice of the IFA, which will be set out in the Offeree Circular. Shareholders who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

4. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors (including those who may have delegated detailed supervision of this announcement) have taken all reasonable care to ensure that the facts stated and opinions expressed in this announcement (other than those relating to the Offer, the Offeror and parties acting in concert with the Offeror) are fair and accurate, and that no material facts have been omitted from this announcement, the omission of which would make any statement in this announcement misleading.

Where any information has been extracted or reproduced from published or otherwise publicly available sources or obtained from the Offeror (including, without limitation, the Offer Document and any other announcements made by or on behalf of the Offeror), the sole responsibility of the Directors has been to ensure, through reasonable enquiries, that such information has been accurately and correctly extracted from such sources or, as the case may be, accurately reflected or reproduced in this announcement in its proper form and context.

The Directors jointly and severally accept full responsibility accordingly.

BY ORDER OF THE BOARD

Sun Lihua
Executive Director and Chief Executive Officer
16 December 2020

APPENDIX A

AUDITED FINANCIAL STATEMENTS

**SunVic Chemical Holdings Limited
and its subsidiaries**

Financial statements
31 December 2019

Company information

Company registration number

200406502E

Registered office

112 Robinson Road #11-01
Robinson 112
Singapore 068902

Directors

Sun Lihua	(appointed as Executive Director and Chief Executive Officer on 29 February 2020)
Koh Poh Beng (Gao Baoming)	
Lua Poh Huat	
Yang Guoqiang	(resigned on 28 November 2019)
Zhu Wuling	(resigned on 29 February 2020)
Sun Xiao	(resigned on 8 February 2020)

Secretary

Lee Wei Hsiung

Independent auditor

Foo Kon Tan LLP
Public Accountants and Chartered Accountants
24 Raffles Place,
#07-03 Clifford Centre
Singapore 048621

Partner-in-charge: Mr Chang Fook Kay
(since financial year ended 31 December 2018)

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Directors' statement for the financial year ended 31 December 2019

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2019 and the statement of financial position of the Company as at 31 December 2019.

In the opinion of the directors,

- (a) the accompanying financial statements of the Group and Company are drawn up so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International); and
- (b) at the date of this statement, the accompanying financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Names of directors

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

Sun Lihua	(appointed as Executive Director and Chief Executive Officer on 29 February 2020)
Koh Poh Beng (Gao Baoming)	
Lua Poh Huat	
Yang Guoqiang	(resigned on 28 November 2019)
Zhu Wuling	(resigned on 29 February 2020)
Sun Xiao	(resigned on 8 February 2020)

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares or debentures

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Companies Act, Cap. 50, none of the directors who held office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

<u>Name of directors</u>	<u>Holdings registered in the name of director</u>		<u>Holdings in which director is deemed to have an interest</u>	
	<u>As at 1.1.2019</u>	<u>As at 31.12.2019</u>	<u>As at 1.1.2019</u>	<u>As at 31.12.2019</u>
SunVic Chemical Holdings Limited			<u>Number of ordinary shares</u>	
Yang Guoqiang (resigned on 28 November 2019)	190,000	190,000	-	-
Zhu Wuling (resigned on 29 February 2020)	356,000	356,000	-	-
Lua Poh Huat	2,504,000	2,504,000	-	-

There was no change in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2020.

Share options

No options to take up unissued shares of the Company or any subsidiaries have been granted during the financial year.

No shares were issued during the financial year to which this report relates by virtue of the exercise of options to take up unissued shares of the Company or any subsidiaries.

There were no unissued shares of the Company or any subsidiaries under option at the end of the financial year.

Audit Committee

The audit committee ("AC") at the end of the financial year comprises the following members:

Koh Poh Beng (Gao Baoming) (Chairman)
Lua Poh Huat

Section 201B of the Companies Act states that every listed company shall have an audit committee comprising of more than 3 members. If a member of an audit committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced below 3, the Board of Directors shall, within 3 months of that event, appoint such number of new members as may be required to make up the minimum number of 3 members. The Company is currently looking into the appointment of another audit committee member.

All members of the audit committee were non-executive directors and all members were independent.

The audit committee performs the functions set out in Section 201B (5) of the Companies Act, Cap. 50, the SGX Listing Manual and the Code of Corporate Governance. In performing those functions, the committee reviewed the following:

- (i) overall scope of the external audit and the assistance given by the Company's officers to the auditors. It met with the Company's external auditors to discuss the results of their respective examinations and their evaluation of the Company's system of internal accounting controls;
- (ii) the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- (iii) the quarterly financial information and the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2019 as well as the auditor's report thereon;
- (iv) effectiveness of the Company's material internal controls, including financial, operational and compliance controls and information technology controls and risk management systems;
- (v) met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the audit committee;
- (vi) reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- (vii) reviewed the cost effectiveness and the independence and objectivity of the external auditor;

Audit Committee (Cont'd)

- (viii) reviewed the nature and extent of non-audit services provided by the external auditor;
- (ix) recommended to the Board of Directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit;
- (x) reported actions and minutes of the audit committee to the Board of Directors with such recommendations as the audit committee considered appropriate; and
- (xi) interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange).

The audit committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The audit committee also recommends the appointment of the external auditor and reviews the level of audit and non-audit fees.

The audit committee is satisfied with the independence and objectivity of the external auditor and has recommended to the Board of Directors that the auditor, Foo Kon Tan LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

Full details regarding the audit committee are provided in the Corporate Governance Report.

In appointing our auditors for the Company and subsidiaries, we have complied with Rules 712 and 715 of the SGX Listing Manual.

Independent auditor

The independent auditor, Foo Kon Tan LLP, Public Accountants and Chartered Accountants, has expressed its willingness to accept re-appointment.

Other information required by the SGX-ST

Material information

There is no material contract to which the Company or any of its subsidiaries, is a party which involve directors' interests subsisted or have been entered into during the financial year except as disclosed under "Disclosure of Remuneration" in the "Corporate Governance Report" and in Notes 6(c) and 26(c) to the financial statements.

**SunVic Chemical Holdings Limited
and its subsidiaries**

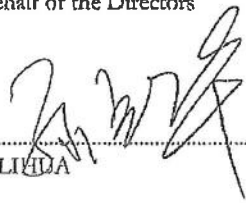
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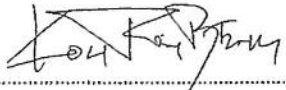
Directors' statement for the financial year ended 31 December 2019

Interested person transactions

There was no interested person transaction as defined in Chapter 9 of the Listing Manual of the Singapore Exchange conducted during the financial year except as disclosed under "Interested Person Transactions" in the "Corporate Governance Report" section of the Annual Report and on Note 26(a), (b) and Note 28(a) to the financial statements.

On behalf of the Directors


.....
SUN LI HUA


.....
KOH POH BENG

Dated:

09 DEC 2020

Independent auditor's report to the members of SunVic Chemical Holdings Limited

Report on the Audit of the financial statements

Disclaimer of Opinion

We were engaged to audit the financial statements of SunVic Chemical Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”), which comprise the statements of financial position of the Group and the Company as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements of the Group. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

We did not express an audit opinion on the consolidated financial statements of the Group for the financial year ended 31 December 2018. Similarly, for the financial year ended 31 December 2019, our audit report contained the following bases for the disclaimer of opinion:

1. Discrepancies surrounding the veracity of the YFC Agreements

As reported in the auditor's report for financial year ended 31 December 2018 and as detailed in Note 28(b) to the financial statements, the Company announced that it received legal claims for the principal amounts of RMB 222.5 million (consisting of two financial guarantee contracts of RMB 180 million (the “YFC Corporate Guarantee” transaction) and RMB 42.5 million (the “BOC Corporate Guarantee” transaction) plus interest for financial guarantees issued by certain of its subsidiaries in the People's Republic of China (“PRC”) on behalf of two unrelated parties.

Independent auditor's report to the members of SunVic Chemical Holdings Limited (Cont'd)

Basis for Disclaimer of Opinion (Cont'd)

1. Discrepancies surrounding the veracity of the YFC Agreements (Cont'd)

The Company also announced in 2019 that the management did not obtain the Company's Board of directors' approval for the issuance of the financial guarantees. There was a lack of internal controls over the supervision and approval over the issuance of these financial guarantee transactions by the management as the legal representatives of the Group's subsidiaries, Yixing Yinyan Import and Export Co., Ltd. and Jiangsu Jurong Chemical Co., Ltd had signed the financial guarantee contracts at their own initiative without any formal authorisation and approval by the Board of Directors of the Company.

Despite the aforesaid announcement of the receipt of legal claims by the Company, special investigations by EY Advisory who reported their findings to the Singapore Exchange Securities Trading Limited ("SGX-ST") in 2019, however, revealed discrepancies surrounding the veracity of the RMB 180.0 million YFC Agreements. In addition, our legal counsel in the PRC has reported that the RMB 180.0 million YFC Corporate Guarantee contract did not exist, and neither was there any legal demands made in respect of this financial guarantee contract. On this basis, the Company had reversed in full the provision of the YFC Contingent Liabilities of RMB 180.0 million from the financial statements of the Group for the year ended 31 December 2018.

During the financial year ended 31 December 2019, the Company has reversed in full the provision of the BOC Contingent liabilities of RMB 42.5 million to the consolidated profit or loss for the year then ended (refer to Note 5(b)). The reversal was made as the PRC management has advised the Board that the BOC Corporate Guarantee was settled by a third party. We were not provided with any documentary evidence as to the settlement of the RMB 42.5 million BOC Corporate Guarantee. Neither were we able to ascertain the veracity of the BOC Corporate Guarantee contract based on information available to us. We were also unable to carry out alternative procedures we consider necessary in this respect.

Owing to the discrepancies surrounding the veracity of the YFC Corporate Guarantee and BOC Corporate Guarantee that was reported in our auditor's report in fiscal year 2018, and due to a limitation of audit scope for the current financial year ended 31 December 2019 as discussed in the aforesaid paragraph, we were unable to ascertain the veracity of the YFC Corporate Guarantee and the BOC Corporate Guarantee transactions.

2. Financial guarantee contracts with related parties recorded with the banks under the banking arrangements

(i) Related party transactions with related parties

As reported in the auditor's report for the financial year ended 31 December 2018 on related party transactions, it was disclosed that there were no shareholders' mandate to approve the interested persons transactions under the Listing Manual of the SGX-ST Chapter 9.

Independent auditor's report to the members of SunVic Chemical Holdings Limited (Cont'd)

Basis for Disclaimer of Opinion (Cont'd)

2. Financial guarantee contracts with related parties recorded with the banks under the banking arrangements (Cont'd)

(i) Related party transactions with related parties (Cont'd)

As detailed in Note 26(b), during the financial year, there were sales and purchases transactions noted in the respective books of certain PRC subsidiaries of the Group with related parties (the "Transactions"). The Transactions made to related parties during the year ended 31 December 2019 were RMB 1.3 billion (2018: RMB 2.7 billion). Such Transactions entered are a common practice carried out in the People's Republic of China (PRC). Management presented these transactions on a net basis for financial reporting purpose in the consolidated financial statements.

(ii) Banking

The liability owed to banks was RMB 397.4 million (2018 - RMB 471.4 million) as at 31 December 2019. As disclosed in Note 26(b), the bank facilities sum as at 31 December 2019 was RMB 646.0 million (2018: RMB 923.0 million) as reported under the facility arrangements in the PRC entered into during the year ended 31 December 2019.

Since 2011, there existed the related party arrangements. In so far as the sum drawn down under the financial guarantee facility arrangement with related parties, the amount of financial guarantees was RMB 1.4 billion and RMB 1.3 billion in FY2018 and FY2019 respectively (refer to Note 28(a)) although the Company did not obtain shareholders' mandate to approve the related party transactions, since 2011.

There were announcements made by the Company in 2019 whereby it was reported that there was a lack of effective internal control for the transactions purported to be entered into (known as the "Purported Transactions") which were not approved by the Board of the Company. This is despite that the fact the transaction as explained in Section 1 of the Basis for Disclaimer of Opinion - "Discrepancies surrounding the veracity of the YFC Agreements" was known to then Executive Director and Chief Executive Officer, Sun Xiao. In addition, no internal audit was carried out by the Company in fiscal years 2018 and 2019.

Because of the matters arising as explained in the aforesaid paragraphs, we were unable to ascertain the veracity of the financial guarantees of RMB 1.4 billion (2018 - RMB 1.6 billion) as at 31 December 2019 that were entered into amongst the related parties concerned. Owing to the discrepancies surrounding the veracity of the YFC Corporate Guarantee and BOC Corporate Guarantee as stated in our auditor's report in fiscal year 2018 and coupled with the lack of effective internal controls over the supervision and approval of the financial guarantee contracts, and the lack of supporting documentation for the settlement of the BOC Corporate Guarantee during the financial year ended 31 December 2019, and the reversal of the provision of the BOC Corporate Guarantee liabilities of RMB 42.5 million to consolidated profit or loss for the year then ended, we were also unable to ascertain the extent of the amount of any financial liabilities which may arise thereof nor the completeness of the disclosure in the financial statements relating to financial guarantees issued by the Group.

Independent auditor's report to the members of SunVic Chemical Holdings Limited (Cont'd)

Basis for Disclaimer of Opinion (Cont'd)

3. Provision for restoration and accrued severance compensation

As stated in our auditor's report for the financial year ended 31 December 2018, the operations of the Group's subsidiaries, Jiangsu Jurong Chemical Co., Ltd. ("JJJC") and Jurong Petrochemicals Co., Ltd. ("JJPC") were affected by the shutdown following the chemical explosion ("Chemical Explosion") at the Xiangshui Chemical Industry Park in Yancheng, Jiangsu Province, PRC ("Xiangshui") in March 2019. In connection with the shutdown of Xiangshui, the Group made a provision for accrued severance compensation of RMB 12.7 million and a provision for restoration cost of RMB 45.6 million as at 31 December 2018.

As the Xiangshui area remained under shutdown with no physical access as at 31 December 2019 and as of the date of this report, the provision for accrued severance compensation of RMB 12.7 million and the provision for restoration cost of RMB 45.6 million made during the year ended 31 December 2018 were carried forward to 31 December 2019.

Provision for accrued severance compensation (Note 22)

Included in Trade and Other Payables as at 31 December 2019, the Group has accrued a severance compensation of RMB 12.7 million (2018 – RMB 12.7 million) related to compensation payable to the staffs due to the outbreak of fire from the Chemical Explosion at Xiangshui in which one of the subsidiary premises is located in. Due to the Chemical Explosion, the government has stepped in to review the employee compensation. As of the date of this report, we were not provided with any evidence to demonstrate how the employee compensation was subsequently dealt with.

Provision for restoration cost (Note 23)

The restoration occurs only when the Group returns the land use rights to the government on expiry. However, we have been unable to assess whether the provision is adequate or necessary. This is because based on legal advice of our PRC legal counsel, there is a lack of regulatory compliance of administration of law in the PRC to provide guidance as to how compensation can be made possible for the restoration and it is not considered to be the usual return of land in Xiangshui to the government arising from the Chemical Explosion incident, and the legal consequences arising thereof cannot be ascertained.

Due to limitation of audit scope, we were unable to determine the extent of the provision required for the provision for accrued severance compensation and provision for accrued severance compensation. There were no satisfactory alternative procedures that we could perform in this regard.

Independent auditor's report to the members of SunVic Chemical Holdings Limited (Cont'd)

Basis for Disclaimer of Opinion (Cont'd)

4. Impairment of assets of Jiangsu Jurong Chemical Co., Ltd. ("JJC") and Jurong Petrochemicals Co., Ltd. ("JJP")

As stated in our auditor's report for the financial year ended 31 December 2018 and as disclosed in Note 29 to the financial statements, the operations of JJC and JJP were affected by the shutdown of Xiangshui following the Chemical Explosion in 2019.

In so far as impairment of non-financial assets including intangible assets is concerned for JJC and JJP, which are located at Xiangshui where the Chemical Explosion occurred, the basis to which the recoverable amount should be recognised is the higher of value in use and/or fair value less cost to sell.

In the former, the value in use is not possible to be determined due to the matters as explained in Section 3 of the Basis for Disclaimer of opinion – Provision for restoration and accrued severance compensation, and in Note 30 to the accompanying financial statements. As to the latter, the impairment assessment of the non-financial assets and intangible assets is also not possible as there is no comparison in the market for the nature of this catastrophic Chemical Explosion at Xiangshui. In addition, due to limited access to the assets located at Xiangshui which is sealed off and protected by the government authorities during the financial years ended 31 December 2018 and 2019 and as of the date of this report, it is not possible to perform an inspection of certain assets of JJC and JJP.

With regard to other assets such as advances and prepayments and value-added tax recoverable that are recorded in the books of JJC and JJP as at 31 December 2018 and 2019, it is also not possible to assess these assets for recoverability owing to the shutdown of the operations in Xiangshui following the Chemical Explosion and that certain suppliers, whose operations are based in the vicinity of Xiangshui, were similarly shutdown. There are also no practical alternative procedures that we could perform in this regard.

On this basis, we were unable to determine the extent of impairment required nor the appropriateness of the impairment loss made by the management, the existence of certain assets such as property, plant and equipment, inventories and the appropriateness of the valuation of the carrying amounts of JJC and JJP stated herein for the following assets of the Group as at 31 December 2019.

Independent auditor's report to the members of SunVic Chemical Holdings Limited (Cont'd)

Basis for Disclaimer of Opinion (Cont'd)

4. Impairment of assets of Jiangsu Jurong Chemical Co., Ltd. ("JJC") and Jurong Petrochemicals Co., Ltd. ("JJP") (Cont'd)

Asset	Note	Carrying amount at 31/12/2019	Impairment loss recognised for the year ended 31/12/2019	Carrying amount at 31/12/2018	Impairment loss recognised for the year ended 31/12/2018
		RMB 'millions	RMB 'millions	RMB 'millions	RMB 'millions
i. Property, plant and equipment ("PPE")	9(a) & 29 (a)(b)	8.9	Nil	76.3	166.6
ii. Right-of-use assets (comprising Leasehold buildings & Land-use right)	29 (b)	58.3	Nil	Nil	Nil
iii. Land use rights	29 (c)	Nil	Nil	10.4	Nil
iv. Intangible assets (comprising technology know- how and software)	29 (d)	7.2	Nil	7.9	Nil
v. Value-added tax recoverable	29 (e)	10.2	Nil	9.5	83.9
vi. Advances and prepayments to suppliers for the purchase of raw materials	29 (f)(g)	4.9	Nil	8.5	19.6
vii. Inventories	29 (h)	4.3	1.3	8.5	Nil

5. Impairment of assets of Taixing Jurong Chemical Co., Ltd. ("TXJC")

Property, plant and equipment and right-of-use assets

As at 31 December 2019, the Group's property, plant and equipment and right-of-use assets included those of its PRC subsidiary, TXJC, with a carrying amount of RMB 128.0 million (2018: RMB 260.9 million) and RMB 148.0 million (comprising leasehold buildings and land use rights) (2018: Nil) respectively.

During the financial year ended 31 December 2019, TXJC recorded a decrease in revenue from RMB 1.1 billion in 2018 to RMB 490.0 million in 2019 and incurred a gross loss margin of RMB 2.7 million for the year ended 31 December 2019. Notwithstanding the indicators of impairment, management determined that no impairment is required on the Group's property, plant and equipment and right-of-use assets as it is of the view that the recoverable amounts exceeded the net carrying values as at 31 December 2019.

Independent auditor's report to the members of SunVic Chemical Holdings Limited (Cont'd)

Basis for Disclaimer of Opinion (Cont'd)

5. Impairment of assets of Taixing Jurong Chemical Co., Ltd. ("TXJC") (Cont'd)

Property, plant and equipment and right-of-use assets (Cont'd)

We were not provided with sufficient appropriate audit evidence as to the basis of management's impairment assessment. In addition, no formal valuation has been performed on the property, plant and equipment and the right-of-use assets. On the basis of the matters referred to above, we were unable to obtain sufficient evidence to satisfy ourselves as to the extent of the impairment required for the year ended 31 December 2019 or as to the appropriateness of the carrying amounts of the property, plant and equipment and right-of-use assets as at 31 December 2019.

6. Impairment assessment of freehold land at Link Way Louisiana LLC

As at 31 December 2019, the freehold land of a subsidiary, Link Way Louisiana LLC, (Note 12) that was included in the Group's consolidated statement of financial position was carried at a historical cost of RMB 12.6 million (2018: RMB12.4 million).

As stated in our auditor's report for the year ended 31 December 2018, no impairment assessment on the above freehold land was carried out by management. Similarly, no impairment assessment was carried out by the management for the year ended 31 December 2019 as management is of the view that the carrying amount represents fair value as at that date. In the absence of information from management on the impairment assessment, we were unable to carry out the procedures necessary to satisfy ourselves as to the extent of the impairment required or as to the appropriateness of the carrying amount of the freehold land as of and for the year then ended.

7. Impairment assessment of the cost investment held by and trade receivables due by JJC to the Company

Included in the statement of financial position of the Company as at 31 December 2019 were investments in a subsidiary, JJC, with a carrying amount of RMB 340.2 million (2018 - RMB 340.2 million) and trade receivable amounts due from JJC of RMB 42.1 million (2018 - RMB 37.7 million). As discussed in the preceding paragraphs, the operations of JJC in the Xiangshui Chemical Industry Park have been shut down by the local government.

As at 31 December 2019, JJC has reported net assets of RMB 773.2 million (2018 – 809.4 million) and profit of RMB 5.4 million (2018 – losses of RMB 175.5 million) for the financial year then ended. No impairment assessment has been made by the management. As there were no other practicable alternative audit procedures that we could perform, we were not able to conclude on the recoverability of the investment in the subsidiary and the trade receivables due from the subsidiary. Consequently, we were unable to determine whether any adjustments might be necessary in respect of the investment in the subsidiary and the trade receivable due from the subsidiary for the financial year ended 31 December 2019.

Independent auditor's report to the members of SunVic Chemical Holdings Limited (Cont'd)

Basis for Disclaimer of Opinion (Cont'd)

8. Amount owed by a related party, Jiangsu Yinyan

The transactions between the Group and Jiangsu Yinyan Specialty Chemical Co., Ltd. ("Jiangsu Yinyan") were interested person transactions. Ms Hu Yanping, the substantial shareholder of the Group, Mr Sun Lihua (Chief Executive Officer and Executive Director of the Company) and Mr Sun Xiao (the former Chief Executive Officer and Executive Director of the Company) own in aggregate 96.0% of the equity interest in Jiangsu Yinyan. The transactions by the Group with Jiangsu Yinyan consist of the sale of chemical products of RMB 67,000 (2018 – RMB 71.6 million) and the purchase of inventories of RMB 5.2 million (2018 - RMB 18.0 million). As at 31 December 2019, the amount owed by Jiangsu Yinyan was RMB 131.1 million (2018: RMB 131.1 million). No impairment allowance has been made. We are unable to ascertain the recoverability of this debt. Consequently, we were unable to determine whether any adjustments might be necessary to the financial statements.

