



BUILDING
RESILIENCE &
CONTINUOUS
SUSTAINABILITY

ANNUAL REPORT **2017**



COMPANY PROFILE

SUNVIC CHEMICAL HOLDINGS LIMITED ("Sunvic Chemical") is one of the pioneer and leading manufacturers of intermediate chemical products, such as Acrylic Acid (AA, 丙烯酸), Acrylate Esters (AE, 丙烯酸酯), as well as PMIDA (N-phosphonomethy Iminodiacetic Acid, 双甘膦) and glyphosate (草甘膦) which are fundamental chemicals widely used in the production of many industrial, consumer and agricultural products such as coatings, adhesives, diapers, textiles, detergents, water treatment materials and herbicide (weed killer).

Based in Jiangsu Province, with a total of 685,000-tonne AA capacity and 430,000-tonne AE capacity per annum in both Yancheng City and Taixing City, Sunvic Chemical is the leading AA producer in the People's Republic of China ("PRC") and in the world. AE is a downstream product of AA. We have the flexibility to adjust our AA and AE production to meet the market requirement.

Sunvic Chemical and Arkema Asie SAS ("Arkema"), a global French leading chemical company, formed a joint venture named Taixing Sunke Chemical Co., Ltd. which holds 3 productions lines of AA in Taixing City.

Sunvic Chemical is also one of the largest producers of PMIDA and glyphosate in the PRC with an annual production capacity of 40,000 tonnes and 20,000 tonnes respectively. PMIDA is the main raw material used for the production of glyphosate.

Sunvic Chemical was listed on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 5 February 2007.





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EXECUTIVE DIRECTOR AND CEO'S **MESSAGE**

We expect the business conditions to remain challenging in the near future due to oversupply situation in the PRC. Nevertheless, we remain cautiously optimistic about the long-term prospects of the AA and AE industry, as the PRC continues to lead as the world's largest production and consumption country of both chemicals.

DEAR SHAREHOLDERS,

On behalf of the Board of Directors of Sunvic Chemical Holdings Limited ("Sunvic" or the "Company") and its subsidiaries (collectively, the "Group"), I am pleased to present our Annual Report for the financial year ended 31 December 2017 ("FY2017").

FY2017 remained a challenging year for the Group with the global economy marked by subdued growth and political uncertainties. Rising costs and narrowing margins are affecting many industries across the board. Nevertheless, there seems to be a silver lining emerging as the world economic landscape shows some signs of an imminent recovery.

PERFORMANCE REVIEW

Revenue in FY2017 increased by 5.3% to RMB2,246.7 million as compared to RMB2,133.6 million in the previous year. This was largely attributed to increase in revenue contribution of RMB39.3 million and RMB85.5 million

respectively from the sale of acrylic acid ("AA") and acrylate esters ("AE") along with other chemical products. However, this gain was partially offset by a RMB11.7 million decrease in revenue from the sale of PMIDA and glyphosate.

The increase in revenue from AA and AE was due to a 28.3% higher average selling price of RMB7,700 per tonne as compared to RMB6,000 per tonne a year before. This was set off by a lower sales volume of 235,000 tonnes registered for FY2017 against 255,000 tonnes in FY2016, which translated to a 7.8% decrease.

On the other hand, overall gross profit margin improved three-fold from 3.3% in FY2016 to 9.9% in FY2017, led by higher average selling prices for AA and AE for the year in review. Gross profit margin for the sale of AA and AE stood at 11.6% during the reporting year against 3.5% in the previous year.



KEY DEVELOPMENTS IN FY2017

In spite of the challenges posed by the current market, we remained committed to our joint venture agreement with Arkema. We believe that there is beneficial synergy to be drawn from this strong partnership that will allow us to capitalise on the potential opportunities of the AA and AE industry in the long-term. Leveraging on Arkema's technical expertise, operation management framework and highly reputed safety standards in place, the Group would be able to enhance our production quality and efficiency effortlessly.

Along the same line of developing our AA production, we have proceeded with the modification of 2 of our 4 units of AA plants at the Xiangshui site to raise our productivity. Furthermore, we have also re-commenced our AA production in end 3Q2017 as we saw the market beginning to absorb some of the excess AA supply produced over the years.