9. Going concern

As at 31 December 2019, the Group has net current liabilities of RMB 32.0 million (2018 – net current liabilities of RMB 544.9 million, excluding assets and liabilities held for sale) and recorded a cash outflow from operating activities of RMB 271.3 million (2018 – cashflow inflow of RMB 376.4 million).

As at 31 December 2019, the Group has cash and cash equivalents of RMB 7.8 million (2018 – RMB 25.4 million). As announced on 27 September 2019 by the Company, the joint operation company of the Group, Taixing Sunke Chemicals Co Ltd, was disposed of and approved by the Board. However, as fully disclosed in Note 13(c), due to the technicality as to the remittance of the net sale proceeds of RMB 377.4 million (restricted cash including interest income) as at 31 December 2019 following the disposal of Taixing Sunke Chemicals Co Ltd, we were unable to ascertain when this fund can be made available to disburse for the use of paying the liabilities owing by the Group to the banks for RMB 397.4 million (2018: RMB 471.4 million) as at 31 December 2019.

These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. As at the date of this auditor's report, we are unable to obtain sufficient appropriate audit evidence regarding the likely outcome of the Group's ability to generate sufficient cash flows from its operations to improve the working capital position of the Group and to repay its liabilities when due. We are, therefore, unable to conclude whether the use of the going concern assumption, which has been adopted in the preparation of the accompanying financial statements, is appropriate.

Independent auditor's report to the members of SunVic Chemical Holdings Limited (Cont'd)

Responsibilities of Management and Directors for the Financial Statements

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

In preparing the financial statements, management is 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 management either intends to liquidate the Group or to cease operations or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Group's financial statements in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Report on Other Legal and Regulatory Requirements

In our opinion, in view of the significance of the matters referred to in the Basis for Disclaimer of Opinion section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditor have been properly kept in accordance with the provisions of the Act.

Independent auditor's report to the members of SunVic Chemical Holdings Limited (Cont'd)

Other Matters

Related party transactions

As disclosed in Note 26(a) to the financial statement the transactions with related parties were as follows:

Yixing Danson

On 30 April 2013, the Company announced that (i) the transactions between the Group and Yixing Danson Technology Co., Ltd. ("Yixing Danson") were interested person transactions which exceeded 5% in FY2011, 2012, first quarter 2013 ("Past Interested Person Transactions") and (ii) the Company would be seeking approval from shareholders to ratify the Past Interested Person Transactions at an extraordinary general meeting to be convened. During the financial year ended 31 December 2019, the transactions consist of the sale of chemical products of RMB 259.1 million (2018 - RMB 224.2 million) and purchase of inventories of RMB 4.4 million (2018 - RMB 35.1 million).

Taixing Jinyan

The transactions between the Group and Taixing Jinyan Chemical Technology Co., Ltd. ("Taixing Jinyan") were interested person transactions. Ms Hu Yanping, the substantial shareholder of the Group, Mr Sun Xiao (the former Chief Executive Officer of the Company) and their associates own in aggregate 100% of the equity interest in Jiaying Jinyan Chemical Co., Ltd. ("Jiaying Jinyan"), while Taixing Jinyan is a 100% owned subsidiary company of Jiaying Jinyan.

The transactions consist of the sale of chemical products of RMB 145.2 million (2018 – RMB 260.6 million), purchase of inventories of RMB 296.8 million (2018 – RMB 14.4 million) and rental income of RMB 3.6 million (2018 – RMB Nil).

Independent auditor's report to the members of SunVic Chemical Holdings Limited (Cont'd)

Other Matters (Cont'd)

Related party transactions (Cont'd)

Jiaxing Jinyan

The transactions between the Group and Jiaxing Jinyan Chemical Technology Co., Ltd. ("Jiaxing Jinyan") were interested person transactions. Ms. Hu Yanping, the substantial shareholder of the Group, Mr Sun Xiao (the former Chief Executive Officer and Executive Director of the Company) and their associates own in aggregate 100% of the equity interest in Jiaxing Jinyan. The transactions consist of the purchase of inventories of RMB Nil (2018 - RMB 164,000).

Jiangsu Yinyan

The transactions between the Group and Jiangsu Yinyan Specialty Chemical Co., Ltd. ("Jiangsu Yinyan") were interested person transactions. Ms Hu Yanping, the substantial shareholder of the Group, Mr Sun Lihua (Chief Executive Officer and Executive Director of the Company) and Mr Sun Xiao (the former Chief Executive Officer and Executive Director of the Company) own in aggregate 96.0% of the equity interest in Jiangsu Yinyan. The transactions consist of the sale of chemical products of RMB 67,000 (2018 – RMB 71.6 million), purchase of inventories of RMB 5.2 million (2018 - RMB 18.0 million). As at 31 December 2019, the amount owing by Jiangsu Yinyan was RMB 131.1 million (2018: RMB 131.1 million). No impairment allowance has been made. We are unable to ascertain the recoverability of this debt.

We understand that the Company has appointed the relevant professional advisers to assist in compliance. The Company has not convened the extraordinary general meeting as at the date of this report. We draw your attention to the uncertainty related to the outcome of this convening of the extraordinary general meeting or the non-compliance of the SGX listing rules.

The engagement partner on the audit resulting in this independent auditor's report is Chang Fook Kay.



Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore,
9 December 2020

Consolidated statement of profit or loss and other comprehensive income

for the financial year ended 31 December 2019

	Note	Year ended 31 December 2019 RMB'000	Year ended 31 December 2018 RMB'000
Continuing operations			
Revenue	4	940,381	1,577,098
Cost of sales		(934,547)	(1,543,832)
Gross profit		5,834	33,266
Other income			
- Interest	5(a)	1,903	1,822
- Others	5(b)	387,479	41,935
Distribution expenses		(4,844)	(37,070)
Administrative expenses		(93,286)	(142,700)
Other operating expenses	6(a)	(177,412)	(510,032)
Finance costs	6(b)	(48,753)	(73,062)
Profit/(Loss) before taxation		70,921	(685,841)
Taxation	7	(16)	(600)
Profit/(Loss) after taxation from continuing operations		70,905	(686,441)
Discontinued operations			
Profit from discontinued operations, net of tax	13(c)	20,815	13,045
Profit/(Loss) for the year		91,720	(673,396)
Other comprehensive income after tax: (Item that may be reclassified subsequently to profit or loss)			
Foreign currency translation		203	809
Total comprehensive profit/(loss) for the year		91,923	(672,587)
Profit/(Loss) attributable to:			
Owners of the Company		93,363	(630,678)
Non-controlling interests		(1,643)	(42,718)
Profit/(Loss) for the year		91,720	(673,396)
Profit/(Loss) attributable to owners of the Company:			
Profit/(Loss) from continuing operations		72,548	(643,723)
Profit from discontinued operations		20,815	13,045
		93,363	(630,678)
Total comprehensive profit/(loss) attributable to:			
Owners of the Company		93,566	(629,869)
Non-controlling interests		(1,643)	(42,718)
Total comprehensive profit/(loss) for the year		91,923	(672,587)
		RMB	RMB
		Cents	Cents
Earnings/(Loss) per share for loss from:			
Basic and diluted earnings/loss per share			
- profit/(loss) for the year	8	17.5	(118.5)
- continuing operations	8	13.6	(121.0)
- discontinued operations	8	3.9	2.5

The annexed notes form an integral part of these financial statements.

Statements of financial position

as at 31 December 2019

		Group		Company	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
	Note	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	9	131,431	337,767	18	33
Right-of-use assets	10	207,419	-	1,139	-
Intangible assets	11	7,178	7,885	-	-
Freehold land / Land use rights	12	12,577	44,900	-	-
Investment in subsidiaries	13(a)	-	-	342,623	342,623
Deferred tax assets	14	-	-	-	-
Value-added tax recoverable	15	-	-	-	-
Fixed deposits - pledged	16	-	76,739	-	-
		358,605	467,291	343,780	342,656
Current assets					
Inventories	17	24,058	18,544	-	-
Trade and other receivables	18	596,748	751,708	57,949	53,299
Cash and cash equivalents	16	789,169	228,865	296	810
		1,409,975	999,117	58,245	54,109
Assets of disposal group classified as held for sale	13(c)	-	791,883	-	-
		1,409,975	1,791,000	58,245	54,109
Total assets		1,768,580	2,258,291	402,025	396,765
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	19	291,516	291,516	291,516	291,516
Treasury shares	19	(1,575)	(1,575)	(1,575)	(1,575)
(Accumulated losses)/Retained earnings		(132,768)	(226,237)	61,971	63,885
Other reserves	20	285,276	289,706	-	-
		442,449	353,410	351,912	353,826
Non-controlling interests		(124,020)	(122,377)	-	-
Total equity		318,429	231,033	351,912	353,826
Non-current liabilities					
Borrowings	21	-	75,631	-	-
Lease liabilities	24	705	-	705	-
Deferred tax liabilities	14	7,500	7,500	-	-
		8,205	83,131	705	-
Current liabilities					
Borrowings	21	397,431	395,740	-	-
Trade and other payables	22	997,120	1,058,446	48,922	42,939
Provision for restoration costs	23	45,573	45,573	-	-
Lease liabilities	24	486	-	486	-
Provision for contingent liability – Corporate guarantees	28(b)	-	42,500	-	-
Income tax payable		1,336	1,750	-	-
		1,441,946	1,544,009	49,408	42,939
Liabilities of disposal group classified as held for sale	13(c)	-	400,118	-	-
		1,441,946	1,944,127	49,408	42,939
Total liabilities		1,450,151	2,027,258	50,113	42,939
Total equity and liabilities		1,768,580	2,258,291	402,025	396,765

The annexed notes form an integral part of these financial statements.

Consolidated statement of changes in equity for the financial year ended 31 December 2019

Attributable to owners of the Company

The Group	Share capital (Note 19) RMB'000	Treasury shares (Note 19) RMB'000	Capital reserve RMB'000	Foreign currency translation reserve RMB'000	Merger reserve RMB'000	Special safety reserve RMB'000	Other reserves total (Note 20) RMB'000	Retained earnings RMB'000	Equity attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2018	291,516	(1,575)	255,286	(16,204)	(499)	50,314	288,897	404,441	983,279	(79,659)	903,620
Loss for the year	-	-	-	-	-	-	-	(630,678)	(630,678)	(42,718)	(673,396)
Other comprehensive income	-	-	-	809	-	-	809	-	809	-	809
Total comprehensive income/(loss) for the year	-	-	-	809	-	-	809	(630,678)	(629,869)	(42,718)	(672,587)
Balance at 31 December 2018	291,516	(1,575)	255,286	(15,395)	(499)	50,314	289,706	(226,237)	353,410	(122,377)	231,033
Income/(loss) for the year	-	-	-	-	-	-	-	93,363	93,363	(1,643)	91,720
Other comprehensive income	-	-	-	203	-	-	203	-	203	-	203
Total comprehensive income/(loss) for the year	-	-	-	203	-	-	203	93,363	93,566	(1,643)	91,923
Disposal of Taixing Sunke (Note 13(c))	-	-	(4,527)	-	-	-	(4,527)	-	(4,527)	-	(4,527)
Transfer to retained earnings	-	-	(106)	-	-	-	(106)	106	-	-	-
Balance at 31 December 2019	291,516	(1,575)	250,653	(15,192)	(499)	50,314	285,276	(132,768)	442,449	(124,020)	318,429

The annexed notes form an integral part of these financial statements.

Consolidated statement of cash flows

for the financial year ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
Cash Flows from Operating Activities			
Profit/(Loss) before taxation from continuing operations		70,921	(685,841)
Profit before taxation from discontinued operation	13(c)	23,854	23,052
		94,775	(662,789)
Adjustments for:			
Interest expense	6(b)	48,753	80,159
Interest income	5(a)	(1,903)	(2,593)
Depreciation of property, plant and equipment	9	21,902	109,654
(Reversal of impairment)/Impairment loss of property, plant and equipment	9	(4,620)	199,030
Amortisation of intangible assets	11	707	812
Amortisation of land use rights	12	-	1,334
Amortisation of right-of-use assets	10	15,928	-
Gain on disposal of land use rights	5	-	(9,429)
Loss/(Gain) on disposal of property, plant and equipment	6(a), 5(b)	1,544	(36)
Property, plant and equipment expensed off	9	345	-
Unrealised currency translation difference		203	809
Impairment loss on value added tax recoverable		-	83,951
Impairment loss on prepayment	18	290	19,625
Gain on disposal of Taixing Sunke	13(c)	(321,412)	-
(Reversal of)/Provision for Contingent liabilities – third parties	28(b)	(42,500)	42,500
Provision for restoration costs	23	-	45,573
Provision for severance compensation	22	-	12,700
Allowance for/(reversal) of doubtful debt provision	18	19,209	(80)
Allowance for inventory write-down	17	1,307	-
Operating loss before working capital changes		(165,472)	(78,780)
(Increase)/decrease in inventories		(6,821)	45,446
Decrease/(increase) in trade and other receivables		193,490	(12,327)
(Decrease)/increase in trade and other payables		(289,082)	443,426
Cash (used in)/generated from operations		(267,885)	397,765
Income tax paid		(3,468)	(21,368)
Net cash flows (used in)/generated from operating activities		(271,353)	376,397
Cash Flows from Investing Activities			
Interest received		1,903	2,593
Purchase of property, plant and equipment (Note A)		(9,845)	(36,002)
Proceeds from disposal of property, plant and equipment		12,098	978
Proceeds from disposal of Taixing Sunke	13(c)	875,410	-
Prepayment for right-of-use assets (Note B)	10	(1,209)	-
Net cash flows generated from/(used in) investing activities		878,357	(32,431)
Cash Flows from Financing Activities			
Proceeds from borrowings (Note C)		494,254	631,205
Repayments of borrowings (Note C)		(568,194)	(943,318)
Repayment of principal portion of lease liabilities (Note C)		(444)	-
Repayment of interest portion of lease liabilities (Note C)		(74)	-
Restricted cash from disposal of Taixing Sunke	13(c), 16	(377,078)	-
Interest from Escrow account	16	(298)	-
Interest paid		(48,679)	(80,159)
Increase in pledged fixed deposits		(107,419)	(99,014)
Net cash flows used in financing activities		(607,932)	(491,286)
Net decrease in cash and cash equivalents		(928)	(147,320)
Cash and cash equivalents at beginning		9,010	157,324
Effects of exchange rate changes		(302)	(994)
Cash and cash equivalents at end	16	7,780	9,010

Consolidated statement of cash flows (Cont'd)

for the financial year ended 31 December 2019

Note:

A. Property, plant and equipment

In the prior year, the Group paid cash of RMB 36.0 million for the additions to property, plant and equipment amounting to RMB 6.8 million. The difference was mainly due to payment made for prior year payables for property, plant and equipment.

The Group	2018 RMB' 000
Amounts payable to suppliers at beginning	45,059
Purchases of property, plant and equipment (Note 9)	6,829
Amounts payable to suppliers at end	(15,886)
Cash paid on addition of property, plant and equipment	36,002

B. Right-of-use assets

In 2019, the Group makes cash payments to acquire right-of-use assets – land use rights of \$1,209,000.

C. Reconciliation of liabilities arising from financing activities

The following is the disclosures of the reconciliation of items for which cash flows have been, or would be, classified as financing activities, excluding equity items:

	1 January 2019 RMB'000	Non-cash flows Adoption of SFRS(I) 16 (Note 2(b)) RMB'000	Interest expense RMB'000	Cash flows Cash outflow RMB'000	Cash inflow RMB'000	31 December 2019 RMB'000
Borrowings (Note 21)	471,371	-		(568,194)	494,254	397,431
Lease liabilities (Note 24)	-	1,635	74	(518)	-	1,191

	1 January 2018 RMB'000	Non-cash flows RMB'000	Cash flows Cash outflow RMB'000	Cash inflow RMB'000	31 December 2018 RMB'000
Borrowings (Note 21)	936,484	(153,000)*	(943,318)	631,205	471,371

* Relates to disposal of 45% equity interest in Taixing Sunke Chemicals Co., Ltd.

Notes to the financial statements

for the financial year ended 31 December 2019

1 General information

The financial statements of the Company and of the Group for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' statement.

The Company is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") and is incorporated as a limited liability company and domiciled in Singapore. The holding company is Whitefield Capital Inc. ("Whitefield Capital") which is incorporated in the British Virgin Islands.

The registered office is located at 112 Robinson Road #11-01 Robinson 112, Singapore 068902.

2 Summary of significant accounting policies

(a) Basis of preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)") including related Interpretations promulgated by the Accounting Standards Council (ASC). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements are presented in Chinese Renminbi which is the Company's functional currency. All the financial information is presented in thousands of Chinese Renminbi (RMB'000), unless otherwise stated.

(b) Adoption of new and revised SFRS(I) effective for the current financial year

On 1 January 2019, the Group and the Company have adopted all the new and revised SFRS(I)s, SFRS(I) interpretations ("SFRS(I) INT") and amendments to SFRS(I), effective for the current financial year that are relevant to them. The adoption of these new and revised SFRS(I) pronouncements did not result in significant changes to the Group's and the Company's accounting policies and has no material effect on the amounts or the disclosures reported for the current or prior reporting periods, except as discussed below:

Reference	Description	Effective date (Annual periods beginning on or after)
SFRS(I) 16	<i>Leases</i>	1 January 2019
Amendments to SFRS(I) 9	<i>Prepayment Features with Negative Compensation</i>	1 January 2019
SFRS(I) INT 23	<i>Uncertainty Over Income Tax Treatments</i>	1 January 2019
SFRS(I) 1-19	<i>Plan Amendment: Curtailment or Settlement</i>	1 January 2019

2 Summary of significant accounting policies (Cont'd)

(b) Adoption of new and revised SFRS(I) effective for the current financial year (Cont'd)

SFRS(I) 16 Leases

SFRS(I) 16 *Leases* supersedes SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases - Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions involving the Legal Form of a Lease*, and pronounces new or amended requirements with respect to lease accounting. For lessee accounting, SFRS(I) 16 introduces significant changes by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset ("ROU assets") and a lease liability at commencement for all leases, except for short-term leases and leases of low-value assets when such recognition exemptions are adopted. For lessor accounting, the requirements have remained largely unchanged. The impact of the adoption of SFRS(I) 16 on the Group's and the Company's financial statements are discussed below.

The date of initial application of SFRS(I) 16 for the Group is 1 January 2019. The Group has elected to transition to SFRS(I) 16 using the cumulative catch-up (or modified retrospective) approach which requires the Group to recognise the cumulative effect of initially applying SFRS(I) 16 as an adjustment to the opening balance of retained earnings at the date of initial application, without restatement of comparatives under SFRS(I) 1-17.

(a) Definition of a lease

The new definition of a lease under SFRS(I) 16 mainly relates to the concept of 'control' that determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration, which is in contrast to the concept of 'risks and rewards' under SFRS(I) 1-17.

The Group has elected to apply the practical expedient available on transition to SFRS(I) 16 not to reassess whether a contract is, or contains, a lease. Accordingly, the superseded definition of a lease under SFRS(I) 1-17 continues to be applied to those leases entered into, or modified, before 1 January 2019, and the Group applies the new definition of a lease and related guidance set out in SFRS(I) 16 only to those lease contracts entered into, or modified, on or after 1 January 2019. After the transition to SFRS(I) 16, the Group shall reassess whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.

The new requirements for identifying a lease under SFRS(I) 16 do not change significantly the scope of contracts that will meet the definition of a lease for the Group.

(b) Lessee accounting

(i) *Former operating leases*

Before the adoption of SFRS(I) 16, the Group's and the Company's non-cancellable operating lease payments in future reporting periods for leases of leasehold properties, land use rights and office premises, were not recognised as liabilities in the statement of financial position but were disclosed as commitments in the notes to the financial statements, and these lease payments were reported as rental expenses in profit or loss over the lease term on a straight-line basis and presented under operating activities in the statement of cash flows. Under SFRS(I) 16, the Group recognises right-of-use assets and lease liabilities in the statement of financial position for these outstanding lease payments, reports depreciation of right-of-use assets and interest expense on lease liabilities in profit or loss, and presents these lease payments as principal repayment and interest paid separately under financing activities in the statement of cash flows.

2 Summary of significant accounting policies (Cont'd)

(b) Adoption of new and revised SFRS(I) effective for the current financial year (Cont'd)

SFRS(I) 16 Leases (Cont'd)

(b) Lessee accounting (Cont'd)

(i) *Former operating leases (Cont'd)*

Under SFRS(I) 16, lease incentives are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under SFRS(I) 1-17, they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expenses on a straight-line basis.

The Group has elected, as a practical expedient of SFRS(I) 16, not to separate non-lease components from lease components for all classes of underlying assets and instead account for each lease component and any associated non-lease components as a single lease component, except if the non-lease component is an embedded derivative according to SFRS(I) 9.

For short-term leases and leases of low-value assets, the Group has elected for exemption under SFRS(I) 16 from recognising their right-of-use assets and lease liabilities, and to report their lease expenses in profit or loss on a straight-line basis.

On 1 January 2019, the Group has applied the following SFRS(I) 16 transition provisions under the cumulative catch-up approach for each lease, or each portfolio of leases with reasonably similar characteristics, formerly classified as operating lease under SFRS(I) 1-17:

- recognises a lease liability at the present value of the remaining lease payments using the lessee's incremental borrowing rate for the underlying lease asset;
- on a lease-by-lease basis, the Group chooses to measure its ROU at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.
- applies SFRS(I) 1-36 Impairment of Assets to perform an impairment review of the right-of-use asset; and
- adjusts any difference between the carrying amounts of the right-of-use asset and the lease liability to the opening balance of retained earnings.

The Group has adopted the following SFRS(I) 16 practical expedients when applying the cumulative catch-up transition approach to leases formerly classified as operating lease under SFRS(I) 1-17:

- applies a single discount rate to a portfolio of leases with reasonably similar characteristics;
- adjusts the right-of-use asset at the date of initial application by the amount of provision for onerous leases recognised under SFRS(I) 1-37 Provisions, Contingent Liabilities and Contingent Assets in the statement of financial position immediately before the date of initial application, as an alternative to performing an impairment review under SFRS(I) 1-36;
- elects not to recognise the right-of-use asset and lease liability for a lease with lease term ending within twelve months of the date of initial application;
- excludes initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- uses hindsight for determining the lease term when the contract contains options to extend or terminate the lease.

2 Summary of significant accounting policies (Cont'd)

(b) Adoption of new and revised SFRS(I) effective for the current financial year (Cont'd)

SFRS(I) 16 Leases (Cont'd)

(b) Lessee accounting (Cont'd)

(ii) Leasehold building

In prior years, the Group had made an upfront payment for the right-of-use of its leasehold buildings which were used as factory premises and/or its office premises and recorded in the Group's property, plant and equipment. Upon transition to SFRS(I) 16, the Group has elected to present the right-of-use assets separately from other assets in the statement of financial position and therefore reclassifies these leasehold buildings from "property, plant and equipment" to "right-of-use assets" in the statement of financial position.

(iii) Land use rights

In prior years, the Group had made an upfront payment for the right-of-use of land use rights for own use and recorded in the Group's land use rights. Upon transition to SFRS(I) 16, the Group has elected to present the right-of-use assets separately from other assets in the statement of financial position and therefore reclassifies this land use rights from "land use rights" to "right-of-use assets" in the statement of financial position.

(c) Lessor accounting

SFRS(I) 16 has not changed substantially how the Group as lessor accounts for leases, except when it is the intermediate lessor of sublease. Under SFRS(I) 16, the Group continues to classify leases, where it is the lessor, as either finance lease or operating lease and to account for the two types of leases differently. However, SFRS(I) 16 changes and expands the disclosures required, in particular, regarding how the Group as lessor manages the risks arising from its residual interest in leased assets.

(d) Financial impact of initial application of SFRS(I) 16

A reconciliation of the differences between the Group's operating lease commitments previously disclosed in the financial statements as at 31 December 2018 and the Group's lease liabilities recognised in the statement of financial position on 1 January 2019 is as follows:

The Group and the Company	RMB'000
Operating lease commitments as at 31 December 2018 under SFRS(I) 1-17	755
Add: Lease period not previously included that is under extension option reasonably certain to be exercised	956
Less: Discounting effect using weighted average incremental borrowing rate of 5.25%	(100)
Add: Obligations under finance lease at 31 December 2018 reclassified to lease liabilities	24
Lease liabilities recognised as at 1 January 2019	1,635

2 Summary of significant accounting policies (Cont'd)

(b) Adoption of new and revised SFRS(I) effective for the current financial year (Cont'd)

SFRS(I) 16 Leases (Cont'd)

(d) Financial impact of initial application of SFRS(I) 16 (Cont'd)

The effects of adoption of SFRS(I) 16 on the Group's financial statements as at 1 January 2019 are as follows:

The Group	Increase/ (Decrease) RMB'000
Assets	
Property, plant and equipment (Note 9)	(168,891)
Right-of-use assets (Note 10)	203,030
Land use rights (Note 12)	(32,528)
	1,611
Liabilities	
Other payables	(24)
Lease liabilities	1,635
	1,611

(e) Deferred tax impact from adoption of SFRS(I) 16

In the jurisdictions that the Group operates in, tax deductions are received in respect of the right-of-use asset (i.e. depreciation allowance) and the lease liability (i.e. deduction for finance cost) in a manner consistent with the accounting treatment, and there is no difference between the accounting and tax depreciation rates, no temporary differences arise from recognition of the right-of-use asset and lease liability.

(c) New and revised SFRS(I) in issue but not yet effective

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2020 and which the Group has not early adopted:

Reference	Description	Effective date (Annual periods beginning on or after)
Various	<i>Amendments to References to the Conceptual Framework in SFRS(I)</i>	1 January 2020
SFRS(I) 3	<i>Amendments to SFRS(I) 3: Definition of a Business</i>	1 January 2020
SFRS(I) 1-1, SFRS(I) 1-8	<i>Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of Material</i>	1 January 2020
SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7	<i>Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7: Interest Rate Benchmark Reform</i>	1 January 2020
SFRS(I) 16	<i>Amendment to SFRS(I) 16: COVID-19 Related Rent Concessions</i>	1 June 2020
SFRS(I) 3	<i>Amendments to SFRS(I) 3: Reference to the Conceptual Framework</i>	1 January 2022
SFRS(I) 1-16	<i>Amendments to SFRS(I) 1-16: Property, Plant and Equipment – Proceeds before Intended Use</i>	1 January 2022
SFRS(I) 1-37	<i>Amendments to SFRS(I) 1-37: Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022

2 Summary of significant accounting policies (Cont'd)

(c) New and revised SFRS(I) in issue but not yet effective (Cont'd)

Reference	Description	Effective date (Annual periods beginning on or after)
Various	<i>Annual Improvements to SFRS(I) Standards 2018–2020</i>	1 January 2022
SFRS(I) 17	<i>SFRS(I) 17: Insurance Contracts</i>	1 January 2023
SFRS(I) 1-1	<i>Amendments to SFRS(I) 1-1: Classification of Liabilities as Current or Non-current</i>	1 January 2023
SFRS(I) 7, SFRS(I) 4	<i>Amendments to SFRS(I) 7 & Amendments to SFRS(I) 4: Extension of the Temporary Exemption from Applying SFRS(I) 9</i>	1 January 2023
SFRS(I) 10, SFRS(I) 1-28	<i>Amendments to SFRS(I) 10 and SFRS(I) 1-28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined

The directors do not anticipate that the adoption of the above SFRS(I)s in the future periods will have a material impact on the financial statements of the Group in the period of their initial adoption.

(d) Significant accounting policies

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances. Information on its subsidiaries is given in Note 13(a).

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Losses and other comprehensive income are attributable to the non-controlling interest even if that results in a deficit balance.

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:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts as at that date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it 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.

2 Summary of significant accounting policies (Cont'd)

(d) Significant accounting policies (Cont'd)

Consolidation (Cont'd)

Thus, the Group controls an investee if and only if the Group has all of the following:

- power over the investee;
- exposure, or rights or variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns

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

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

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

A change in the ownership interest

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable SFRS (I)s).

The fair value of any investment retained in the former subsidiary at the date when the control is lost is regarded as the fair value on the initial recognition for subsequent accounting under SFRS (I) 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2 Summary of significant accounting policies (Cont'd)

(d) Significant accounting policies (Cont'd)

Consolidation (Cont'd)

Acquisition of businesses

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary or business combination comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill.

Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Transactions with non-controlling interest

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

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

2 Summary of significant accounting policies (Cont'd)**(d) Significant accounting policies (Cont'd)****Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. No depreciation is provided on construction-in-progress. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amount over their estimated useful lives as follows:

Leasehold buildings	-	20 years
Plant and machinery	-	3 to 10 years
Furniture and fixture	-	3 to 10 years
Motor vehicles	-	5 years

Construction-in-progress is not depreciated until such time when the relevant assets are completed and put into operational use.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent expenditure relating to property, plant and equipment that have been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

For acquisitions and disposals during the financial year, depreciation is provided from the month of acquisition and to the month before disposal respectively. Fully depreciated property, plant and equipment are retained in the books of accounts until they are no longer in use.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at the end of each reporting period as a change in estimates.

2 Summary of significant accounting policies (Cont'd)

(d) Significant accounting policies (Cont'd)

Intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

The estimated useful lives for the current and comparative years are as follows:

Technology know-how	-	10 years
Computer software	-	5 years

Intangible assets are written off where, in the opinion of the directors, no future economic benefits are expected to arise.

Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation. The land use rights are amortised on a straight-line basis over the lease term of 50 years, except for freehold land use right which is not amortised. Land use rights form part of right-of-use assets since 1 January 2019.

Investment in subsidiaries

In the Company's separate financial statements, investments in subsidiaries are stated at cost less allowance for any impairment losses on an individual subsidiary basis.

2 Summary of significant accounting policies (Cont'd)**(d) Significant accounting policies (Cont'd)****Investment in joint venture**Joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. 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.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

The Group reassesses whether the type of joint arrangement in which it is involved has changed when facts and circumstances change.

Joint operations

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.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the accounting policies applicable to the particular assets, liabilities, revenues and expenses.

When the Group enters into transaction involving a sale or contribution of assets with a joint operation in which it is a joint operator, the Group recognises gains and losses resulting from such a transaction only to the extent of the interests held by the other parties to the joint operation.

When the Group enters into a transaction involving purchase of assets with a joint operation in which it is a joint operator, the Group does not recognise its share of the gains and losses until it resells those assets to a third party. When such transactions provide evidence of a reduction in the net realisable value of the assets to be purchased or of an impairment loss of those assets, the Group recognises its share of those losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and demand deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value other than cash pledged for credit facilities and Escrow Account (Note 13(c)).

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes all costs in bringing the inventories to their present location and condition. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity.

Provision is made for obsolete, slow-moving and defective inventories in arriving at the net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2 Summary of significant accounting policies (Cont'd)

(d) Significant accounting policies (Cont'd)

Non-current assets (or disposal group) held-for-sale and discontinued operations

Non-current assets (or disposal group) are classified as assets held-for-sale and carried at lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets, or disposal group, are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less cost to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

If the criteria to classify as held-for-sale are no longer met, the assets, or disposal group, are remeasured at the lower of the carrying amount before the classification as held-for-sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the assets or disposal group not been classified as held-for-sale, and the recoverable amount at the date of the subsequent decision not to sell.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held-for-sale and:

- (a) represents a separate major line of business or geographical area of operations; or
- (b) is part of single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- (c) is a subsidiary acquired exclusively with a view to resale.

Financial liabilities

The Group's financial liabilities include borrowings and trade and other payables.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest-related charges are recognised as an expense in "finance cost" in the profit or loss.

Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Borrowings are recognised initially at fair value of proceeds received less attributable transaction costs, if any. Borrowings are subsequently stated at amortised cost which is the initial fair value less any principal repayments. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the profit or loss over the period of the borrowings using the effective interest method. The interest expense is chargeable on the amortised cost over the period of the borrowings using the effective interest method.

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

Borrowings which are due to be settled within 12 months after the end of reporting period are included in current borrowings in the statement of financial position even though the original terms were for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the end of reporting period. Borrowings to be settled within the Group's operating cycle are classified as current. Other borrowings due to be settled more than twelve months after the end of reporting period are included in non-current borrowings in the statement of financial position.

2 Summary of significant accounting policies (Cont'd)

(d) Significant accounting policies (Cont'd)

Provision

Provisions for contingent liabilities for financial guarantees issued to third parties are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Other provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in the statement of comprehensive income as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

Borrowing costs

Borrowing costs are recognised in the profit or loss in the period they are incurred.

Trade and other payables

Trade and other payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

Financial guarantee

The Group has issued corporate guarantees to banks for bank borrowings of its related parties and third parties. These guarantees are financial guarantee contracts as they require the Group to reimburse the banks if the related parties and third parties fail to make principal or interest payments when due in accordance with the terms of its borrowings.

Financial guarantee contracts are initially measured at fair value plus transaction costs and subsequently measured at the higher of:

- (a) premium received on initial recognition less cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and
- (b) the amount of expected loss computed using the impairment methodology under SFRS(I) 9.

Contingencies

A contingent liability is:

- (i) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (ii) a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the financial statements, except for contingent liability assumed in a business combination that is a present obligation and for which fair value can be reliably determined.

2 Summary of significant accounting policies (Cont'd)

(d) Significant accounting policies (Cont'd)

Value-added tax

The Group's sales of goods in the PRC are subjected to Value-added tax ("VAT") at the applicable tax rate of 17% for PRC domestic sales. Input VAT on purchases can be deducted from output VAT subject to agreement by the tax authority. The Group's export sales are not subject to VAT.

Revenue, expenses and assets are recognised net of the amount of VAT except:

- Where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of "other receivables" or "other payables" in the consolidated statement of financial position.

Employee benefits

Pension obligations

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations.

The subsidiaries in the People's Republic of China (the "PRC") are required to provide certain staff pension benefits to their employees under existing PRC regulations. Pension contributions are provided at rates stipulated by PRC regulations and are contributed to a pension fund managed by government agencies, which are responsible for administering these amounts for the subsidiaries employees.

Pension contributions are recognised as an expense in the period in which the related service is performed.

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. Accrual is made for the unconsumed leave as a result of services rendered by employees up to the end of reporting period.

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group. Directors and certain managerial personnel are considered key management personnel.

2 Summary of significant accounting policies (Cont'd)

(d) Significant accounting policies (Cont'd)

Leases

The accounting policy for leases before 1 January 2019 is as follows:

Where the Group is the lessee

Operating leases

Rentals on operating leases are charged to profit or loss on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of the net consideration agreed for the use of the leased asset. Penalty payments on early termination, if any, are recognised in the profit or loss when incurred.

Contingent rents are mainly determined as a percentage of revenue in excess of a specified amount during the month. They are charged to the profit or loss when incurred.

Where the Group is the lessor

Operating leases

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Rental income is recognised on a straight-line basis over the lease term. Contingent rents are recognised as revenue in the period in which they are earned.

The accounting policy for leases from 1 January 2019 is as follows:

Where the Group is the lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of twelve months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

- Lease liabilities

The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate. Lease payments include the following:

- Fixed payment (including in-substance fixed payments), less any lease incentives receivables;
- Variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- Amount expected to be payable under residual value guarantees;
- The exercise price of a purchase option if it is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

2 Summary of significant accounting policies (Cont'd)

(d) Significant accounting policies (Cont'd)

Leases (Cont'd)

The accounting policy for leases from 1 January 2019 is as follows (Cont'd):

(i) When the Group is the lessee (Cont'd):

- **Lease liabilities (Cont'd)**

For contract that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. The Group has elected to not separate lease and non-lease component for property leases and account these as one single lease component.

The lease liability is subsequently measured at amortised cost, by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (with a corresponding adjustment to the related right-of-use asset or to profit or loss if the carrying amount of the right-of-use asset has already been reduced to nil) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

- **Right-of-use assets**

The Group recognises a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

These right-of-use assets is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Depreciation on right-of-use assets is calculated using the straight-line method to allocate their depreciable amounts over the shorter period of lease term and useful life of the underlying asset, as follows:

Leasehold property	20 years
Land use rights	50 years
Office premise	4 years

The Company applies FRS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

2 Summary of significant accounting policies (Cont'd)**(d) Significant accounting policies (Cont'd)****Leases (Cont'd)**

The accounting policy for leases from 1 January 2019 is as follows (Cont'd):

(i) When the Group is the lessee (Cont'd):

- Short term and low value leases

The Group has elected to not recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases, except for sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

- Variable lease payments

Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Group shall recognise those lease payments in profit or loss in the periods that triggered those lease payments.

(ii) When the Group is the lessor:

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from SFRS(I) 16, except for the classification of the sublease entered into that resulted in a finance lease classification.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. If an arrangement contains lease and non-lease components, then the Group applies SFRS(I) 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in SFRS(I) 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received from equipment under operating leases as income on a straight-line basis over the lease term within "other income" in profit or loss.

2 Summary of significant accounting policies (Cont'd)**(d) Significant accounting policies (Cont'd)****Income taxes**

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting or taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries and joint operation, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the date of the financial position; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the date of the financial position, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in the profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised either in other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfied a performance obligation ("PO") by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A PO may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied PO.

2 Summary of significant accounting policies (Cont'd)**(d) Significant accounting policies (Cont'd)****Revenue recognition (Cont'd)****(i) Sales of chemical products**

The Group manufactures and sells of Acrylic Acid ("AA") and Acrylate Esters ("AE"), PMIDA and glyphosate and refined MTBE and petroleum products (collectively "chemical products") in the marketplace. Sales are recognised at a point when control of the products has transferred to its customer, being when the products are delivered to the customer or the customer has taken physical delivery according to the agreed sales term and all criteria for acceptance have been satisfied.

Transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods. The goods are usually sold without the right of return, volume discounts or warranty. No element of financing is deemed present as the sales made are usually completed within 3 months. A receivable (financial asset) is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before payment is due.

(ii) Interest income

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

(iii) Rental income

Rental and related income are recognised on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of total lease income. Penalty payments on early termination, if any, are recognised when incurred.

(iv) Dividend income

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

Operating segments

For management purposes, operating segments are organised based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 25, including the factors used to identify the reportable segments and the measurement basis of segment information.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against share capital account.

Where the Company purchases the Company's ordinary shares ("treasury shares"), the carrying amount which includes the consideration paid and any directly attributable transaction cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained profits of the Company if the shares are purchased out of earnings of the Company.

2 Summary of significant accounting policies (Cont'd)

(d) Significant accounting policies (Cont'd)

Related parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and the Company if that person:
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.
- (b) An entity is related to the Group and the Company if any of the following conditions applies:
 - (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) both entities are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
 - (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); or
 - (viii) the entity, nor any member of a group which is past, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Functional currencies

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements of the Group and the Company are presented in Chinese Renminbi, which is also the functional currency of the Company.

Conversion of foreign currencies

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of the reporting period are recognised in profit or loss. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any borrowings forming part of the net investment of the foreign operation are repaid, a proportionate share of the accumulated translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

2 Summary of significant accounting policies (Cont'd)

(d) Significant accounting policies (Cont'd)

Conversion of foreign currencies (Cont'd)

Transactions and balances (Cont'd)

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within "finance cost". Foreign currency gains and losses are reported on a net basis as either other income or other operating expense depending on whether foreign currency movements are in a net gain or net loss position.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

Group entities

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities are translated at the closing exchange rates at the end of the reporting period of that statement of financial position;
- (ii) Income and expenses for each statement presenting profit or loss and other comprehensive income (i.e. including comparatives) shall be translated at exchange rates at the dates of the transactions; and
- (iii) All resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency fluctuation reserve.

Financial assets

Classification and measurement

The Group classifies all its financial assets at amortised cost. The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset. The Group reclassifies financial assets at amortised cost when and only when its business model for managing those assets changes.

At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

At subsequent measurement

Debt instruments include cash and cash equivalents, trade and other receivables and amount due from subsidiaries. The subsequent measurement category is depending on the Group's business model for managing the asset and cash flow characteristics of the asset.

Amortised cost

Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired.

2 Summary of significant accounting policies (Cont'd)

(d) Significant accounting policies (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at the end of each reporting period. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at FVOCI, the Group applies the low credit risk simplification. At the end of each reporting period, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when the contractual payments are more than days past due.

The Group consider a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

3 Significant accounting estimates and judgements

The preparation of the financial statements in conformity with SFRS (I) requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on the management's best knowledge of current events and actions, actual results may differ from those estimates.

The critical accounting estimates and assumptions used and area involving a significant judgement are described below:

3.1 Significant judgements in applying accounting policies

Determination of the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects the assessment, and that is within the control of the lessee. For leases of leasehold properties, land use rights and office premises, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Estimation of the incremental borrowing rate ("IBR")

For the purpose of calculating the right-of-use asset and lease liability, an entity applies the interest rate implicit in the lease ("IRIIL") and, if the IRIIL is not readily determinable, the entity shall use its IBR applicable to the lease asset. The IBR is the rate of interest that the entity would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. For most of the leases whereby the Group is the lessee, the IRIIL is not readily determinable. Therefore, the Group estimates the IBR relevant to each lease asset by using observable inputs (such as market interest rate and asset yield) when available, and then making certain lessee specific adjustments. The carrying amount of the Group's right-of-use assets and lease liabilities are disclosed in Note 10 and 24 respectively. An increase/decrease of 50 basis points in the estimated IBR will decrease/increase the Group's right-of-use assets and lease liabilities by approximately RMB10,000 respectively.

3 Significant accounting estimates and judgements (Cont'd)

3.1 Significant judgements in applying accounting policies (Cont'd)

Income taxes (Note 7) and Deferred taxes (Note 14)

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Determination of functional currencies

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices of goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on the management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

Accrued severance compensation (Note 22)

As disclosed in Note 22, the Group has accrued a severance compensation of RMB 12.7 million (2018 - RMB 12.7 million) related to compensation payable to the staffs resulted from the explosion and fire hazard in one of the subsidiary premises in the Xiangshui Chemical Industry Park as at 31 December 2019. The management is of the view that the accrual is based on the management's best estimations and the current accrued severance compensation is adequate.

Provision for restoration costs (Note 23)

The Group has accrued RMB 45,573,000 (2018 - RMB 45,573,000) in the current financial year being environmental remediation and restoration of the land relating to its operations in the Xiangshui Chemical Industry Park which was shut down by the local government in March 2019. Under existing legislation, the PRC government may move further towards more rigorous enforcement of applicable laws, and towards the adoption of more stringent environmental standards due to the hazard area and for public interest of the urban re-planning. The outcome of environmental liabilities under future environmental legislation cannot be ascertained with accuracy although the management believes the current provision for the restoration cost is adequate.

3 Significant accounting estimates and judgements (Cont'd)

3.1 Significant judgements in applying accounting policies (Cont'd)

Joint arrangement classified as disposal group held for sale and discontinued operations (Note 13 (c))

Disposal group classified as held for sale

As disclosed in Note 13(c), despite the arbitration proceedings and related claims made against Taixing Jurong Chemical Co., Ltd. ("Taixing Jurong") who holds a 45% interest in Taixing Sunke Chemicals Co., Ltd. ("Taixing Sunke") during the financial year ended 31 December 2018, the management has classified Taixing Sunke as a disposal group classified as held for sale as at that date. This is because a binding the Letter of Intent ("LOI") has been entered into with Arkema Asie SAS (the "Purchaser") to dispose of the entire 45% interest held by Taixing Jurong to the Purchaser. Pursuant to the LOI, the arbitration proceedings and related claims against Taixing Jurong will be withdrawn upon the completion of the Proposed Disposal. The shareholders of the Company have also approved of the Proposed Disposal on 15 July 2019. The management considers the classification of the joint arrangement as a disposal group classified as held for sale to be appropriate.

Discontinued operations

Taixing Sunke had been previously accounted for as a joint arrangement and classified as a joint operation whereby the Group has proportionally consolidated the financial performance and its share of the assets and liabilities held jointly arising from the joint operation in prior years by the Group. As disclosed in Note 13(b), Taxing Sunke contributed significant cost of sales and expenses and total assets and total liabilities to the Group in 2017 under the proportionate consolidation method of accounting in 2017 and in prior years and is considered to be a significant joint operation of the Group. Consequent to the reclassification of Taixing Sunke from a joint arrangement to a disposal group classified as held for sale in 2018, Taixing Sunke has also been classified as a discontinued operation on the same basis. Comparative figures have been reclassified to reflect the discontinued operation in accordance with SFRS(I) 5.

Investment in subsidiaries (Note 13(a))

As disclosed in Note 13(a), notwithstanding that Company has only a 42.4% equity interest in SVAP, it considers that it has control over SVAP because Whitefield Capital Inc. owns the remaining 57.6% equity interest in SVAP and is a related party to the Company whereby the majority of the key management personnel in SVAP are the same of those of the Company. Consequently, SVAP is accounted for as a subsidiary in the Group.

Going concern

As at 31 December 2019, the Group has net current liabilities of RMB 32.0 million (2018 - RMB 544.9 million, excluding assets and liabilities held for sale) and generated a cash outflow from operating activities of RMB 271.3 million (2018 – cash inflow of RMB 376.4 million).

As at 31 December 2019, the Group has cash and cash equivalents of RMB 7.8 million (2018 – RMB 25.4 million). As announced on 27 September 2019 by the Company, the joint operation company of the Group, Taixing Sunke Chemicals Co Ltd, was disposed of and approved by the Board. However, due to the technicality as to the remittance of the sale proceeds following the disposal (Note 13(c)), when this fund can be made available to disburse for the use of paying the liabilities owing by the Group to the banks for RMB 397.4 million as at 31 December 2019 is presently uncertain.