We had made an announcement on 2 September 2016 on the divestment of one of our subsidiaries, Jiangsu Jurong Petrochemicals Co. Ltd. ("JJP"), comprising heavy oil cracking and methyl tertiary butyl ether ("MTBE") production facilities as well as a jetty situated at Xiangshui county. As at to-date, we have collected RMB50 million from the buyer as part of the agreed RMB388 million purchase consideration. We continue to work closely with the buyer to facilitate the smooth handing over of the plant to them as per the agreement.

With the divestment of this loss-making entity, we were able to enhance our cash flow significantly through this transaction. As such, we would be able to allocate more resources towards aligning our objectives, while we build on our more profitable segments.

On the other hand, in view of the fact that the PMIDA and glyphosate industry was not doing well during the year, we have temporary suspended production of PMIDA and glyphosate to allow us to focus on the other more lucrative segments.

FUTURE PROSPECTS

Overall, the operating environment of the AA industry remains challenging as the current oversupply situation ensued in the People's Republic of China ("PRC"). At the Group level, our gross profit margin has improved, displaying a possible indication that the oversupply situation may have bottomed out. Nevertheless, the prices of our products remain volatile, leading us to be cautiously optimistic about the future industrial situation.

IN APPRECIATION

I would like to express my gratitude towards Mr. Raymond Ong Sie Hou, who has retired from his Independent Director position in May 2017. I am deeply grateful to Mr. Ong for his contribution and counsel to the Group during his term.

On the same note, I would like to extend a warm welcome to Mr. Koh Poh Beng and Mr. Lua Poh Huat, who have joined us as Lead Independent Director and Independent Director respectively in May 2017. We look forward to working closely with them to bring the Group to greater heights.

On behalf of the Board, I would like to express my appreciation for our valued shareholders, business partners and associates for their support over the years. I would also like to thank our staff, management and fellow directors for their dedication and commitment that have helped the Group to stay its course through the many challenges. Let us continue to embark on this meaningful journey together to create greater value to every stakeholder.

SUN XIAO

Executive Director & CEO
 April 2018

执行董事兼首席执行官 致辞



尊敬的股东，

我代表昇立化工控股有限公司（“昇立”或“公司”）董事会及其子公司（合称“集团”），很高兴在此向大家呈报截至2017年12月31日（“2017财年”）的年度报告。

由于全球经济发展滞缓以及国际政治形势的不确定性，2017财年仍然是具有挑战性的一年。成本的提高和利润率的降低影响了许多行业。当然，随着世界经济复苏，我们对该行业仍然看好。

业绩回顾

2017财年的营业收入增加了5.3%，从一年前的21.336亿元（人民币，下同）增至22.467亿元，这主要是由于丙烯酸（“AA”）和丙烯酸酯（“AE”）的销售收入增加了3,930万元，以及一些其他的化工产品的销售收入增加8,550万元。

然而，这个增幅部分被双甘磷和草甘磷的销售收入减少1,170万元冲抵。

丙烯酸和丙烯酸酯的销售收入增加主要是由于平均销售价格与前一年度相比提高了28.3%，从之前的6,000元/吨大幅提高至7,700元/吨。然而，销售数量则从2016财年的255,000吨降至235,000吨，减少了7.8%。

另一方面，整体的毛利率则提高了两倍，从2016财年的3.3%提升至9.9%，主要是由于平均销售价格的提升。其中，丙烯酸和丙烯酸酯的毛利率从一年前的3.5%提升至本年度的11.6%。

2017财年主要进展

尽管目前市场仍具有挑战性，但我们仍与我们的合资方阿科玛有着紧密的合作。我们相信通过坚实的合作产生的综合效应，将使得集团能够长期在丙烯酸和丙烯酸酯行业中抓住机会，取得成效。借助于阿科玛的技术优势、管理优势以及实行严格的安保标准，集团将能够进一步提高产品质量和效益。

就我们目前丙烯酸的生产情况来看，响水工厂有4条丙烯酸生产线，我们对其中的2条进行了改造，以提高生产效率。再有，我们在2017年从第三季度末开始恢复了丙烯酸生产，因为我们看到市场有所好转，可以吸收多余的丙烯酸产能。



公司于2016年9月2日公告将出售集团的子公司——江苏裕廊石油化工有限公司（“JJP”），其设施包括一个重油裂解和MTBE的生产设施，以及在响水县的一个码头。至目前为止，我们已经从买方收取了5000万元的首期资金，全部出售的总价格为3.88亿元。我们继续与买方进行紧密的沟通协作，以期顺利完成移交工作。