3 Significant accounting estimates and judgements (Cont'd)

3.1 Significant judgements in applying accounting policies (Cont'd)

Going concern (Cont'd)

The Group has prepared the financial statements based on the assumption that the Group can be operated as a going concern and is of the view that the Group will have sufficient working capital including the ability to secure additional borrowings to finance its operations in the next twelve months from the end of the reporting period. On this basis, the financial statements of the Group have been prepared on going concern basis, which assume that the Group will continue in operation at least for a period of 12 months from the balance sheet date.

If the Group was unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business, and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statement of financial position. No such adjustments have been made to the financial statements.

Related parties' transactions (Note 26 and Note 28)

Certain transactions were entered into with related parties to maintain the Group's existing credit facilities with the banks, which is a common practice carried out in the PRC. The Group presents the results of such transactions, when this presentation reflects the substance of the transaction by netting with related expenses arising on the same transaction. These transactions have been recognised on a net basis for financial reporting purposes.

Impairment of Value-added tax ("VAT") recoverable (Note 15)

An impairment provision of RMB 83,951,000 was made as in prior year as the chemical zone of which Jiangsu Jurong Petrochemicals Co., Ltd. ("JJP") operates was being ordered to shut down by the local government subsequent to the financial year ended 31 December 2019. The management is of the view that these amounts cannot be recovered from the tax authorities owing to the shut down of operation by the local government and the period of the shut down cannot be presently ascertained.

3.2 Critical accounting estimates and key sources of estimation uncertainty

Impairment of trade and other receivables (Note 18)

The Group and the Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group and the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying amount of the receivables as well as impairment or write-back of impairment in the period in which such estimate has been changed. The carrying amount of the Group's and the Company's trade and other receivables at the end of the reporting period is disclosed in Note 18.

3 Significant accounting estimates and judgements (Cont'd)**3.2 Critical accounting estimates and key sources of estimation uncertainty (Cont'd)****Impairment of non-financial assets (Note 9)**

An impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value-in-use. The fair value less costs to sell calculation 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 the asset. The value-in-use calculation is based on a discounted cash flow model.

In prior year, the Group performed an impairment assessment on its property, plant and equipment.

(i) Jiangsu Jurong Chemical Co., Ltd. ("JJC")

As a result of the assessment, an impairment loss of RMB 30,554,000 was recognised in profit or loss for the year ended 31 December 2018. The impairment amount was provided to write down the residual values of certain property, plant and equipment to its recoverable amount of nil for the financial year ended 31 December 2018 following the Chemical Explosion at the Xiangshui Chemical Industry Park where JJC was operating.

(ii) Jiangsu Jurong Petrochemical Co., Ltd. ("JJP")

As a result of the assessment, an impairment loss of RMB 136,000,000 was recognised in profit or loss for the year ended 31 December 2018. The impairment amount was provided to write down the residual values of certain property, plant and equipment to its recoverable amount of Nil for the financial year ended 31 December 2018 following the Chemical Explosion at the Xiangshui Chemical Industry Park where JJP was operating.

(iii) Taixing Jurong Chemical Co., Ltd. ("Taixing Jurong")

As a result of the assessment and owing to the loss for the year of Taixing Jurong, an impairment loss of RMB 32,476,000 was recognised in profit or loss for the year ended 31 December 2018. The impairment amount was provided with reference to the valuation conducted by an independent valuer on its certain plant and machinery at 12 February 2019, adjusted for various factors, to its fair value less cost to sales.

Contingent liabilities (Note 28(b))

As disclosed in our 2018 Annual Report and in Note 28(b), the Group has announced that it had received legal demands totalling RMB 222.5 million in respect of financial guarantees issued to third parties in 2018. Subsequent to the findings by EY Advisory, on 5 March 2020, the Company has announced that following the completion of the special audit by EY Advisory and in view of the YFC Veracity Discrepancies (refer to Note 29(b)), the Company has reversed in full the provision of the YFC Contingent Liabilities of RMB 180 million from the financial statements of the Group as at 31 December 2018. For the year ended 31 December 2019, management has advised the Board that the RMB 42.5 million provision for BOC Corporate Guarantee has been settled by a third party on the Group's behalf. Accordingly, the Group has reversed the provision for contingent liabilities of BOC Corporate Guarantee of RMB 42.5 million to profit or loss for the year then ended.

3 Significant accounting estimates and judgements (Cont'd)**3.2 Critical accounting estimates and key sources of estimation uncertainty (Cont'd)****Depreciation of property, plant and equipment (Note 9) and right-of-use assets (Note 10)**

Property, plant and equipment and right-of-use assets ("ROU assets") are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of property, plant and equipment and ROU assets to be within 3 to 20 years. The carrying amount of the Group's property, plant and equipment and ROU assets as at 31 December 2019 is RMB 131.4 million (2018 - RMB 337.8 million) and RMB 207.4 million (2018 - RMB Nil million) respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. If depreciation on property, plant and equipment and ROU assets increases/decreases by 10% from the management's estimates, the Group's loss for the year will increase/decrease by approximately RMB 3.2 million (2018 - RMB 33.8 million) and RMB 1,400 (2018 - RMB Nil million) respectively.

Allowance for inventory obsolescence (Note 17)

The Group reviews the ageing analysis of inventories at the end of each reporting period and makes provision for obsolete and slow-moving inventory items identified that are no longer suitable for sale. The net realisable value for such inventories are estimated based primarily on the latest invoice prices and current market conditions. Possible changes in these estimates could result in revisions to the valuation of inventories.

If the net realisable value of the inventory increase/decrease by 10% from the management's estimates, the Group's loss will decrease/increase by RMB 2.4 million (2018 - RMB 1.9 million). The carrying amount of the inventory is disclosed in Note 17.

Impairment on investment in subsidiaries (Note 13)

The Group reviews the investment in subsidiaries at the end of the reporting period to determine whether there is any indication of impairment. An impairment exists when the carrying amount of an asset or cash generating units exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value-in-use.

The carrying amounts of investment in subsidiaries at the end of the reporting period are disclosed in Note 13.

Notes to the financial statements for the year ended 31 December 2019

4 Principal activities and revenue

The principal activities of the Group are those relating to investment holding. The principal activities of the subsidiaries are as stated in Note 13(a).

Revenue of the Group consists of revenue from trading of chemical products.

	Continuing operations	
	2019 RMB'000	2018 RMB'000
The Group		
Trading of chemical products – at a point in time	940,381	1,577,098

Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions. Revenue is attributed to countries by location of customers.

	Continuing operations	
	2019 RMB'000	2018 RMB'000
The Group		
Geographical region		
- PRC	907,865	1,466,283
- Other countries in Asia	21,620	60,053
- Others	10,896	50,762
	940,381	1,577,098
Product lines		
- AA and AE	499,848	1,273,713
- Others	440,533	303,385
	940,381	1,577,098

Revenue recognised during the financial year from contract liabilities at the beginning of the financial year amounted to RMB 23,288,000 (2018 - RMB 17,322,000).

The Group applies the practical expedient in SFRS(I)15 and does not disclose information about its remaining performance obligation as the performance obligation is part of contracts that have original expected duration of one year or less.

Notes to the financial statements for the year ended 31 December 2019

5 Other income

	Continuing operations		Discontinued operations		Total	
	2019	2018	2019	2018	2019	2018
The Group	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
5(a) Interest income						
Interest income from deposits with banks	1,903	1,822	232	771	2,135	2,593
5(b) Others						
Rental income	8,905	549	-	-	8,905	549
Reversal of contingent liabilities*	42,500	-	-	-	42,500	-
Reversal of prepayment written-down	5,692	-	-	-	5,692	-
Reversal of impairment loss of property, plant and equipment (Note 9)	4,620	-	-	-	4,620	-
Sale of raw material, other spare parts, steam and provision of waste water treatment services	1,380	29,242	13,587	30,583	14,967	59,825
Exchange gain	219	1,076	-	-	219	1,076
Gain on disposal of property, plant and equipment	-	36	-	-	-	36
Gain on disposal of land use rights	-	9,429	-	-	-	9,429
Gain on disposal of Taixing Sunke (Note 13(c))	321,412	-	-	-	321,412	-
Share of expenses [#]	-	-	-	40,276 ¹	-	-
Other miscellaneous income	2,751	1,603	1,001	991	3,752	2,586
	387,479	41,935	14,588	71,850	402,067	73,501

* During the financial year ended 31 December 2019, the Company has reversed in full the provision of the BOC Contingent liabilities of RMB 42.5 million (2018: Provision for contingent liabilities of RMB 42.5 million) to the consolidated profit or loss for the year. The reversal was made as the PRC management has advised the Board that the BOC Corporate Guarantee was settled by a third party (refer to Note 28(b) for details).

[#] Share of fixed cost under the "stop of supply" order between Taixing Jurong and Taixing Sunke.

¹ The amount has been restated as it was erroneously omitted in FY2018 disclosure.

6(a) Other operating expenses

The Group	Note	Continuing operations		Discontinued operations		Total	
		2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Property, plant and equipment written off		-	-	-	2,863	-	2,863
Cost of raw material and steam sold and provision of waste water treatment services		2,591	25,628	11,122	16,805	13,713	42,433
Loss on disposal of property, plant and equipment		1,544	-	-	-	1,544	-
Penalty		304	1	-	2,614	304	2,615
Impairment loss of property, plant and equipment	9	-	199,030	-	-	-	199,030
Contingent liabilities for financial guarantees issued to third parties	28(b)	-	42,500	-	-	-	42,500
Impairment loss on value-added tax recoverable	15	-	83,951	-	-	-	83,951
Impairment loss on prepayment	18	5,982	19,625	-	-	5,982	19,625
Restoration and dismantle charges	23	-	45,573	-	-	-	45,573
Impairment loss on trade receivables	18	19,209	-	-	-	19,209	-
Share of operating expenses of disposal group classified as held for sale #		143,627	89,502	-	-	143,627	89,502
Exchange loss		504	-	-	-	504	-
Other miscellaneous expenses		3,651	4,222	904	1,326	4,555	5,548
		177,412	510,032	12,026	23,608	189,438	533,640

This related to share of the fixed costs, depreciation and amortisation incurred by disposal group classified as held for sale, Taixing Sunke, as a result of “stop of supply” order implemented against Taixing Jurong which was stipulated in the products supply agreement between Taixing Sunke and Taixing Jurong (Note 13(c)).

6(b) Finance costs

The Group	Continuing operations		Discontinued operations		Total	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Interest paid and payable to banks	48,753	73,062	125	7,097	48,878	80,159

6(c) Profit/(Loss) before taxation

Profit/(Loss) before taxation has been arrived at after charging/(crediting):

The Group	Note	Continuing operations		Discontinued operations		Total	
		2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Audit fees paid to:							
- auditor of the Company		1,716	1,934	-	-	1,716	1,934
- others		3,904	269	90	180	3,994	449
Cost of inventories included in cost of sales	17	933,566	1,467,373	-	-	933,566	1,467,373
Net foreign exchange loss		271	1,753	2,745	4,054	3,016	5,807
Staff costs		16,245	33,936	11,549	16,729	27,794	50,665
Contributions to defined contribution plans, included in staff costs		2,125	3,710	2,463	750	4,588	4,460
Depreciation of property, plant and equipment	9	21,902	109,654	62,369	77,644	84,271	187,298
Impairment loss of trade receivables	18	19,209	-	-	-	19,209	-
Amortisation of right-of-use assets	10	15,928	-	302	-	16,230	-
Amortisation of intangible assets	11	707	812	74	82	781	894
Amortisation of land use rights	12	-	1,334	-	518	-	1,852
Severance compensation	22	-	12,700	-	-	-	12,700
Operating lease expense		-	887	26	397	26	1,284
Inventory write down	17	1,307	-	-	-	1,307	-
Directors' fees		1,012	250	-	-	1,012	250

7 Taxation

The Group	2019 RMB'000	2018 RMB'000
From Continuing operations:		
Current taxation	-	37
Under provision in respect of previous years		
- Current taxation	16	563
	16	600
From Discontinued operations (Note 13(c)):		
Current taxation	3,039	2,677
Under provision in respect of previous years		
- Current taxation	-	7,330
	3,039	10,007
	3,055	10,607

7 Taxation (Cont'd)

The tax on the Group's results before tax differs from the theoretical amount that would arise using the applicable rate of income tax in each national jurisdiction as follows:

The Group	2019 RMB'000	2018 RMB'000
Profit before tax from:		
- Continuing operations	70,921	(685,841)
- Discontinued operations (Note 13(c))	23,854	23,052
	94,775	(662,789)
Income tax using applicable tax rates	23,942	(165,654)
Adjustments:		
Non-taxable income ⁽¹⁾	(93,902)	(3,086)
Non-deductible expenses ⁽²⁾	1,369	93,888
Under provision in respect of previous years	16	7,893
Deferred tax assets not recognised ⁽³⁾	71,630	77,684
Utilisation of deferred tax assets on temporary difference not recognised in previous years	-	(56)
Tax incentives	-	(62)
	3,055	10,607

(1) This mainly relates to the gain of disposal of RMB 321.4 million on disposal of Taixing Sunke and write back of provision of contingent liability of RMB 42.5 million.

(2) This is mainly related to impairment loss of property, plant and equipment of RMB 199.0 million (Note 9), impairment loss of VAT recoverable of RMB 83.9 million (Note 15), impairment loss on prepayment of RMB 19.6 million (Note 18), provision for restoration of RMB 45.6 million (Note 23) and the provision for contingent liabilities of RMB 42.5 million in respect of the financial guarantee (Note 28(b)) made in the prior financial year.

(3) Deferred tax asset has not been recognised as it is not probable that future taxable profits will be available against which the relevant subsidiaries can utilise the benefits (Note 15).

The above reconciliation is prepared by aggregating separate reconciliation for each national jurisdiction.

JJC, JJP, Taixing Jurong, Yixing Yinyan Import and Export Co., Ltd. ("YYIE") and Taixing Sunke are subject to the PRC income taxes rate at 25% (2018 - 25%) on their taxable profit.

Sunvic Chemical Holdings Limited, Dynix Pte. Ltd. and SunVic Asia Pacific Investments Holdings Pte. Ltd. are subject to Singapore income tax rate at 17% (2018 - 17%) on its taxable profit.

8 Profit/(loss) per share

Basic profit/(loss) per share is calculated by dividing the net loss attributable to owners of the Company by the weighted average number of ordinary shares in issue of 532,001,000 (2018 - 532,001,000) shares during the financial year.

	Continuing operations		Discontinued operations		Total	
	2019	2018	2019	2018	2019	2018
The Group						
Net profit/(loss) attributable to owners of the Company (RMB'000)	72,548	(643,723)	20,815	13,045	93,363	(630,678)
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	532,001	532,001	532,001	532,001	532,001	532,001
Basic earnings/(loss) per share (RMB cents per share)	13.6	(121.0)	3.9	2.5	17.5	(118.5)
Diluted earnings/(loss) per share (RMB cents per share)	13.6	(121.0)	3.9	2.5	17.5	(118.5)

For the purpose of calculating diluted earnings/loss per share, loss attributable to owners of the parent of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential shares. As there are no dilutive potential ordinary shares that were outstanding during the year, the basic earnings per share is the same as the diluted earnings per share.

Notes to the financial statements for the financial year ended 31 December 2019

9 Property, plant and equipment

The Group	Leasehold buildings RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction work-in- progress RMB'000	Total RMB'000
<u>Cost</u>						
At 1 January 2018	727,929	2,324,164	19,031	25,229	240,000	3,336,353
Additions	4	280	216	-	6,329	6,829
Disposals	(1,523)	(28,671)	(39)	(2,996)	-	(33,229)
Transfer to disposal group classified as held for sale (Note 13(c))	(112,586)	(692,199)	(6,693)	(1,116)	(12,316)	(824,910)
Reclassifications	26,337	111,869	-	-	(143,656)	(5,450)
At 31 December 2018	640,161	1,715,443	12,515	21,117	90,357	2,479,593
Adoption of SFRS(I) 16 (Note 2(b)):						
- Reclassification to ROU assets (Note 10)	(640,161)	-	-	-	-	(640,161)
Additions	-	-	78	249	9,518	9,845
Disposals	-	(7,526)	(200)	(1,147)	(5,847)	(14,720)
Reclassification to ROU assets (Note 10)	-	16	-	-	(19,108)	(19,108)
Reclassifications	-	-	-	-	(16)	-
Expensed off	-	-	-	-	(345)	(345)
At 31 December 2019	-	1,707,933	12,393	20,219	74,559	1,815,104

Notes to the financial statements for the financial year ended 31 December 2019

9 Property, plant and equipment (Cont'd)

The Group	Leasehold buildings RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction work-in- progress RMB'000	Total RMB'000
<u>Accumulated depreciation and impairment losses</u>						
At 1 January 2018	400,483	1,765,286	10,538	23,883	810	2,201,000
Depreciation	33,769	73,921	1,305	659	-	109,654
Impairment loss recognised	-	199,030	-	-	-	199,030
Disposals	(803)	(28,459)	(37)	(2,987)	-	(32,286)
Transfer to disposal group classified as held for sale (Note 13(c))	(62,710)	(267,947)	(4,077)	(838)	-	(335,572)
Reclassification	24,531	(27,531)	3,000	-	-	-
At 31 December 2018	395,270	1,714,300	10,729	20,717	810	2,141,826
Reclassification of impairment*	76,000	(76,000)	-	-	-	-
Adoption of SFRS(I) 16 (Note 2(b)):						
- Reclassification to ROU assets (Note 10)	(471,270)	-	-	-	-	(471,270)
Depreciation	-	21,426	189	287	-	21,902
Reversal of impairment #	-	(4,620)	-	-	-	(4,620)
Disposals	-	(2,906)	(190)	(1,069)	-	(4,165)
At 31 December 2019	-	1,652,200	10,728	19,935	810	1,683,673
<u>Net carrying amount</u>						
At 31 December 2019	-	55,733	1,665	284	73,749	131,431
At 31 December 2018	244,891	1,143	1,786	400	89,547	337,767

Upon transition to SFRS(I) 16, the Group has elected to present the right-of-use assets separately from other assets in the statement of financial position and therefore reclassifies this leasehold building from "property, plant and equipment" to "right-of-use assets" in the statement of financial position amounting to RMB 168,891,000 as at 1 January 2019 (Note 2 (b)).

Reversal of impairment due to sales of property, plant and equipment previously impaired (Note 5(b)).

* This is an impairment loss for leasehold buildings which was incorrectly allocated to plant and machinery in prior year, and has been corrected during the current financial year ended 31 December 2019. As the correction of error is within property, plant and equipment class of assets, there is no impact to the carrying amount of property, plant and equipment as at 31 December 2018, and hence, the third balance sheet has not been presented.

9 Property, plant and equipment (Cont'd)

The Company	Furniture and fixture RMB'000
<u>Cost</u>	
At 1 January 2018	-
Additions	45
At 31 December 2018	45
Additions	-
At 31 December 2019	45
<u>Accumulated depreciation and impairment losses</u>	
At 1 January 2018	-
Depreciation	12
At 31 December 2018	12
Depreciation	15
At 31 December 2019	27
<u>Net carrying amount</u>	
At 31 December 2019	18
At 31 December 2018	33

The Group as lessor

The Group leases out a number of equipment under operating leases. The leases run for a period of 3 years. None of the lease includes variable lease payments. The disaggregation of these equipment under operating leases included within plant and equipment and the reconciliation of the carrying amount at the beginning and end of the year are set out as below:

The Group	Plant and Machinery under operating leases RMB'000
<u>Cost</u>	
At 1 January 2019 and 31 December 2019	111,868
<u>Accumulated depreciation and impairment</u>	
At 31 December 2018	58,168
Depreciation	3,644
At 31 December 2019	61,812
<u>Net book value</u>	
At 31 December 2019	50,056
At 31 December 2018	53,700

9 Property, plant and equipment (Cont'd)

(a) Impairment assessments during the year ended 31 December 2018

The details of the property, plant and equipment held by the companies within the Group are as follows:

	JJC RMB'000	JJP RMB'000	TXJC RMB'000	YYIE RMB'000	The Company RMB'000	Total RMB'000
Carrying amount	91,425	151,465	293,365	509	33	536,797
Less: impairment loss recognised in 2018	(30,554)	(136,000)	(32,476)	-	-	(199,030)
Net book value	60,871	15,465	260,889	509	33	337,767
Note	(i)	(ii)	(iii)			

i.m: immaterial

(i) JJC

As announced in the previous announcement dated 27 March 2019 and 8 April 2019, it was reported that the local Xiangshui government had decided to completely shut down the chemical zone at the Xiangshui Chemical Industry Park in Yancheng city, Jiangsu Province, PRC, in which a severe explosion occurred where JJC was operating.

In view of the shut down, there is material uncertainty in JJC's ability to generate future economic cash inflow from its property, plant and equipment. During the financial year ended 31 December 2018, the management made an impairment loss of RMB 30.6 million on the plant and machinery of JJC on the prudent assumption that these plants will be permanently shut down. At the end of the reporting period, the accumulated impairment losses on the JJC's plant and machinery amounted to RMB 1,045,434,000 (2018 - RMB 1,045,434,000).

(ii) JJP

The Group has an 82.1% owned subsidiary in the PRC, JJP which owned a cracking plant and a methyl tertiary-butyl ether (MTBE) Plant.

As announced in the previous announcement dated 27 March 2019 and 8 April 2019, it was reported that the local Xiangshui government had decided to completely shut down the chemical zone at the Xiangshui Chemical Industry Park in Yancheng city, Jiangsu Province, PRC, in which a severe explosion occurred where JJP was operating.

In prior financial year, the management made an impairment loss of RMB 136.0 million on the plant and machinery of JJP on the prudent assumption that these plants will be permanently shut down. At the end of the reporting period, the accumulated impairment losses on the JJP's plant and machinery amounted to RMB 228,662,000 (2018 - RMB 228,662,000).

Notes to the financial statements for the financial year ended 31 December 2019

9 Property, plant and equipment (Cont'd)

(a) Impairment assessments during the year ended 31 December 2018 (Cont'd)

(iii) Taixing Jurong

An impairment loss of RMB 32.4 million was recognised in profit or loss for the year ended 31 December 2018 in respect of the property, plant and equipment of Taixing Jurong. The impairment loss was undertaken in view of the net loss suffered by Taixing Jurong following a valuation performed by an independent professional valuer. At the end of the reporting period, the accumulated impairment losses on the Taixing Jurong's plant and machinery amounted to RMB 55,840,000 (2018 -RMB 60,461,000).

Certain land use rights of Taixing Jurong are subject to the Taixing Sunke arbitration proceeding (Note 13 (c)).

(b) Security

As at 31 December 2019, property, plant and equipment of the Group with a carrying amount of RMB Nil (2018 - RMB 289,730,000) were pledged as security to secure bank loans (Note 21).

(c) Construction work-in-progress as at 31 December 2019 mainly relates to the construction of an electricity substation, office building and preliminary preparation work in the Economic Development Zone of Taixing City, the PRC, for future construction of chemical production facility. As at 31 December 2019, the capitalised costs amounted to RMB 19,100,000 (2018 - RMB 138,200,000).

(d) As at 31 December 2019, the accumulated impairment loss and accumulated depreciation on property, plant and equipment for the Group is RMB 1,253,937,000 (2018 - RMB 1,334,557,000) and RMB 398,263,000 (2018 - RMB 379,743,000)

10 Right-of-use assets

The Group	Note	Leasehold buildings RMB'000	Land use rights RMB'000	Office premise RMB'000	Total RMB'000
<u>At Cost</u>					
Adoption of SFRS(I) 16:					
- Initial recognition	2(b)	-	-	1,611	1,611
- Reclassification from property, plant and equipment	2(b), 9	640,161	-	-	640,161
- Reclassification from land use right	2(b),12	-	38,542	-	38,542
Balance at 1 January 2019		640,161	38,542	1,611	680,314
Additions		-	1,209	-	1,209
Reclassification from CIP	9	19,108	-	-	19,108
Balance at end of year		659,269	39,751	1,611	700,631
<u>Accumulated depreciation and impairment</u>					
Adoption of SFRS(I) 16:					
- Reclassification from land use right	2(b),12	-	6,014	-	6,014
- Reclassification from property, plant and equipment	9	471,270	-	-	471,270
Balance at 1 January 2019		471,270	6,014	-	477,284
Depreciation/amortisation during the year		14,658	798	472	15,928
Balance at end of year		485,928	6,812	472	493,212
Carrying amount:					
At 31 December 2019		173,341	32,939	1,139	207,419
At 1 January 2019		168,891	32,528	1,611	203,030

10 Right-of-use assets (Cont'd)

The Company	Note	Office premise RMB'000	Total RMB'000
<u>At Cost</u>			
Adoption of SFRS(I) 16:			
- Initial recognition	2(b)	1,611	1,611
Balance at 1 January 2019		-	-
Additions		-	-
Balance at end of year		1,611	1,611
<u>Accumulated depreciation and impairment</u>			
Balance at 1 January 2019		-	-
Depreciation/amortisation during the year		472	472
Balance at end of year		472	472
Carrying amount:			
At 31 December 2019		1,139	1,139
At 1 January 2019		1,611	1,611

- (a) The Group has land use rights over 8 plots of state-owned land in the PRC where the Group's PRC manufacturing and storage facilities reside. The land use rights have a remaining average tenure of 34 years (2018 - 35 years).
- (b) The Group disposed land use rights of leasehold land in Taixing Jurong to a third party for consideration of RMB 12,920,000 for the financial year ended 31 December 2018. The Group recognised a gain on sales of land use rights of RMB 9,429,000 for the financial year ended 31 December 2018 (Note 5).
- (c) As at 31 December 2019, land use rights of the Group with a carrying amount of RMB 22,880,000 (2018 - RMB 27,864,000) are pledged as security to secure bank loans (Note 21).
- (d) As at 31 December 2019, leasehold properties of the Group with a carrying amount of RMB 28,351,000 (2018 - RMB Nil) were pledged as security to secure bank loans (Note 21).
- (e) Certain land use rights of Taixing Jurong are subject to the Taixing Sunke arbitration proceeding (Note 13(c)).

Details of the land use rights in the Group's right-of-use assets as at 31 December 2019 are as follows:

<u>Location</u>	<u>Acquired from</u>	<u>Land area</u> (sq.m)	<u>Tenure</u>	<u>Net book value</u> RMB'000
<u>Land use rights</u>				
JJC				
Jingang Village, Chenjiagang Town, Xiangshui County, Jiangsu province, The PRC	Land and Resources Bureau of Xiangshui County	1,344	34 years	843
		62,854	48 years	742
Shadang Village, Chenjiagang Town, Xiangshui County, Jiangsu province, The PRC	Land and Resources Bureau of Xiangshui County			
		71,874	49 years	972
Shadang Village, Chenjiagang Town, , Xiangshui County, Jiangsu province, The PRC	Land and Resources Bureau of Xiangshui County			

Notes to the financial statements for the financial year ended 31 December 2019

10 Right-of-use assets (Cont'd)

- (e) Details of the land use rights in the Group's right-of-use assets as at 31 December 2019 are as follows (Cont'd):

<u>Location</u>	<u>Acquired from</u>	<u>Land area</u> (sq.m)	<u>Tenure</u>	<u>Net book value</u> RMB'000
<u>Land use rights</u>				
<u>JJC (Cont'd)</u>				
Shadang Village, Chenjiagang Town, Xiangshui County, Jiangsu province, The PRC	Land and Resources Bureau of Xiangshui County	174,144	50 years	2,090
Chenjiagang Chemical Industry Park, Xiangshui County, Jiangsu province, The PRC	Land and Resources Bureau of Xiangshui County	14,581	42 years	1,033
Chenjiagang Chemical Industry Park, Chenjiagang Town, , Xiangshui County, Jiangsu province, The PRC	Land and Resources Bureau of Xiangshui County	9,391	50 years	336
Chenjiagang Chemical Industry Park, Chenjiagang Town, Xiangshui County, Jiangsu province, The PRC	Land and Resources Bureau of Xiangshui County	26,667	50 years	960
<u>JJP</u>				
Chenjiagang Chemical Industry Park, Chenjiagang Town, Xiangshui County, Jiangsu province, The PRC	Land and Resources Bureau of Xiangshui County	12,211	45 years	3,083
<u>TXJC</u>				
Cao Yuan Formation and Xu Qing Formation in Jiangzha Village, Binjiang Town, Taixing City, Jiangsu province, The PRC	Land and Resources Bureau of Taixing Municipal	206,546	46 years	22,880
Total land use rights				32,939

11 Intangible assets

The Group	Technology know-how RMB'000	Computer software RMB'000	Total RMB'000
<u>Cost</u>			
At 1 January 2018	12,557	3,201	15,758
Disposal of joint operation	-	(1,127)	(1,127)
Transfer from construction-in-progress	-	291	291
At 31 December 2018	12,557	2,365	14,922
Transfer from construction-in-progress	-	-	-
At 31 December 2019	12,557	2,365	14,922

11 Intangible assets (Cont'd)

The Group	Technology know-how RMB'000	Computer software RMB'000	Total RMB'000
<u>Accumulated amortisation</u>			
At 1 January 2018	4,910	1,589	6,499
Amortisation charge	478	334	812
Disposal of joint operation	-	(274)	(274)
At 31 December 2018	5,388	1,649	7,037
Amortisation charge	479	228	707
At 31 December 2019	5,867	1,877	7,744
<u>Net carrying amount</u>			
At 31 December 2019	6,690	488	7,178
At 31 December 2018	7,169	716	7,885

Technology know-how relates to production technology and is assessed to have finite useful life of 10 years in view of the changing technology in the chemical industry.

These intangible assets were held in the books of JJC and JJP.

12 Freehold land / Land use rights

The Group	31 December 2019 RMB'000	31 December 2018 RMB'000
<u>Cost</u>		
Balance at beginning of year	50,914	66,319
Adoption of SFRS(I) 16 (Note 2(b), Note 10)	(38,542)	-
At 1 January	12,372	66,319
Additions	-	(3,147)
Transfer to disposal group classified as held for sale (Note 13(c))	-	(12,258)
Foreign translation differences	205	-
At 31 December	12,577	50,914
<u>Accumulated amortisation</u>		
Balance at beginning of year	6,014	7,146
Adoption of SFRS(I) 16 (Note 2(b), Note 10)	(6,014)	-
At 1 January	-	7,146
Transfer to disposal group classified as held for sale (Note 13(c))	-	(2,243)
Disposals	-	(223)
Amortisation charge	-	1,334
At 31 December	-	6,014
<u>Net carrying amount</u>		
At 31 December	12,577	44,900
Amount to be amortised:		
- Not later than one year	-	1,334
- Later than one year but not later than five years	-	5,337
- Later than five years	-	25,857
	-	32,528

12 Freehold land / Land use rights (Cont'd)

Upon transition to SFRS(I) 16, the Group has elected to present the right-of-use assets (or leasehold land) separately from other assets in the statement of financial position and therefore reclassifies this land use rights from "land use rights" to "right-of-use assets" in the statement of financial position. As at 31 December 2018, the carrying amounts of the land use rights and freehold land were RMB 32,528,000 and RMB 12,372,000 respectively totalling RMB 44,900,000. On adoption of SFRS(I) 16, land use rights of RMB 32,528,000 were reclassified to right-of-use assets on 1 January 2019 (Note 2(b)).

As at 31 December 2019, land use rights relate solely to the freehold land of the Group.

- (a) The Group has land use rights (or leasehold land) over 8 plots of state-owned land in the PRC where the Group's PRC manufacturing and storage facilities reside. The land use rights have a remaining average tenure of 34 years (2018 - 35 years).
- (b) Freehold land
Included in land use rights were freehold land in Sections 1,2, 3 and 4 Township 13 South, Range 12 East, Southeastern District of Louisiana East of the Mississippi River, Plaquemines Parish, Louisiana of RMB 12,577,000 (2018 - RMB 12,372,000 (classified as non-current assets held for sale)).
- (c) In prior year, the Group disposed of its land use rights of leasehold land in Taixing Jurong to a third party for consideration of RMB 12,920,000 for the financial year ended 31 December 2018. The Group recognised a gain on sales of land use rights of RMB 9,429,000 for the financial year ended 31 December 2018 (Note 5).
- (d) In prior year, certain land use rights of Taixing Jurong are subject to the Taixing Sunke arbitration proceeding (Note 13 (c)).

13(a) Investment in subsidiaries

The Company	31 December 2019 RMB'000	31 December 2018 RMB'000
Unquoted equity investments, at cost	399,884	399,884
Less: Accumulated impairment losses		
Balance at beginning	(57,261)	(57,261)
Impairment charge	-	-
Balance at end	(57,261)	(57,261)
	342,623	342,623

Notes to the financial statements for the financial year ended 31 December 2019

13(a) Investment in subsidiaries (Cont'd)

Details of subsidiaries are as follows:

<u>Name of subsidiary</u>	<u>Country of incorporation/ and operation</u>	<u>Principal activities</u>	<u>Proportion of ownership interest and voting rights held by the Group</u>	
			<u>31.12.2019</u> %	<u>31.12.2018</u> %
Held by the Company:				
Dynix Pte. Ltd. ⁽¹⁾	Singapore	Import and export of chemical products	100	100
Jiangsu Jurong Chemical Co., Ltd. ⁽²⁾	PRC	Manufacture and sale of chemical products	100	100
SunVic Asia Pacific Investments Holdings Pte. Ltd. ("SVAP") ⁽¹⁾	Singapore	Investment holding	42.4	42.4
Held through Dynix:				
Jurong Chemical LLC ⁽⁴⁾	United States of America ("USA")	Trading business and provision of after-sales services	100	100
Link Way Trading Limited ("LWT") ⁽⁴⁾	British Virgin Islands ("BVI")	Import and export of chemical products	100	100
Held through LWT:				
Link Way Louisiana LLC ⁽⁴⁾	USA	Trading business and provision of after-sales services	100	100
Held through JJC:				
Yinyan Products Quimicos Ltd. ⁽⁵⁾	Brazil	Import and export of chemical products	-	-
Yixing Yinyan Import and Export Co., Ltd. ("YYIE") ⁽²⁾	PRC	Import and export of chemical products	100	100
Yinyan Argentina SA ⁽³⁾	Argentina	Import and export of chemical products	100	100
Taixing Jurong Chemical Co., Ltd. ("TXJC") ⁽²⁾	PRC	Manufacture and sale of chemical products	100	100
Jiangsu Jurong Petrochemicals Co., Ltd. ("JJP") ⁽²⁾	PRC	Manufacture and sale of chemical products	82.1	82.1
Held through TJC:				
Taixing Sunke Chemicals Co., Ltd. ("Taixing Sunke") ⁽²⁾	PRC	Manufacture and sale of chemical products	#	#

⁽¹⁾ Audited by Foo Kon Tan LLP, Singapore, Chartered Accountants

⁽²⁾ Audited by HLB Liaoning Zhongheng CPAs Co., Ltd., PRC, a member firm of HLB International, for the purpose of consolidation

⁽³⁾ Unaudited, dormant

⁽⁴⁾ Not required to be audited in the country of incorporation

⁽⁵⁾ Strike off on 30 October 2017.

The Group has 45% equity interest in Taixing Sunke which is accounted for as joint operation (Note 13(b)) and classified as disposal group classified as held for sale and discontinued operations in 2018. The disposal was completed upon the transfer of equity on 7th Aug 2019.

Investment in SVAP

- (i) Notwithstanding that Company has only a 42.4% equity interest in SVAP, it considers that it has control over SVAP because Whitefield Capital Inc. owns the remaining 57.6% equity interest in SVAP and is a related party to the Company whereby the majority of the key management personnel in SVAP are the same of those of the Company. Consequently, SVAP is accounted for as a subsidiary in the Group.

13(a) Investment in subsidiaries (Cont'd)Investment in SVAP (Cont'd)

(ii) Summarised financial information of subsidiaries with material non-controlling interests

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. These are presented before inter-company eliminations. There were no transactions with non-controlling interests for the financial years ended 31 December 2018 and 2019.

<u>Name of subsidiary</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>Proportion of ownership interest and voting rights held by non-controlling interests</u>	
			<u>31.12.2019</u> %	<u>31.12.2018</u> %
Jiangsu Jurong Petrochemicals Co., Ltd.	PRC	Manufacture and sale of chemical products	17.9	17.9
<u>Summarised statement of financial position</u>			<u>2019</u> <u>RMB'000</u>	<u>2018</u> <u>RMB'000</u>
Current				
Assets			8,696	10,601
Liabilities			(783,414)	(782,624)
Total net current liabilities			(774,718)	(772,023)
Non-current				
Assets			19,430	25,809
Net liabilities			(755,288)	(746,214)
<u>Summarised income statement</u>			<u>2019</u> <u>RMB'000</u>	<u>2018</u> <u>RMB'000</u>
Revenue			-	8,904
Expenses			(9,074)	(247,447)
Loss before income tax			(9,074)	(238,543)
Income tax expense			-	-
Loss after tax			(9,074)	(238,543)
Other comprehensive income			-	-
Total comprehensive loss			(9,074)	(238,543)
Total comprehensive loss allocated to non-controlling interests			(1,624)	(42,699)
<u>Dividends paid to non-controlling interests</u>			-	-
<u>Summarised cash flows</u>			<u>2019</u> <u>RMB'000</u>	<u>2018</u> <u>RMB'000</u>
Cash flows used in operating activities			(19)	(746)
Cash flows generated from investing activities			-	58
Net decrease in cash and cash equivalents			(19)	(688)

13(b) Investment in joint operation

The Group holds a 45% equity interest in the joint operation, Taixing Sunke, through its wholly owned subsidiary Taixing Jurong. The joint operation has been classified as disposal group classified as held for sale and discontinued operations in 2018 and disposed on 7 August 2019. (Note 13 (c)).

13(c) Disposal group classified as held for sale and discontinued operation

On 2 November 2018, the management has informed the Board of Directors of the Company that an arbitration proceeding was commenced on 27 August 2018 against Taixing Jurong, a wholly-owned subsidiary of the Company, in China International Economic and Trade Arbitration Commission (“CIETAC”) by Taixing Sunke, which is a 45%-55% joint venture between Taixing Jurong and Arkema Asie SAS respectively. The arbitration proceeding was commenced by Taixing Sunke against Taixing Jurong for monies amounting to approximately RMB 404 million which are due and owing by Taixing Jurong to Taixing Sunke in respect of Acrylic Acid and Acrylate Esters provided by Taixing Sunke to Taixing Jurong. Taixing Sunke had applied injunctions against Taixing Jurong to freeze effectively all of the assets of Taixing Jurong up to the amount claimed under the arbitration proceeding (the “Injunctions”) and was granted the Injunctions by Taizhou City Intermediate People’s Courts of the People’s Republic of China on 31 August 2018.

Taixing Jurong has entered into a binding letter of intent (“LOI”) with Arkema Asie SAS (the “Purchaser”) on 5 November 2018. Pursuant to the LOI, Taixing Jurong has committed to, amongst others, dispose of its 45% equity interest in the share capital (the “Sale Shares”) of Taixing Sunke, to the Purchaser (or any of its affiliates) (the “Proposed Disposal”).

Pursuant to the LOI, Taixing Jurong and the Purchaser have agreed that the consideration for the Proposed Disposal shall be RMB700 million plus Amount X (as defined below) (the “Transfer Price”). Under the Amended and Restated Product Supply Agreement signed between Taixing Jurong and Taixing Sunke on 18 June 2016, Taixing Jurong is liable to pay (i) the fixed costs and a markup fee of 10% accrued from the later of the date on which the Transaction Documents are entered into or 31 December 2018 until the Closing Date, and (ii) depreciation and amortisation and a mark-up fee of 10% accrued from 1 October 2018 until the Closing Date (items (i) and (ii) being collectively referred to the “Amount X”). Amount X is estimated to be RMB108.7 million if Closing Date falls on 30 April 2019 and will vary if the Closing Date is earlier than 30 April 2019.

Taixing Jurong and the Purchaser further agreed that within two (2) business days from the date of the LOI, the Purchaser will procure Taixing Sunke to apply to the CIETAC to suspend the arbitration proceedings commenced against Taixing Jurong and within five (5) business days upon receipt by Taixing Jurong of the Acknowledgement of the Amount X, the Purchaser will procure Taixing Sunke to apply to CIETAC to withdraw the injunctions granted and the arbitration commenced against Taixing Jurong. The estimated net proceeds from the Proposed Disposal is RMB 300 million.

Taixing Sunke, Taixing Jurong, Arkema Asie and Arkema (China) Investment Co., Ltd. (“Arkema (China)”) and together with Arkema Asie, the “Purchasers”), have entered into the Equity Transfer Agreement on 30 January 2019 in respect of the Proposed Disposal. Arkema (China) is a foreign investment holding company incorporated in the PRC, and is a wholly-owned subsidiary of Arkema Asie SAS.

Notes to the financial statements for the financial year ended 31 December 2019

13(c) Disposal group classified as held for sale and discontinued operation (Cont'd)

Pursuant to the Notice of Compliance by the Singapore Exchange Regulation (“SGX Regco”), as announced by the Company on 13 February 2019, pending the outcome of the Audit Committee’s investigations into the veracity of the YFC and BOC Loans and the circumstances surrounding the purported unauthorised Corporate Guarantees, SGX Regco directs the Company to:

- (i) Place the proceeds from the Proposed Disposal in an Escrow Account (“Escrow Account”) to be operated jointly by the independent directors of the Company, resident in Singapore;
- (ii) All receipts from the Proposed Disposal must be paid into the Escrow Account;
- (iii) The amounts in the Escrow Account cannot be withdrawn until the completion of the investigations and agreed by the Exchange, save for the settlement of expenses and intercompany debts as set out in the Payment Terms of the Equity Transfer Agreement; and
- (iv) All withdrawals from any of the Escrow Accounts must be reviewed by the Company’s internal auditor and external auditor (the “Auditors”), for its basis and veracity, and that the Auditors must confirm that they are satisfied that the withdrawals will be disbursed to the right party for proper and legitimate usage of the Company or any of its subsidiaries.

The Notice of Compliance by SGX Regco has been incorporated in the Circular to Shareholders for the Proposed Disposal of Taxing Sunke dated 29 June 2019.

As a safeguard to ensure the compliance with the Notice of Compliance and such other directions of the SGX-ST with regard to the Escrow Account, by way of a letter from Taixing Jurong to the Purchasers dated 17 June 2019 (hereinafter referred to as the Taixing Jurong Letter) and with a copy provided to the SGX-ST, Taixing Jurong had requested, agreed and acknowledged that, notwithstanding any provisions in the Equity Transfer Agreement, the Purchasers shall not be obliged to remit the Transfer Price to Taixing Jurong unless and until the following conditions are satisfied:

- (i) the SGX-ST has given its approval or its no objection in writing to the Purchasers with respect to the selection of the Escrow Agent and terms and conditions of the Escrow Agreement;
- (ii) the Escrow Agreement has been duly signed by the parties thereto; and
- (iii) the Escrow Account has been opened in compliance with applicable laws and regulations in the PRC and the Escrow Agreement and to the satisfaction of all the SGX-ST Escrow Requirements, (collectively, hereinafter referred to as the Escrow Account Conditions). Such request, agreement and acknowledgement by Taixing Jurong to the Purchasers are irrevocable save with the prior approval of the SGX-ST in writing.

By way of a letter from the Purchasers to the SGX-ST dated 17 June 2019 (hereinafter referred to as the Purchasers Letter) and with a copy provided to Taixing Jurong, the Purchasers had provided their undertaking to the SGX-ST that they shall not remit the Transfer Price to Taixing Jurong unless and until the Escrow Account Conditions are satisfied.

On 15 July 2019, the shareholders of the Company had approved of the Proposed Disposal of Taixing Sunke to the Purchasers.

The Proposed Disposal has been completed on 7 August 2019. The arbitration and injunction to freeze the assets of Taixing Jurong have been withdrawn as of the date of the previous year’s financial statements.

In compliance with SFRS(I) 5 - *Non-current assets held for sale and discontinued operations*, the Proposed Disposal of Taixing Sunke has been presented under discontinued operations in the consolidated statement of profit or loss and other comprehensive income as the Proposed Disposal represented a significant joint operation of the Group that was proportionately consolidated in prior years. Comparative figures have been re-presented in the previous financial year’s financial statements.

Notes to the financial statements for the financial year ended 31 December 2019

13(c) Disposal group classified as held for sale and discontinued operation (Cont'd)

An analysis of the results of discontinued operations, and the results recognised on the remeasurement of the disposal group were as follows:

	Period from 1 January 2019 to 7 August 2019 (date of disposal) RMB'000	Year ended 31 December 2018 RMB'000
<u>Summarised statement of comprehensive income</u>		
Revenue *	777,877	1,308,078
Cost of sales *	(744,159)	(1,304,341)
Gross profit	33,718	3,737
Other operating income	14,820	72,621
Selling and distribution expense	(1,443)	(2,680)
Administrative expense	(11,090)	(19,921)
Other operating expenses	(12,026)	(23,608)
Finance costs	(125)	(7,097)
Profit before taxation	23,854	23,052
Taxation	(3,039)	(10,007)
Profit after taxation from discontinued operations	20,815	13,045

Share of revenue and cost of sales of Taixing Sunke has being fully eliminated in the consolidated statement of profit and loss and other comprehensive income to the extent of Taixing Jurong's share of the revenue and cost of sales of Taixing Sunke.

The impact of the discontinued operations on the cash flows of the Group was as follows:

	Period from 1 January 2019 to 7 August 2019 (date of disposal) RMB' 000	Year ended 31 December 2018 RMB' 000
<u>Summarised cash flows</u>		
Cash flows generated from operating activities	62,463	35,545
Cash flows used in investing activities	(48,642)	(51,221)
Cash flows used in financing activities	(28,714)	(41,409)
Net decrease in cash and cash equivalents	(14,893)	(57,085)

Assets directly associated with disposal group classified as held for sale:

	Year ended 31 December 2018 RMB'000
Property, plant and equipment	489,338
Land use right (net) Note (12)	10,015
Intangible asset	853
Inventories	45,143
Trade and other receivables	198,651
Cash and cash equivalents	47,883
	791,883

Liabilities directly associated with disposal group classified as held for sale:

	Year ended 31 December 2018 RMB'000
Trade and other payables	285,368
Long-term borrowings	114,750
	400,118

13(c) Disposal group classified as held for sale and discontinued operation (Cont'd)

The Group disposed of Taixing Sunke during the year. Details of the disposal are as follows:

	Year ended 31 December 2019 RMB'000
<i>Carrying amounts of net assets disposed of</i>	
Property and equipment (net)	768,198
Land use right	21,555
Intangible asset	977
Inventories	64,368
Trade and other receivables	470,033
Cash and cash equivalents	32,990
Trade and other payables	(394,160)
Long-term borrowings	(139,771)
Other reserves	(4,527)
Net assets derecognised	819,663
 <i>Cash consideration</i>	 875,410
Total cash consideration	875,410
 <i>Gain on disposal</i>	
Total cash consideration	875,410
Less: Net assets derecognised	(819,663)
Add: Consolidation adjustments	265,665
Gain on disposal	321,412

The consolidation adjustments mainly relate to sales of property, plant and equipment from Taixing Jurong to Taixing Sunke and other consolidation adjustments that have been realised on disposal of Taixing Sunke. The gain on disposal of Taixing Sunke of RMB 321,412,000 (2018: Nil) during the financial year ended 31 December 2019 is recorded within "other income" in profit or loss.

The net proceeds from disposal of Taixing Sunke are as follows:

	Year ended 31 December 2019 RMB'000
<i>As recorded in the Escrow Accounts</i>	
The First instalment: Proceeds from purchaser	175,410
The Second instalment: Proceeds from purchaser	322,922
The Third Instalment: Proceeds from purchaser	377,078
Total cash consideration	875,410
Settlement of net debt due to Taixing Sunke	(322,922)
Settlement of Amount X (Share of overheads)	(175,410)
Net balance subjected to SGX Compliance requirements (Restricted cash – Note 16)	377,078

The aggregate net proceeds from the disposal of Taixing Sunke in the Escrow Accounts as at 31 December 2019 are RMB 377,376,000 which included interest income of RMB 298,000 as at that date.

14 Deferred taxation

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

Notes to the financial statements for the financial year ended 31 December 2019

14 Deferred taxation (Cont'd)

	31 December 2019 RMB'000	31 December 2018 RMB'000
The Group		
Deferred tax assets		
- To be recovered after one year	-	-
Deferred tax liabilities		
- To be settled after one year	(7,500)	(7,500)

The balance comprises tax on the following temporary differences:

The Group	Excess of net book value over tax written down value of qualifying property, Plant and equipment RMB'000	Unappro- priated profits RMB'000	Total RMB'000
At 31 December 2019	-	(7,500)	(7,500)
At 31 December 2018	-	(7,500)	(7,500)

Unrecognised deferred tax liabilities

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on the dividends to foreign investors from foreign investment enterprises established in the PRC. 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 tax treaty between the PRC and the jurisdiction of the foreign investor. The Group made provision for deferred tax liabilities on withholding tax at 5% of the retained earnings of all its PRC subsidiaries.

As at 31 December 2019, the aggregate amount of temporary differences relating to undistributed profits of subsidiaries for which deferred tax liabilities have not been recognised is RMB 720,102,000 (2018 - RMB 545,831,000). Unutilised tax liability totalling approximately RMB 35,885,000 (2018 - RMB 27,220,000) has not been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

Unrecognised deferred tax assets

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

	2019 RMB'000	2018 RMB'000
The Group		
Tax losses	1,307,244	832,483
Deductible temporary difference	834,923	2,008,142
	2,142,167	2,840,625

The Group has unabsorbed tax losses amounting to approximately RMB 1,307,244,000 (2018 - RMB 832,483,000) that will expire between 2020 to 2022 and which are subject to agreement with the relevant tax authorities. These unabsorbed tax losses can be carried forward for offsetting against future taxable income provided that the provisions of the relevant tax legislations are complied with. There is no expiration date on deductible temporary difference amounting to RMB 834,923,000 (2018 - RMB 1,839,666,000).

Unutilised tax benefits totalling approximately RMB 106,844,000 (2018 - RMB 628,091,000) arising from deductible temporary difference and tax losses had not been recognised as there was no reasonable certainty of their realisation in the future.

Notes to the financial statements for the financial year ended 31 December 2019

15 Value-added tax recoverable

	2019 RMB'000	2018 RMB'000
The Group		
Value-added tax recoverable	83,951,000	83,951,000
Impairment loss*	(83,951,000)	(83,951,000)
Net value-added tax recoverable	-	-

Value-added tax recoverable pertains to the tax recoverable on the purchase of property, plant and equipment by JJP since financial year 2014.

* In prior year, an impairment provision of RMB 83,951,000 was made as the chemical zone of which JJP operates was being ordered to shut down by the local government.

16 Cash and cash equivalents

	The Group		The Company	
	31 December 2019 RMB'000	31 December 2018 RMB'000	31 December 2019 RMB'000	31 December 2018 RMB'000
Non-current				
Fixed deposits – pledged *	-	76,739	-	-
	-	76,739	-	-
Current				
Cash and bank balances	7,780	25,434	296	810
Fixed deposits – pledged	404,013	203,431	-	-
Restricted bank balances #	377,376	-	-	-
	789,169	228,865	296	810
Total	789,169	305,604	296	810

* Fixed deposits pledged relating to non-current bank loans.

Restricted bank balances comprise of net proceeds from disposal of Taixing Sunke of RMB 377,078,000 and interest income of RMB 298,000 as at that date (Note 13 (c))

For the purpose of presenting the consolidated cash flow statement, the year-end cash and cash equivalents comprise the following:

The Group	31 December 2019 RMB'000	31 December 2018 RMB'000
Cash and cash equivalents	789,169	305,604
Less: bank balances – frozen	-	(16,424) ¹
Less: fixed deposits - pledged	(404,013)	(280,170)
Less: restricted bank balances	(377,376)	-
	7,780	9,010

Pledged fixed deposits represent deposits pledged to banks to secure bank borrowings (Note 21) and notes payables (Note 22). The pledged deposits will be released upon the settlement of relevant bank borrowings and the expiry of relevant bank guarantees. At the end of the reporting period, the bank balances of RMB Nil (2018 - RMB 16,424,000) were frozen and subject to the Taixing Sunke arbitration proceeding (Note 13(c)). The arbitration and injunction to freeze the assets of Taixing Jurong have been withdrawn as of the date of the previous year's financial statements.

¹ The amount has been restated as it was erroneously omitted in FY2018 disclosure.

16 Cash and cash equivalents (Cont'd)

Restricted bank balances refers to two bank Escrow Accounts designated to receive proceeds from the disposal of Taixing Sunke. All withdrawals from the bank accounts are subjected to certain conditions and approval by SGX-ST (Note 13(c)). All withdrawals from any of the Escrow Accounts must be reviewed by the Company's internal auditor and external auditor (the "Auditors"), for its basis and veracity, and that the Auditors must confirm that they are satisfied that the withdrawals will be disbursed to the right party for proper and legitimate usage of the Company or any of its subsidiaries.

17 Inventories

The Group	2019 RMB'000	2018 RMB'000
<u>At cost</u>		
Raw materials	990	5,306
Packaging materials	3,002	3,051
	3,992	8,357
<u>At net realisable value</u>		
Finished goods	19,710	9,937
Work-in-progress	356	250
	20,066	10,187
	24,058	18,544

The Group	2019 RMB'000	2018 RMB'000
<u>Statement of profit or loss and other comprehensive income:</u>		
Continuing operation		
Inventories recognised as an expense in cost of sales (Note 6(c))	933,566	1,467,373
Inventories recognised as an expense in other operating expenses	2,591	25,628
Inventory write-down	1,307	-

Inventory write-down relates to inventory written off due to obsolete raw materials.

Inventories amounting to RMB 4,237,000 (2018 - RMB 8,543,000) relate to inventories that are located in the Xiangshui Chemical Industry Park that have been shut down by the local government (Note 29(h)).

Notes to the financial statements for the financial year ended 31 December 2019

18 Trade and other receivables

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Trade receivables</u>				
Trade receivables				
- third parties	30,598	40,335	324	315
- joint operation	-	76,731	-	-
- related parties	532,843	542,863	-	-
- subsidiaries	-	-	42,108	37,718
Notes receivable	300	1,168	-	-
	563,741	661,097	42,432	38,033
Loss allowances				
Balance at beginning of the year	(1,012)	(1,092)	-	-
Allowances*	(19,209)	-	-	-
Reversal of loss allowance	-	80	-	-
Balance at end of the year	(20,221)	(1,012)	-	-
Net trade receivables, current	543,520	660,085	42,432	38,033
<u>Other receivables</u>				
Non-trade amounts due from subsidiaries	-	-	14,876	14,793
Other receivables	13,146	44,480	292	122
Other prepayments	18,118	18,471	349	351
Advances to suppliers	31,650	38,758	-	-
Loss allowances				
Balance at beginning of the year	(19,625)	-	-	-
Allowances	(290)	(19,625)	-	-
Balance at end of the year	(19,915)	(19,625)	-	-
Advance to suppliers, net	11,735	19,133	-	-
Value-added tax recoverable	10,229	9,539	-	-
Total other receivables, current	53,228	91,623	15,517	15,266
Total trade and other receivables	596,748	751,708	57,949	53,299

*An expected credit loss ("ECL") allowance of RMB 19.2 million (2018: Nil) was recognised in profit or loss for the year ended 31 December 2019 in accordance with the ECL accounting policies of the Group

Trade and other receivables

Trade receivables are generally on 30 to 90 days' terms (2018 - 30 to 90 days' terms). Trade receivables are non-interest bearing and are recognised at their original invoice amounts which represent their fair value on initial recognition.

As at 1 January 2018, the Group's gross trade receivables from contracts with customers due amounted to RMB 727,198,000.

At the end of the reporting period, note receivables amounting to RMB 300,000 (2018 - RMB 1,168,000) are arranged to be settled via letters of credit issued by reputable banks in countries where the customers are based.

As at 31 December 2019, trade receivables and notes receivable amounted to RMB Nil (2018 - RMB Nil) were pledged as securities to obtain credit facilities (Note 21).

Further details of the foreign currencies denomination of trade receivables and the Group's financial risk management of foreign currency risk exposure are set out in Note 31(d).

Non-trade amounts due from subsidiaries

Non-trade amounts due from subsidiaries represent expenses paid by the Company on behalf of the subsidiaries. The amounts were unsecured, non-interest bearing and repayable on demand.

Notes to the financial statements for the financial year ended 31 December 2019

18 Trade and other receivables (Cont'd)

Advance to suppliers

This related to prepayments made to suppliers for purchase of materials. In the prior financial year, the Group has recognised an impairment loss of RMB 19,625,000 as the chemical zone of which JJC operates was being ordered to shut down by the local government.

Credit risks exposure

The Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses (ECL)
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the group has no realistic prospect of recovery.	Amount is written off

The Group's credit risk exposure in relation to trade receivables under SFRS(I) 9 as at 31 December 2019 and 2018 is set out in the provision matrix as follows:

31 December 2019		Past due				Total RMB'000
The Group	Current RMB'000	Within 30 days RMB'000	31 to 60 days RMB'000	61 to 90 days RMB'000	More than 90 days RMB'000	
Expected loss rate	-	-	-	-	12.0%	
Trade receivables - Gross	147,577	66,227	33,092	149,022	167,823	563,741
Loss allowance	-	-	-	-	(20,221)	(20,221)

31 December 2018		Past due				Total RMB'000
The Group	Current RMB'000	Within 30 days RMB'000	31 to 60 days RMB'000	61 to 90 days RMB'000	More than 90 days RMB'000	
Expected loss rate	-	-	-	-	0.7%	
Trade receivables - Gross	48,582	198,836	118,213	159,649	135,817	661,097
Loss allowance	-	-	-	-	(1,012)	(1,012)

Concentrations of credit risk

Concentrations of credit risk exist when changes in economic, industry or geographical factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Group's total exposure. The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an ongoing basis.

Notes to the financial statements for the financial year ended 31 December 2019

18 Trade and other receivables (Cont'd)

The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	The Group		The Company	
	31 December	31 December	31 December	31 December
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
PRC	539,374	657,707	42,108	37,718
Asia - others	3,389	1,721	324	315
Others	757	657	-	-
Total	543,520	660,085	42,432	38,033

There are no significant concentrations of credit risk, whether through exposure to individual customers, business segment and/or geographical regions.

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

- (i) Trade and other receivables (excluding prepayments, advances to suppliers and value-added tax recoverable) that are neither past due nor impaired

	The Group		The Company	
	31 December	31 December	31 December	31 December
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
- Trade receivables	147,577	48,582	1,201	1,193
- Other receivables	13,146	44,480	15,168	14,915
Total	160,723	93,062	16,369	16,108

Trade and other receivables that are neither past due nor impaired are credit worthy debtors with a good payment record with the Group and the Company.

- (ii) Trade and other receivables (excluding prepayments, advances to suppliers and value-added tax recoverable) that are past due but not impaired

The ageing analysis of trade and other receivables (excluding prepayment, advance to suppliers and value-added tax recoverable) past due but not impaired is as follows:

	The Group		The Company	
	31 December	31 December	31 December	31 December
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Less than 30 days	66,227	198,836	-	-
30 to 90 days	182,114	277,862	1,176	1,162
More than 90 days	147,602	134,805	40,055	35,678
Total	395,943	611,503	41,231	36,840

Based on historical credit loss rates have been appropriately adjusted to reflect current condition and forecasts of future economic conditions, the Group believes that no impairment allowance is necessary in respect of trade and other receivables not past due or past due but not impaired. These receivables are mainly arising by customers that have a good credit record with the Group.

Notes to the financial statements for the financial year ended 31 December 2019

18 Trade and other receivables (Cont'd)

Trade and other receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

The Group	2019 RMB'000	2018 RMB'000
As at 31 December (calculated under FRS 39)	1,012	1,092
Amounts restated through opening retained earnings	-	-
Opening loss allowance as at 1 January 2018 (calculated under SFRS(I)9)	1,012	-
Provision for loss allowance during the year	19,209	1,092
Reversal of loss allowance during the year	-	(80)
As at 31 December	20,221	1,012

The ageing analysis of trade and other receivables (excluding prepayment, advance to suppliers and Value-added tax recoverable) determined to be impaired is as follows:

	The Group		The Company	
	31 December 2019 RMB'000	31 December 2018 RMB'000	31 December 2019 RMB'000	31 December 2018 RMB'000
More than 120 days	20,221	1,012	-	-

The carrying amount of trade and other receivables (excluding prepayments, advances to suppliers and value-added tax recoverable) individually determined to be impaired is as follows:

	The Group		The Company	
	31 December 2019 RMB'000	31 December 2018 RMB'000	31 December 2019 RMB'000	31 December 2018 RMB'000
Gross amount	20,221	1,012	-	-
Less: loss allowance	(20,221)	(1,012)	-	-
	-	-	-	-

The Group and the Company assessed the latest performance and financial position of the counterparties, adjusted for future outlook of industry in which the counterparties operate in, and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial assets. Accordingly, the Group measured the impairment loss allowance using 12-months ECL and determined that the ECL is insignificant. Other than the above, there is no credit loss allowance for other financial assets at amortised costs as at 31 December 2019 and 2018.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy companies or individuals with a good payment record with the Group and the Company. Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit ratings and no history of default.

Financial assets that are past due but not impaired

There is no other class of financial assets that is past due but not impaired except for trade and other receivables. Included in trade and other receivables of the Company as at 31 December 2019 is an amount of RMB 131.0 million that is due by a related party, Jiangsu Yinyan, that is past due but not impaired. By way of financial support level obtained from other related companies, management is of the view that this debt is recoverable.

Notes to the financial statements for the financial year ended 31 December 2019

19 Share capital

Group and Company	No. of ordinary shares		Amount	
	Issued share capital '000	Treasury shares '000	Issued share capital RMB'000	Treasury shares RMB'000
31 December 2019 and 31 December 2018				
Beginning and end of financial year	533,651	(1,650)	291,516	(1,575)

All issued ordinary shares are fully paid. There is no par value for these ordinary shares. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

20 Other reserves

The Group	Note	31 December 2019 RMB'000	31 December 2018 RMB'000
Merger reserve	(i)	(499)	(499)
Capital reserve	(ii)	250,653	255,286
Foreign currency translation reserve	(iii)	(15,192)	(15,395)
Special safety reserve	(iv)	50,314	50,314
		285,276	289,706
Represented by:			
Distributable		(15,192)	(15,395)
Non-distributable		300,468	305,101
		285,276	289,706

The movements in other reserves are as follows:

- (i) Merger reserve represents the difference between the consideration paid and the share capital of a subsidiary restructured under common control.
- (ii) Capital reserve comprises accumulated profits transferred by the PRC subsidiaries as required under the local PRC legislation.

The PRC subsidiaries are required to appropriate 10% of its profits after taxation, as determined under the PRC Generally Accepted Accounting Principles (the "PRC GAAP"), to the statutory surplus reserve until the revenue balance reaches 50% of its registered capital. The appropriation to this reserve must be made before the distribution of dividends to investors. Statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into paid-in capital in proportion to the existing interests of the investors, provided that the balance after such conversion is not less than 25% of the registered capital.

Under the PRC laws, the creation of a discretionary reserve is optional. In accordance with its Articles of Association, YYIE is required to appropriate a percentage of its PRC GAAP profits after taxation as determined by the directors to a discretionary reserve. YYIE has appropriated 5% of such profits after taxation from 2003 onwards.

Notes to the financial statements for the financial year ended 31 December 2019

20 Other reserves (Cont'd)

- (iii) The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of subsidiaries whose functional currencies are different from the Group's presentation currency.

The Group	31 December 2019 RMB'000	31 December 2018 RMB'000
Foreign currency translation reserve		
Balance at beginning	(15,395)	(16,204)
Net currency translation differences of financial statements of foreign subsidiaries	203	809
Balance at end	(15,192)	(15,395)

- (iv) Pursuant to certain regulations issued by the State Administration of Work Safety of the PRC and other relevant regulatory bodies, the plants are required to set aside funds at prescribed rates. These funds can be used for maintenance and/or improvements of safe production and is not available for distribution to shareholders.

21 Borrowings

The Group	31 December 2019 RMB'000	31 December 2018 RMB'000
Non-current		
Secured bank loans	-	75,631
	-	75,631
Current		
Secured bank loans	397,431	395,740
	397,431	395,740
Total borrowings	397,431	471,371

The amount repayable within one year is included under current liabilities whilst the amount repayable after one year is included under non-current liabilities.

The borrowings of the Group are subjected to fixed interest rate.

The borrowings are secured by:

- Property, plant and equipment of the subsidiaries (Note 9(b));
- Right-of-use assets (land use rights) (Note 10);
- Trade and other receivables (Note 18);
- Pledge fixed deposits (Note 16); and
- Guarantee provided by the related parties, a director and a shareholder.

(a) Effective interest rates

The weighted average effective interest rates (per annum) of total borrowings at the end of reporting period are as follows:

The Group	Currency	31 December 2019 %	31 December 2018 %
Secured bank loans	RMB	3.50 - 4.35	4.57 - 7.50
Secured bank loans	USD	1.44 - 2.16	1.44 - 2.61

Notes to the financial statements for the financial year ended 31 December 2019

21 Borrowings (Cont'd)

(b) Carrying amounts and fair values

Fair values of borrowings

The carrying amounts of current borrowings approximate their fair value. The carrying amounts and fair values of non-current borrowings are as follows:

The Group	31 December 2019 RMB'000	31 December 2018 RMB'000
Secured bank loan		
Carrying amounts	-	75,631
Fair values	-	78,382

The fair values above are determined from the discounted cash flow analysis, discounted at market borrowing rates (per annum) of an equivalent instrument at the end of reporting period which the directors expect to be available to the Group as follows:

The Group	31 December 2019 %	31 December 2018 %
Secured bank loans	3.17	3.20

(c) Undrawn bank facilities

The amount of stand-by credit facilities available to the Group at the end of the reporting period is RMB 84,917,000 (2018 - RMB 191,055,000).

22 Trade and other payables

	The Group		The Company	
	31 December 2019 RMB'000	31 December 2018 RMB'000	31 December 2019 RMB'000	31 December 2018 RMB'000
Trade payables				
- third parties	214,491	438,565	-	-
- related parties	19,322	328,505	-	-
Notes payables	508,833	174,410	-	-
	742,646	941,480	-	-
Accrued operating expenses	11,441	12,934	6,253	8,116
Accrued severance compensation	12,700	12,700	-	-
	24,141	25,634	6,253	8,116
Contract liabilities	160,360	23,288	-	-
Amounts due to subsidiaries (non-trade)	-	-	36,467	33,267
Amounts due to related party (non-trade)	-	-	2,997	-
Other payables	69,973	68,044	3,205	1,556
	997,120	1,058,446	48,922	42,939

22 Trade and other payables (Cont'd)

Trade and other payables are unsecured and non-interest bearing. Trade payables are normally settled on 60-day (2018 - 60 days) terms.

Notes payables

The notes payables are secured on the fixed deposits of RMB 165,500,000 (2018 - RMB 91,708,000) of the Group.

Accrued severance compensation

Accrued severance compensation relates to compensation payable to the staffs who have been retrenched following the Chemical Explosion and fire hazard in one of the subsidiary premises in the Xiangshui Chemical Industry Park.

Contract liabilities

Contract liabilities relate to advance consideration received from customers and billings in excess of revenue recognised to-date. Contract liabilities are recognised as revenue as and when the Group satisfies the performance obligations under its contracts. Increase in Contract liabilities mainly due to advances received from Taixing Jinyan during the year.

Amounts due to subsidiaries

Amounts due to subsidiaries represent the advance received from subsidiaries are unsecured, interest-free, repayable on demand and are to be settled in cash.

Further details of liquidity risks on trade and other payables are disclosed in Note 31(b).

Other payables

Included in other payables is a down payment of RMB 50,000,000 received from a third party in prior year for the proposed disposal of the entire interest in JJP to the third party. Refer to Note 33 (c) on the termination of the proposed disposal of JJP.

23 Provision for restoration costs

JJC and JJP are located and operates at the Xiangshui Chemical Industry Park in Yancheng City, Jiangsu Province. The operations in the Xiangshui Chemical Industry Park are exposed to potential damages and substantial liabilities such as the occurrence of uncontrollable flow of chemicals, gas, personal injury, fire and explosions hazards that could have an adverse effect on its business and operations, financial condition and cash flows.

On 21 March 2019, it was reported in the PRC news that a major explosion had occurred at a chemical plant in Xiangshui Chemical Industry Park and in April 2019, it was reported that the government of Jiangsu Yancheng will completely shut down the Xiangshui Chemical Industry Park following the Chemical Explosion. Since the explosion and the news on the closure of the Xiangshui Chemical Industry Park, JJC and JJP have stopped operations. The potential financial implications from the explosion at the Xiangshui Chemical Industry Park cannot be presently estimated as to any environmental penalties or legal liabilities and/or compensation that may be imposed on JJC and JJP by the local government.

The provision for restoration costs of RMB 45.6 million (2018: RMB 45.6 million) relates to the estimated cost of restoring the land located at the Xiangshui Chemical Industry Park which have been shut down by the local government following the Chemical Explosion in March 2019. The Group's subsidiaries, JJC and JJP, operate in location of Xiangshui Chemical Industry Park. The restoration will only occur when the Group return the land use rights to the local government on expiry. However, based on the management's intention, the land may not be returned to the local government for the following reasons:

23 Provision for restoration costs (Cont'd)

- (a) The location of the Xiangshui Chemical Industry Park has currently been sealed and protected under the government control;
- (b) The question raised as to whether the return of land and compensation from the government is an ever ongoing for an indefinite period. We have discussed with the management and there is no indication of compensation, if any, from the local government nor any demands being received from the local government to make any compensation payments for the restoration of the land as of the date of this report. The land use right at JJC and JJP has a lease period of between 34 to 50 years. Approximately 9 - 15 years have been used up with a remaining useful life of 19 and 41 years of lease before its expiry in JJC and JJP respectively. On the basis that the extended land use right may not be taking place in the near future, the provision for restoration may not be required for the next 19 - 41 years. There is lack of regulatory compliance of administration of law in the PRC to provide guidance as to how compensation can be made possible for the restoration and it is not considered to be the usual return of land in the Xiangshui Chemical Industry Park following the explosion incident. On this basis, we are not able to assess whether the provision is adequate or necessary.
- (c) Whether the land use rights can be returned with legal consequences cannot be ascertained. Under such a situation, JJC and JJP have no legal basis to ask the government to take back the land use right before it expires and pay the compensation to the Group. Only the government has right to take back the land use right before it expires. However, whether or not to exercise this right will depend on the government. According to the relevant PRC laws, the government can take back the land use right for the public interest or for the urban re-planning before it expires and the Group will receive the compensation from the government under this circumstance. At present, the Group can only wait for further action by the government; and
- (d) The land at Xiangshui Chemical Industry Park is under the control and protection of the authorities. Under the relevant PRC laws, the government will take control of the hazard area which cause life threatening for which death and injuries have been reported at the Chemical Explosion incident. The legal consequences are uncertain, and based on the PRC legal counsel's advice, it all depends on the government's decision. JJC and JJP can actively contact the government and wait for the further action by the government under such circumstances.

24 Lease liabilities

	The Group and the Company 2019 RMB'000
(i) The Group as a lessee	
Undiscounted lease payments due:	
- Year 1	535
- Year 2	519
- Year 3	215
Total	1,269
Less: Unearned interest cost	(78)
Lease liabilities	1,191
Presented as:	
- Non-current	705
- Current	486
Lease liabilities	1,191

The lease liabilities relate to the lease of office premises and photocopier which expire on 31 May 2022 and 29 March 2021 respectively and are renewable at market rates.

24 Lease liabilities (Cont'd)

Interest expense on lease liabilities of RMB 74,000 is recognised within finance costs in profit or loss.

Total cash outflows for all leases in the year amount to RMB 518,000.

(ii) The Group as an intermediate lessor

Subleases – classified as operating leases

The Group acts as an intermediate lessor under arrangement in which it subleases out certain office space to a third party for monthly lease payments. The sublease periods do not form a major part of the remaining lease terms under the head leases and accordingly, the sub-leases are classified as an operating lease.

Income from subleasing certain office space recognised during the financial year 2019 was RMB 1,225,000 (2018 – RMB 549,000).

Undiscounted lease payments from the operating leases to be received after the reporting date are as follows:

	31 December 2019	31 December 2018
	RMB'000	RMB'000
The Group		
Within one year	3,997	70

25 Segment reporting

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. The Group's Chief Executive Officer ("CEO") reviews internal management reports for each of the strategic business units on at least a quarterly basis. The three reportable segments are:

- Manufacture and sale of Acrylic Acid and Acrylate Esters;
- Manufacture and sale of PMIDA and glyphosate; and
- Manufacture and sale of refined MTBE and petroleum products.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports reviewed by the Group's CEO. Segment profit is used to measure performance as the management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Other operations include the manufacture and sale of other chemical products. None of these segments meets any of the quantitative thresholds for determining reportable segments in 2019 or 2018.

25 Segment reporting (Cont'd)

MTBE and Petroleum-

	AA and AE		PMIDA and glyphosate		related products		Others		Total	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
External revenue	499,848	1,273,713	-	-	-	-	440,533	303,385	940,381	1,577,098
Interest income	-	-	-	-	-	-	1,903	1,822	1,903	1,822
Interest expense	(25,914)	(59,007)	-	-	-	-	(22,839)	(14,055)	(48,753)	(73,062)
Depreciation and amortisation	(31,587)	(95,013)	-	-	(6,375)	(16,475)	(574)	(312)	(38,536)	(111,800)
Impairment loss on property, plant and equipment	-	(63,030)	-	-	-	(136,000)	-	-	-	(199,030)
Reversal/(Provision) on contingent liability	-	-	-	-	-	-	42,500	(42,500)	42,500	(42,500)
Provision for severance	-	(12,700)	-	-	-	-	-	-	-	(12,700)
Compensation	-	-	-	-	-	-	-	-	-	-
Impairment loss on value-added tax recoverable	-	-	-	-	-	(83,951)	-	-	-	(83,951)
Restoration and dismantling charges	(290)	(45,573)	-	-	-	-	-	-	-	(45,573)
Impairment loss on prepayment	-	(19,625)	-	-	-	-	-	-	(290)	(19,625)
Reportable segment Profit/(loss) before tax	135,544	(346,017)	-	-	-	(239,861)	(64,623)	(99,963)	70,921	(685,841)
- continuing operation	23,854	23,052	-	-	-	-	-	-	23,854	23,052
Income tax expenses from	(16)	(600)	-	-	-	-	-	-	(16)	(600)
- continuing operation	(3,039)	(10,007)	-	-	-	-	-	-	(3,039)	(10,007)
Profit/(loss) for the year from	135,528	(346,617)	-	-	-	(239,861)	(64,623)	(99,963)	70,905	(686,441)
- continuing operation	20,815	13,045	-	-	-	-	-	-	20,815	13,045
Reportable segment assets	1,705,760	1,356,412	-	-	28,057	35,691	34,763	74,305	1,768,580	1,466,408
- continuing operation	-	791,883	-	-	-	-	-	-	-	791,883
Reportable segment liabilities	1,288,091	1,416,972	-	-	14,846	21,189	147,214	188,979	1,450,151	1,627,140
- continuing operation	-	400,118	-	-	-	-	-	-	-	400,118
Capital expenditure	9,595	6,734	-	-	-	-	250	95	9,845	6,829

Notes to the financial statements for the financial year ended 31 December 2019

25 Segment reporting (Cont'd)

Segmental information is presented in respect of the Group's geographical segments. In presenting information on the basis of geographical segments, segment revenue are based on the geographical location of customers. Segment capital expenditure and other assets are based on the geographical location of the assets.

	Asia RMB'000	Europe RMB'000	South America RMB'000	North America RMB'000	Others RMB'000	Consolidated RMB'000
2019						
Revenue from external customers	929,485	3,717	40	6,143	996	940,381
Non-current assets	346,028	-	-	12,577	-	358,605
2018						
Revenue from external customers	1,526,336	14,274	5,652	26,161	4,675	1,577,098
Non-current assets	378,180	-	-	12,372	-	390,552

Information about major customers

Revenue of approximately RMB 432,485,000 (2018 - RMB 352,560,000) was derived from 3 (2018 - 3) external customers. These revenues are attributable to the AA & AE segments in the PRC.

26 Related party transactions

(a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial years ended 31 December 2018 and 2019.

The Group	2019 RMB'000	2018 RMB'000
Sale of chemical products	398,623	332,730
Purchase of inventories	306,380	67,737
Sale of raw material and other spare parts	5,733	224,334
Rental of premises	3,600	-
	714,336	624,801

(b) Sales and purchases transactions

The Group	2019 RMB'000	2018 RMB'000
Sales – related parties	980,792	1,351,493
Purchases – related parties	289,338	1,350,892
	1,270,130	2,702,385

During the year, the Group entered into sales and purchases transactions with terms and conditions agreed (collectively known as “Transactions”) with related parties. Such Transactions have been entered to maintain the Group's, related parties' existing credit facilities with the banks, which is a common practice carried out in the PRC. The management has presented these transactions on a net basis for financial reporting purpose in the consolidated financial statements. The bank credit facilities sum as at 31 December 2019 was RMB 646.0 million (2018 - RMB 923.0 million) as reported under the facility arrangements in the PRC entered into during the year ended 31 December 2019.

26 Related party transactions (Cont'd)

(c) Compensation of directors and key management personnel

	2019 RMB'000	2018 RMB'000
The Group		
Short-term employee benefits	3,537	3,765
CPF contributions	196	136
	3,733	3,901
Comprise amounts paid to:		
Directors of the Company	2,658	2,184
Other key management personnel	1,075	1,717
	3,733	3,901

27 Commitments

(a) Operating lease commitments - as lessee

In prior year, the Group and the company have entered into a commercial lease on an office premise in Singapore. The lease has a tenure of 2 – 3 years with an option to renew at the end of the lease term.

Minimum lease payments are recognised as an expense in profit or loss for the financial year ended 31 December 2018 amounted to RMB 561,000.

Future minimum rental payable under non-cancellable operating leases at the end of the reporting period are as follows:

	2018 RMB'000
The Group and The Company	
Not later than one year	522
Later than one year but not later than five years	233
	755

Upon adoption of SFRS(I) 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The accounting policy beginning on and after 1 January 2019 is disclosed in Note 3 “Leases”. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

(b) Operating lease commitments - as lessor

The Group and the Company lease out machinery and premises to external parties.

Future minimum rental receivable under non-cancellable operating leases at the end of the reporting period are as follows:

	The Group		The Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Not later than one year	3,997	70	144	140

The leases on the Group and the Company's machinery and premises on which rentals are receivable expires between 31 May 2020 to 31 Dec 2021 (2018 – 31 May 2020) with renewals at the then prevailing rates.

Notes to the financial statements for the financial year ended 31 December 2019

28 Provision for Contingent liabilities – Corporate guarantees

(a) Corporate guarantees to related parties

The Group acted as a corporate guarantor to provide guarantees to its related parties amounted to RMB 1.4 billion (2018 – RMB 1.6 billion) to secure banking facilities. As at 31 December 2019, the related parties had drawn down an amount of RMB 1.3 billion (2018 – RMB 1.4 billion) from these facilities. The loan facilities will expire in 2020 (2018 – expire in 2019).

The Group	2019 RMB'000	2018 RMB'000
Guarantee given:		
Yixing Danson	375,000	509,000
Jiaxing Jinyan	20,000	50,000
Taixing Jinyan	743,000	794,000
Jinyan Cangchu	260,000	260,000
	1,398,000	1,613,000
Amount drawn down:		
Yixing Danson	365,000	393,000
Jiaxing Jinyan	20,000	10,000
Taixing Jinyan	703,290	725,310
Jinyan Cangchu	185,000	244,500
	1,273,290	1,372,810
The Group	2019 RMB'000	2018 RMB'000
Guarantee received:		
Yixing Danson	105,000	252,500
Taixing Jinyan	550,000	550,000
Jiangsu Yinyan	84,900	84,900
	739,900	887,400
Amount drawn down:		
Yixing Danson	80,000	117,430
Taixing Jinyan	430,000	444,510
Jiangsu Yinyan	-	82,900
	510,000	644,840

At the end of the reporting period, there are no defaults being triggered for the repayment of the principal or interest payments thereon in respect of the guarantee obligations. The management has determined that the expected credit losses arising from the financial guarantee issued to related parties are not material on the basis that there is no significant increase in credit risk and the related expected credit losses are not significant to the Group.

(b) Provision for Contingent Liabilities – Corporate guarantees – third parties

On 10 January 2019, the Company announced that it had received legal claims in the PRC for the principal amounts of RMB 222,500,000 (consisting of two financial guarantees contracts of RMB 180,000,000 and RMB 42,500,000) plus interest for financial guarantees issued by its PRC subsidiaries on behalf of two unrelated parties. The legal claims were received in November and December 2018 but only announced by the Company on 10 January 2019. Details of the two financial guarantees are as follows:

Notes to the financial statements for the financial year ended 31 December 2019

28 Provision for Contingent liabilities – Corporate guarantees (Cont'd)

(c) Corporate guarantees – third parties (contingent liabilities) (Cont'd)

Financial guarantee of RMB 180 million

The Company's wholly-owned subsidiary, YYIE, received a letter of demand dated 14 November 2018 (the "YFC Letter of Demand") from the lawyers (江苏科腾律师事务所) ("Jiangsu Keteng") acting on behalf of Yixing City Futao Rural Micro Credit Co., Ltd. (宜兴市富陶农村小额贷款有限公司) ("Yixing Futao Credit") in respect of a loan agreement entered into between Yixing Futao Credit and Jiangsu Donglai Real Estate Development Co., Ltd. (江苏东来房地产开发有限公司) ("Jiangsu Donglai") dated 8 October 2018 for the loan amount of RMB 180,000,000 (the "YFC Loan").

In the YFC Letter of Demand, Yixing Futao Credit is seeking repayment of RMB 183,700,000 (the "YFC Claim Amount"), comprising of RMB 180,000,000 as principal repayment and RMB 3,700,000 as accrued interest payable in respect of the YFC Loan, as Jiangsu Donglai has failed to make repayment of the YFC Claim Amount on the repayment date of 15 October 2018. Yixing Futao Credit is seeking repayment of the YFC Claim Amount from YYIE pursuant to a third party guarantee agreement entered into by Yixing Futao Credit, Jiangsu Donglai and YYIE dated 8 October 2018, under which YYIE provided a corporate guarantee to Jiangsu Donglai, a party unrelated to the Company, in favour of Yixing Futao Credit in respect of the YFC Loan (the "YFC Corporate Guarantee").

The intention of YYIE to provide guarantee to Jiangsu Donglai was to give a government officer who cannot be named a favor to enable a short-term 7-day bridging loan to the borrower, Jiangsu Donglai, to borrow from Yixing Futao Credit in order to repay its own loans to the China Construction Bank who in turn was expected to refinance Jiangsu Donglai for the same amount, which can then be used to repay Yixing Futao Credit. The China Construction Bank was supposed to renew the loans to Jiangsu Donglai following the repayment, but it never did. The legal representative of YYIE, Liu Wen, represented that he had conducted a basic assessment before entering into the YFC Corporate Guarantee agreement. On the same basis, no collateral was obtained from the borrower. Liu Wen had approved the financial guarantee contract after discussing it with Sun Xiao.

By way of a supplementary agreement entered into on 13 June 2019 (the "YFC Supplementary Agreement") between Yixing Futao Credit, Jiangsu Donglai and YYIE, the parties agreed, amongst others, whereby Jiangsu Donglai shall liquidate its assets to repay the YFC Loan including the interest payable to Yixing Futao Credit by 30 June 2020 (the "Extended Repayment Date"), and Yixing Futao Credit shall not commence any legal proceedings against Jiangsu Donglai and YYIE at any time prior to the Extended Repayment Date to seek repayment of the YFC Loan and all other due payments including the interest payable under the YFC Guarantee Agreement. The YFC Loan, YFC Corporate Guarantee and the YFC Supplementary Agreement are collectively known as the "YFC Agreements".

The Company's Audit Committee had made a statement in the Company's announcement dated 10 July 2019 raising questions over the authenticity, validity and/or effectiveness of the YFC Supplemental Agreement dated 13 June 2019, when it became aware that the borrower, Jiangsu Donglai, was under liquidation proceedings since 21 March 2019 through a notification issued by the People's Court of Yixing City, Jiangsu Province on 10 April 2019.

As announced by the Company on 10 July 2019, the management had attempted to negotiate with Yixing Futao Credit to remove YYIE as the guarantor, however this was rejected by Yixing Futao Credit. The YFC Supplemental Agreement represents a compromise reached with Yixing Futao Credit. Yixing Futao Credit has also expressed its willingness to resolve the situation amicably.

The Group has obtained a confirmation from Yixing Futao Credit dated 5 September 2019 as follows:

- (a) Yixing Futao Credit did not sign the YFC Corporate Guarantee contract with YYIE and Jiangsu Donglai;
- (b) Yixing Futao Credit did not authorize Jiangsu Keteng as its legal representative to send lawyer letter to YYIE;
- (c) Yixing Futao Credit did not sign the mortgage contract dated 21 February 2019 with Jiangsu Donglai;
- (d) Yixing Futao Credit did not sign the YFC Supplementary Agreement dated 13 June 2019 with YYIE and Jiangsu Donglai.

Notes to the financial statements for the financial year ended 31 December 2019

28 Provision for Contingent liabilities - Corporate guarantees (Cont'd)

(c) Corporate guarantees – third parties (contingent liabilities) (Cont'd)

Financial guarantee of RMB 180 million (Cont'd)

The Group has obtained a confirmation from the liquidator of Jiangsu Donglai (无锡衡鑫清算事务有限公司) (“Wuxi Hengxin”) dated 4 September 2019 as follows:

- (a) Jiangsu Donglai did not borrow from Yixing Futao Credit as stated in the YFC Corporate Guarantee and YFC loan;
- (b) Jiangsu Donglai did not sign any contracts as stated in the YFC Corporate Guarantee and YFC loan;
- (c) The auditor appointed by the liquidator was not aware of any borrowings or amounts owed by Jiangsu Donglai;
- (d) Since the commencement of the liquidation proceedings by the liquidator on 17 April 2019, the liquidator has confirmed that he did not stamp on the YFC Supplementary Agreement dated 13 June 2019.

Financial guarantee of RMB 42.5 million

JJC received a letter of demand dated 15 December 2018 (the “BOC Letter of Demand”) from the lawyers acting on behalf of Bank of China Co., Ltd., Xiangshui County Sub-branch (“Bank of China”) in respect of a loan agreement entered into between Bank of China and Jiangsu Dahe Lvjian Chemical Co., Ltd. (江苏大和绿碱化工有限公司) (“Jiangsu Dahe”) dated 10 January 2018 for the loan amount of RMB 42,500,000 (the “BOC Loan”). In the BOC Letter of Demand, Bank of China is seeking repayment of RMB 42,971,061.50 (the “BOC Claim Amount”), comprising of RMB 42,500,000 as principal repayment and RMB 471,061.50 as accrued interest payable in respect of the BOC Loan, as Jiangsu Dahe has failed to make repayment of the BOC Claim Amount on the repayment date of 9 December 2018. Bank of China is seeking repayment of the BOC Claim Amount from JJC pursuant to a corporate guarantee entered into by JJC and Bank of China dated 5 January 2018, under which JJC provided a corporate guarantee to Jiangsu Dahe, a party unrelated to the Company, in favour of Bank of China in respect of the BOC Loan (the “BOC Corporate Guarantee” or “Corporate Guarantees”).

The management has confirmed to the Board that save for the YFC Corporate Guarantee and the BOC Corporate Guarantee, there is currently no other guarantee provided by the Group to secure the indebtedness of any unrelated party.

The Board has been informed by the management that JJC started to provide corporate guarantee as part of an arrangement with Jiangsu Dahe since 2011, under which JJC and Jiangsu Dahe had respectively provided corporate guarantees up to the loan amount of RMB 200,000,000 to facilitate the securing of the other party's bank loans. According to the management, the amounts guaranteed under such an arrangement by JJC has been progressively reduced over the years and the BOC Corporate Guarantee as described above represents the only outstanding corporate guarantee provided by JJC for Jiangsu Dahe.

Apart from the BOC Corporate Guarantee by Jiangsu Jurong, the BOC Loan was also secured by eight other corporate and personal guarantees in favour of Bank of China entered into by parties unrelated to the Company (the “Other BOC Guarantors”). The Board has been informed by the management that the Other BOC Guarantors who are related to Jiangsu Dahe have expressed their willingness to repay the BOC Claim Amount.

Pending the outcome of further investigations, given the involvement by Mr Yang Guoqiang and Mr Liu Wen in relation to the BOC Corporate Guarantee and the YFC Corporate Guarantee respectively, the Board has announced on 19 February 2019 that it had decided to temporarily suspend their rights as legal representatives to enter into any agreement for and on behalf of JJC and YYIE respectively without the prior approval of Mr Sun Xiao, and to temporarily suspend Mr Yang Guoqiang from his office as a director of the Company.

28 Provision for Contingent liabilities - Corporate guarantees (Cont'd)

(c) Corporate guarantees – third parties (contingent liabilities) (Cont'd)

Financial guarantee of RMB 42.5 million (Cont'd)

As at the end of the reporting period, Jiangsu Donglai and Jiangsu Dahe have not settled their outstanding debts with the lenders. The management made full provision of RMB 222,500,000 as contingent liabilities on the above two corporate guarantees as at 31 December 2018.

As stated in the Company's announcement dated 18 January 2019, the management did not obtain the Board's approval prior to signing of the YFC Corporate Guarantee and BOC Corporate Guarantee. Company's Board of directors' approval for the issuance of the financial guarantees. The management also did not comply with the Group's internal control policy, whereby the approval by the Jurong Group Chairman of the Board of Directors in the PRC is required for the provision of financial guarantees schemes.

The legal representatives of YYIE and JJC had signed the financial guarantees contract at their own initiative without any formal authorisation and approval by the Board of Directors of the Company.

During the financial year ended 31 December 2019, the Company has reversed in full the provision of the BOC Contingent liabilities of RMB 42.5 million (2018: Provision for contingent liabilities of RMB 42.5 million) to the consolidated profit or loss for the year then ended (refer to Note 5(b)). The reversal was made as the PRC management has advised the Board that the BOC Corporate Guarantee was settled by a third party.

EY Investigation

On 2 April 2019, the Company has engaged Ernst & Young Advisory Pte. Ltd. ("EY Advisory") as the external auditor to form part of a special investigative committee to conduct an independent assessment and investigation into the circumstances leading to and surrounding the BOC Corporate Guarantee and the YFC Corporate Guarantee. As announced by the Company on 7 November 2019, EY Advisory has, on 6 November 2019 submitted the full report on its findings to the SGX-ST and the Audit Committee, and the key findings were as follows:

- Discrepancies surrounding the veracity of the YFC Agreements consisting of the YFC loan, YFC Corporate Guarantee and the YFC Supplemental Agreement.
- Discrepancies in the announcement dated 19 February 2019 issued by the Company
- Lack of adequate controls over approving and monitoring of corporate guarantees extended to third parties
- Absence of disclosure surrounding the corporate guarantees given by Jiangsu Jurong Chemical Co., Ltd. since 2016

On 5 March 2020, the Company has announced that following the completion of the special audit by EY Advisory and in view of the discrepancies surrounding the veracity of the YFC Agreements, the Company has reversed in full the provision of the YFC Contingent Liabilities of RMB 180,000,000 from the financial statements of the Group as at 31 December 2018. On this basis, the Board of the Company has regarded the YFC financial guarantee transaction as non-existent and baseless and there should not have any legal consequences to this effect. Refer to Note 33(b).

Notes to the financial statements for the financial year ended 31 December 2019

29 Impairment of assets

Jiangsu Jurong Chemical Co., Ltd. (“JJC”) and Jurong Petrochemicals Co., Ltd. (“JJP”)

- (a) An impairment loss of RMB 166.6 million on the property, plant and equipment located at the Xiangshui Chemical Industry Park (consisting impairment loss of RMB 136.0 million in respect of JJP and RMB 30.6 million in respect of JJC) was recognised in profit and loss during the year ended 31 December 2018 based on management assessment. No valuation was performed by an independent professional valuer for the year ended 31 December 2018.
- (b) No impairment assessment was performed on the carrying amount of the property, plant and equipment with an aggregate carrying amount of RMB 8.9 million (as recorded in the books of JJP as at 31 December 2019) (2018: RMB 76.3 million located at Xiangshui Chemical Industry Park, consisting of JJC of RMB 60.8 million and JJP of RMB 15.5 million), and right-of-use assets of RMB 58.3 million as at 31 December 2019 (comprising of RMB 54.4 million as recorded in the books of JJC and RMB 3.9 million as recorded in the books of JJP) (2018: Nil) due to the shutdown of the operations of JJC and JJP and access to the Xiangshui Chemical Industry Park was restricted.
- (c) Recorded in the books of JJC and JJP were land-use rights with the carrying amount of RMB Nil (2018: RMB 7.2 million and RMB 3.2 million) respectively as at 31 December 2019. No impairment assessment has been performed by the management owing to the shutdown of the operations at the Xiangshui Chemical Industry Park and restricted access for the year ended 31 December 2018.
- (d) In the books of JJC and JJP, were intangible assets comprising technology know-how and software with an aggregate carrying amount of RMB 7.2 million (2018: RMB 7.9 million) as at 31 December 2019. No impairment allowance has been provided on these intangible assets owing to the shutdown of the operations at the Xiangshui Chemical Industry Park and restricted access.
- (e) Included in the impairment loss in profit or loss for the year ended 31 December 2019, was an impairment of value-added tax (“VAT”) recoverable of RMB Nil (2018: RMB 83.9 million) made in respect of JJP arising from the shut-down to the area in the Xiangshui Chemical Industry Park. No impairment loss was made in respect of the VAT recoverable of RMB 10.2 million (2018: RMB 9.5 million) that was recorded in the books of JJC as at 31 December 2019.
- (f) The management has recorded an impairment expense of RMB 19.6 million in profit or loss in respect of the prepayments to various suppliers for purchases of raw material by JJC for the year ended 31 December 2018 owing to the shutdown of operations at the Xiangshui Chemical Industry Park.
- (g) No impairment loss was made in respect of the advances paid to the suppliers for the purchases of the raw material of RMB 4.9 million (2018: RMB 8.5 million) that was recorded in the books of JJP as of 31 December 2019.
- (h) As of 31 December 2019, JJC and JJP had inventory balances of RMB 4.3 million (2018: RMB 7.1 million and RMB 1.4 million) respectively. No impairment assessment has been made in respect of the inventories as at 31 December 2018. An impairment loss of RMB1,307,000 on inventories was recognised in profit or loss for the year ended 31 December 2019.

Taixing Jurong Chemical Co., Ltd. (“Taixing Jurong”)

- (i) An impairment loss of RMB 32.4 million was recognised in profit or loss for the year ended 31 December 2018 in respect of the plant and equipment with a carrying amount of RMB 108.3 million (before impairment loss) of Taixing Jurong, a wholly-owned subsidiary of the Group. The impairment loss was undertaken following a valuation performed by an independent professional valuer.

29 Impairment of assets (Cont'd)

Taixing Jurong Chemical Co., Ltd. ("Taixing Jurong") (Cont'd)

- (j) No impairment assessment was performed on the carrying amount of the property, plant and equipment with an aggregate carrying amount of RMB 260.9 million of Taixing Jurong as at 31 December 2018 as the management is of the view that the carrying amount reflects its recoverable amount notwithstanding there are indicators of impairment for the period then ended.
- (k) For the year ended 31 December 2019, no impairment assessment was performed on the carrying amount of Taixing Jurong's property, plant and equipment and right-of-use assets of RMB 128.0 million and RMB 148.0 million respectively as at that date as the management is of the view that the carrying amount reflects its recoverable amount notwithstanding there are indicators of impairment for the period then ended. No valuation was performed on the aforesaid assets as at 31 December 2019.

Link Way Louisiana LLC

- (l) Included in land use rights of the Group is a freehold land that is held by a wholly-owned subsidiary, Link Way Louisiana LLC. The freehold land was carried at a historical cost of RMB 12,576,000 (2018 - RMB 12,372,000). The subsidiary has incurred a loss of RMB 69,000 (2018 - Loss of RMB 65,000) for the year ended 31 December 2019. Notwithstanding the indicators of impairment, no impairment assessment has been carried out by the management as it is of the view that the carrying amount represents fair value as at that date.

30 Fair value measurement

Definition of fair value

SFRS (I) defines fair value as 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.

30.1 Fair value measurement of financial instruments

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 : unobservable inputs for the asset or liability

There were no financial assets and financial liabilities measured at fair value as at 31 December 2019 and 31 December 2018.

Notes to the financial statements for the financial year ended 31 December 2019

30 Fair value measurement (Cont'd)

30.2 Accounting classifications of financial assets and financial liabilities

The carrying amounts of financial assets and financial liabilities in each category are as follows:

The Group	Note	2019 RMB'000	2018 RMB'000
Trade and other receivables (excluding advances to supplier and VAT recoverables)	18	556,666	704,565
Pledged deposits and cash and bank balances (including non-current fixed deposits pledged)	16	789,169	305,604
Total loans and receivables		1,345,835	1,010,169
Total financial assets at amortised cost		1,345,835	1,010,169
Financial liabilities:			
Borrowings	21	397,431	471,371
Trade and other payables	22	836,760	1,035,158
Provision for restoration costs	23	45,573	45,573
Lease liabilities	24	1,191	-
Contingent liabilities	28(b)	-	42,500
Total		1,280,955	1,594,602
The Company			
Loans and receivables:			
Trade and other receivables	18	57,600	52,948
Cash and bank balances	16	296	810
Total loans and receivables		57,896	53,758
Total financial assets at amortised cost		-	-
Financial liabilities:			
Trade and other payables	22	48,922	42,939
Lease liabilities	24	1,191	-
Total		50,113	42,939

31 Financial risk management objectives and policies

The Group and the Company financial risk management policies set out the Group's and the Company's overall business strategies and its risk management philosophy.

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the management. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's and the Company's activities.

There has been no change to the Group's and the Company's exposure to these financial risks or the manner in which it manages and measures the risk. The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

31 Financial risk management objectives and policies (Cont'd)

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Group or the Company to incur a financial loss. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables and bank deposits. For trade receivables, the Company and the Group adopt the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate 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 with the result that the Group's exposure to bad debts is not significant. For other financial assets (including cash and bank balances and pledged deposits), the Group and the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure.

Exposure to credit risk

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position, except for financial guarantees provided by the Group to related parties.

The Group's and the Company's major classes of financial assets are trade and other receivables, deposits and bank deposits. Cash is held with reputable financial institutions. Further details of credit risks on trade and other receivables are disclosed in Note 18.

Financial guarantee

The maximum exposure of the Group in respect of the financial guarantee (see Note 28) at the end of the reporting period is if the facility is drawn down by the related parties to the maximum amount of RMB 1,398,000,000 (2018 - RMB 1,613,000,000) and to third parties – contingent liabilities of RMB Nil (2018 - RMB 42,500,000). At the end of the reporting period, the group does not consider it probable that a claim will be made against the group under intra-group financial guarantees and the expected credit loss are insignificant.

(b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is that to maintain sufficient liquid financial assets and stand-by credit facilities with different banks and business alliances. The amount of stand-by credit facilities available to the Group at the end of the reporting period is RMB 84,917,000 (2018 - RMB 191,044,000).

Notes to the financial statements for the financial year ended 31 December 2019

31 Financial risk management objectives and policies (Cont'd)

(b) Liquidity risk (Cont'd)

If the guarantees provided to related parties were to be crystallised on the assumption of default arising from the unfulfillment of loan obligations, the extent of the exposure to loss from guarantee contracts at the end of the reporting period would be RMB 1,273,290,000 (2018 - RMB 1,372,810,000) (Note 28).

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on contractual undiscounted cash flows:

The Group	One year or less RMB'000	31 December 2019		Total RMB'000
		One to five years RMB'000	Over five years RMB'000	
Trade and other payables	836,760	-	-	836,760
Borrowings	403,914	-	-	403,914
Financial guarantee contracts	1,531,290	-	-	1,531,290
Provision for restoration costs	45,573	-	-	45,573
Lease liabilities	535	734	-	1,269
	2,818,072	734	-	2,818,806

The Group	One year or less RMB'000	31 December 2018		Total RMB'000
		One to five years RMB'000	Over five years RMB'000	
Trade and other payables	1,035,158	-	-	1,035,158
Borrowings	401,258	78,382	-	479,640
Financial guarantee contracts	1,613,000	-	-	1,613,000
Provision for restoration costs	45,573	-	-	45,573
Contingent liabilities	42,500	-	-	42,500
	3,137,489	78,382	-	3,215,871

The Company	One year or less RMB'000	31 December 2019		Total RMB'000
		One to five years RMB'000	Over five years RMB'000	
Trade and other payables	48,922	-	-	48,922
Lease liabilities	535	734	-	1,269
	49,457	734	-	50,191

The Company	One year or less RMB'000	31 December 2018		Total RMB'000
		One to five years RMB'000	Over five years RMB'000	
Trade and other payables	42,939	-	-	42,939
	42,939	-	-	42,939

The Group and the Company ensure that there are adequate funds to meet all its obligations in a timely and cost-effective manner.

31 Financial risk management objectives and policies (Cont'd)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from their borrowings. However, the Group's loans given to related parties are unsecured, interest bearing, repayable on demand and are to be settled in cash.

The Group's policy is to manage interest costs using a mix of fixed and floating rate debts taking into consideration the funding requirements of the Group.

Sensitivity analysis for interest rate risk

The Company and the Group are not exposed to any cash flows risk as it does not have any monetary financial instruments with variable interest rates.

(d) Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Group has transactional currency exposures mainly arising from borrowings that are denominated in a currency other than the functional currency of Renminbi. The foreign currencies in which these transactions are denominated are mainly United States Dollar (USD) and Singapore Dollar (SGD).

Currently, the PRC government imposes control over foreign currencies. RMB, the official currency in the PRC, is not freely convertible. Enterprises operating in the PRC can enter into exchange transactions through the People's Bank of China or other authorised financial institutions.

Exchanges of RMB for foreign currency must be arranged through the People's Bank of China or other authorised financial institutions. Approval for exchanges at the People's Bank of China or other authorised financial institutions is granted to enterprises in the PRC for valid reasons such as purchase of imported materials and remittance of earnings. While conversion of RMB into foreign currencies can generally be effected at the People's Bank of China or other authorised financial institutions, there is no guarantee that it can be effected at all times.

The Group's and the Company's exposures to various currencies are as follows:

	SGD RMB'000	USD RMB'000
The Group		
31 December 2019		
Trade and other receivables	324	2,709
Cash and cash equivalents	377	5,372
Borrowings	-	(75,631)
Trade and other payables	(12,797)	(11,629)
	(12,096)	(79,179)
31 December 2018		
Trade and other receivables	12,215	102,717
Cash and cash equivalents	1,258	2,281
Borrowings	-	(75,631)
Trade and other payables	(3,279)	(26,823)
	10,194	2,544

Notes to the financial statements for the financial year ended 31 December 2019

31 Financial risk management objectives and policies (Cont'd)

(d) Foreign currency risk (cont'd)

The Company	SGD RMB'000	USD RMB'000
31 December 2019		
Trade and other receivables	1,517	56,284
Cash and cash equivalents	296	-
Trade and other payables	(24,135)	(19,787)
	(22,322)	36,497
31 December 2018		
Trade and other receivables	1,700	51,599
Cash and cash equivalents	762	47
Trade and other payables	(19,577)	(18,362)
	(17,115)	33,284

The following table demonstrates the sensitivity of the Group and the Company's foreign currency balances denominated in USD held by the Group and the Company whose functional currency is RMB, to a reasonably possible change in the USD exchange rates against the RMB, with all other variables held constant.

	Group Profit net of tax Increase/(Decrease)		Company Profit net of tax Increase/(Decrease)	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
USD/RMB				
strengthened 3% (2018 - 3%)	(1,777)	(285)	909	1,286
weakened 3% (2018 - 3%)	1,777	285	(909)	(1,286)
SGD/RMB				
strengthened 3% (2018 - 3%)	(301)	(254)	(556)	16
weakened 3% (2018 - 3%)	301	254	556	(16)

* amount less than RMB 1,000.

(e) Market price risk

Price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices. As at the end of the reporting period, the Group is not subject to significant market price risk.

32 Capital management

The Company's and the Group's objectives when managing capital are:

- (a) To safeguard the Company's and the Group's abilities to continue as a creditworthy entity;
- (b) To support the Company's and the Group's stabilities and growth;
- (c) To provide capital for the purpose of strengthening the Company's and the Group's risk management capabilities; and
- (d) To provide an adequate return to shareholders.

Notes to the financial statements for the financial year ended 31 December 2019

32 Capital management (Cont'd)

The Company and the Group actively and regularly review and manage its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Company and the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Company and the Group currently do not adopt any formal dividend policy.

The Company and the Group monitor capital using capital net debt ratio, which is net debt divided by total capital plus net debt. The Company's and the Group's policy is to keep the gearing ratio at acceptable level. The Company and the Group include within net debt, loans and borrowings, less cash and short-term deposits. Capital includes equity attributable to the owners of the Company.

The immediate focus is to continue to optimise its operations with prudent cash management so as to maximise shareholders' value. The Group will continue to be guided by prudent financial policies.

The Group monitors capital using a gearing ratio, which is total net debt divided by total capital:

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	397,431	471,371	-	-
Less: Cash and cash equivalents	(789,169)	(305,604)	(296)	(810)
Total net debt	(391,738)	165,767	(296)	(810)
Total equity	318,429	231,033	351,912	353,826
Total capital	(73,309)	396,800	351,616	353,016
Gearing ratio	n.a.	42%	n.a.	n.a

n.a: ratio not meaningful

Total capital is calculated as equity plus total net debt.

There was no change to the Group's approach to capital management during the financial years ended 31 December 2019 and 2018.

The Group is not subject to externally imposed capital requirement.

33 Subsequent events

- a) Resignation and appointment of Executive Directors and Chief Executive Officer
- On 14 November 2019, the Company announced that Sun Xiao, the Executive Director and Chief Executive Officer of the Company has resigned effective from 8 February 2020.
 - On 28 February 2020, the Company announced that Zhu Wuling, the Executive Director of the Company has resigned effective from 29 February 2020.
 - On 28 February 2020, the Company announced that Sun Lihua has been appointed Executive Director and Chief Executive Officer of the Company effective from 29 February 2020.

33 Subsequent events (Cont'd)

- b) On 5 March 2020, the Company has announced that following the completion of the special audit by EY Advisory and in view of the YFC Veracity Discrepancies (refer to Note 28(b)), the Company has reversed in full the provision of the YFC Contingent Liabilities of RMB 180 million out of the aggregate of RMB 222.5 million of provision for contingent liabilities from the financial statements of the Group as at 31 December 2018. The provision for contingent liabilities of the Group as at 31 December 2018 after the above-mentioned reversal of RMB180.0 million contingent liability was RMB 42.5 million, which relates to the BOC Corporate Guarantee.
- c) On 29 September 2020, the Company announced that the proposed disposal of the entire equity interest in JJP to Shenzhen Qianhai Gatsway Petrochemical Co., Ltd (the "Purchaser") pursuant to a framework agreement dated 4 July 2016 (the "Framework Agreement") has been terminated via a Termination Agreement entered into on 10 July 2020 between the Group and the Purchaser. Arising from the Termination Agreement, the Group has refunded RMB 44.0 million on 3 September 2020 to the Purchaser out of the RMB 50.0 million deposit initially paid by the Purchaser to the Group in 2017, and effective from the date of the Termination Agreement, each party shall discharge and release the other parties from all rights, obligations and liabilities pursuant to the Framework Agreement or any other agreements entered into prior to the execution of the Termination Agreement and any such other agreements shall be terminated, and each party shall waive any and all claims against any other party in respect of the same.
- d) On 20 November 2020, the Company announced that W Capital Markets Pte. Ltd. has, for and on behalf of Harrier Group Pte. Ltd. (the "Offeror"), on 20 November 2020 issued an announcement that the Offeror intends to make a voluntary conditional cash offer (the "Offer") to acquire all the issued and paid-up ordinary shares in the capital of the Company other than those already held by the Company as treasury shares. with a view to delisting and privatising the Company. The Offer is made with a view to delisting and privatising the Company.
- e) COVID-19 outbreak
An outbreak of COVID-19 (Coronavirus Disease 2019) had been reported to the World Health Organisation in China on 31 December 2019. At the date of these financial statements, while the outbreak has been most severe in Asia, it has spread to various regions around the world, including Europe, Middle East and the United States of America. The Group operates in various regions affected by the outbreak. While the full impact to the Group cannot be quantified reliably, the Group's performance subsequent to the balance sheet date is likely to be negatively impacted as a result of regional and global travel restrictions, quarantine and/or illness of employees, loss of customers, supply chain disruptions, and other forms of interruptions to business.

APPENDIX B

MATERIAL ADJUSTMENTS BETWEEN PRELIMINARY RESULTS AND AUDITED FINANCIAL STATEMENTS

Sunvic Chemical Holdings Limited
Statement of Comprehensive income for the financial year ended 31 December 2019

	Announced amount FY2019 RMB'000	Audited amount FY2019 RMB'000	Difference RMB'000	Remarks
Continuing operations				
Revenue	940,380	940,381	1	
Cost of sales	(934,547)	(934,547)	-	
Gross profit	5,833	5,834	1	
Other income				
- Interest	2,452	1,903	(549)	
- Others	382,410	387,479	5,069	Mainly due to reclassification from other operating expenses.
Distribution expenses	(4,844)	(4,844)	-	
Administrative expenses	(92,346)	(93,286)	(940)	
Other operating expenses	(153,202)	(177,412)	(24,210)	Mainly due to reclassification to other income and allowance made for doubtful debt provision of RMB19.2 million.
Finance costs	(48,753)	(48,753)	-	
Loss before taxation	91,550	70,921	(20,629)	
Taxation	(16)	(16)	-	
Loss after taxation from continuing operations	91,534	70,905	(20,629)	
Discontinued operations				
Profit from discontinued operations, net of tax	20,816	20,815	(1)	
Loss for the year	112,350	91,720	(20,630)	
Other comprehensive income after tax: (item that maybe reclassified subsequently to profit or loss)				
Foreign currency translation	(41)	203	244	
Total comprehensive loss for the year	112,309	91,923	(20,386)	
Loss attributable to:				
Owners of the Company	113,993	93,363	(20,630)	
Non-controlling interests	(1,643)	(1,643)	-	
Loss for the year	112,350	91,720	(20,630)	
Profit attributable to owners of the Company:				
Loss from continuing operations	93,177	72,548	(20,629)	
Profit from discontinued operations	20,816	20,815	(1)	
	113,993	93,363	(20,630)	
Total comprehensive loss attributable to:				
Owners of the Company	113,952	93,566	(20,386)	
Non-controlling interests	(1,643)	(1,643)	-	
Total comprehensive loss for the year	112,309	91,923	(20,386)	

Sunvic Chemical Holdings Limited
Statements of financial position as at 31 December 2019

	Announced amount As at 31 December 2019 RMB'000	Audited amount As at 31 December 2019 RMB'000	Difference RMB'000	Remarks
ASSETS				
Non-current assets				
Property, plant and equipment	306,071	131,431	174,640	Mainly due to reclassification made to right-of-use assets due to adoption of new accounting standard.
Right-of-use assets	1,139	207,419	(206,280)	Mainly due to adoption of new accounting standard.
Intangible assets	7,178	7,178	-	
Land use rights	45,515	12,577	32,938	Mainly due to reclassification made to right-of-use assets due to adoption of new accounting standard.
	<u>359,903</u>	<u>358,605</u>	1,298	
Current assets				
Inventories	24,058	24,058	-	
Trade and other receivables	612,531	596,748	15,783	Mainly due to allowance made for doubtful debt provision and reclassification.
Cash and cash equivalents	788,969	789,169	(200)	
	<u>1,425,558</u>	<u>1,409,975</u>	15,583	
Total assets	<u><u>1,785,461</u></u>	<u><u>1,768,580</u></u>	16,881	
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	291,516	291,516	-	
Treasury shares	(1,575)	(1,575)	-	
(Accumulated losses)/Retained earnings	(112,244)	(132,768)	20,524	Mainly due to allowance made for doubtful debt provision of RMB19.2 million.
Other reserves	285,138	285,276	(138)	
	<u>462,835</u>	<u>442,449</u>	20,386	
Non-controlling interests	(124,020)	(124,020)	-	
Total equity	<u><u>338,815</u></u>	<u><u>318,429</u></u>	20,386	
Non-current liabilities				
Borrowings	-	-	-	
Lease liability	705	705	-	
Deferred tax liabilities	7,500	7,500	-	
	<u>8,205</u>	<u>8,205</u>	-	
Current liabilities				
Borrowings	397,431	397,431	-	
Trade and other payables	993,809	997,120	(3,311)	
Provision for restoration costs	45,573	45,573	-	
Lease liability	486	486	-	
Income tax payable	1,142	1,336	(194)	
	<u>1,438,441</u>	<u>1,441,946</u>	(3,505)	
Total liabilities	<u>1,446,646</u>	<u>1,450,151</u>	(3,505)	
Total equity and liabilities	<u><u>1,785,461</u></u>	<u><u>1,768,580</u></u>	16,881	