脱售这个亏损的实体之后，我们将能够显著地提高现金流，也因此能够重新分配资源给优质项目，为集团增加盈利来源。

另一方面，考虑到双甘磷和草甘磷行业仍然不景气，我们在本年度暂时停止了生产，专注于其它更盈利的业务。

今后展望

整体来说，中国目前丙烯酸行业的产能过剩情况依然持续，因此行业仍将面临挑战。就集团来说，我们的毛利率去年有所提高，可能预示着产能过剩的情况已经见底。然而，由于我们的产品价格仍然波动较大，所以我们对今后的行业前景持谨慎乐观的态度。

衷心感谢

翁士豪先生于2017年5月从其独立董事职位退休，在此，我对翁先生在其任内对集团所做的贡献和给予的建议深表谢意。

同时，我也热烈欢迎高宝明先生和赖宝发先生，他们作为首席独立董事和独立董事于2017年5月加入董事会。我期待与他们携手一道，将集团带向更广阔的未来。

在此，我代表董事会，感谢我们的股东、商业伙伴和机构等给予我们的支持和信任。同时，我也要感谢我们的员工、管理层和董事会同仁，感谢你们的辛勤工作和不懈努力，帮助集团克服困难、鼎力前行。让我们一起为所有利益方继续努力，创造更大的价值！

孙 骁

执行董事兼首席执行官
2018年4月

OPERATIONS AND FINANCIAL REVIEW

In spite of the persistently challenging operating environment, the Group remained resilient in its course by implementing strategies to stay relevant in the market. As a result, we are heartened to see an improvement in our business performance.

PERFORMANCE REVIEW

During the year, the Group's revenue increased by 5.3% or RMB113.2 million to RMB2,246.7 million as compared to RMB2,133.6 million in FY2016. This was mainly due to a RMB39.3 million and RMB85.5 million increase in revenue contribution from sale of acrylic acid ("AA") and acrylate esters ("AE") as well as other chemical products respectively. This was, however, partially offset by a RMB11.7 million decrease in revenue from the sale of PMIDA and glyphosate.

The increase in revenue contribution from AA and AE was largely led by higher average selling prices in FY2017 of RMB7,700 per tonne as compared to RMB6,000 per tonne in the year before. Nevertheless, the revenue increase was partially set off by lower sales volume in FY2017 of 235,000 tonnes against 255,000 tonnes recorded for FY2016.

Overall gross profit margin improved about three-fold from 3.3% in the previous year to 9.9% in the reporting year, while individual gross profit margin for sale of AA and AE stood at 11.6% in FY2017 as compared to 3.5% in FY2016. This was mainly attributed to the higher average selling prices recorded for AA and AE during the year.

Consequently, the Group recognised a gross profit of RMB222.9 million in FY2017 against RMB70.1 million in FY2016. Sale of AA and AE as well as other chemical products accorded gross profit of RMB201.6 million and RMB21.3 million respectively for the year, whereas PMIDA and glyphosate suspended production during the year.

Separately, other operating income comprised an interest income of RMB4.0 million, sale of steam and provision of waste water treatment services by our joint venture entity of RMB34.5 million and other items that contributed RMB7.3 million. We have ceased the sale of propylene and other crude residuals to the joint venture entity in FY2017 as the joint venture entity had taken over the procurement of its own raw materials.



Additionally, in the absence of a significant gain of RMB100.0 million on agreement of new terms on the joint venture with Arkema, other operating income stood at RMB45.7 million as compared to RMB168.2 million in the previous year.

Meanwhile, distribution expenses, which included transportation charges and packaging costs, as well as other sales-related expenses, rose by RMB6.6 million to RMB42.8 million in FY2017 against RMB36.2 million in FY2016. The increase was mainly due to higher freight rates as a result of stricter transportation regulations on transporting of dangerous chemical products and the incurrence of additional freight charges to transport crude AA from the joint venture entity in Taixing to our acrylate ester plants in Xiangshui for processing into AE.

Administrative expenses decreased by RMB50.8 million from RMB173.0 million in FY2016 to RMB122.2 million in FY2017 mainly attributed to prudent cost-cutting efforts by the Management during the year.

In view of the above factors, net profit attributable to the Group was a net loss of RMB20.3 million, which was a 94.0% improvement from the net loss of RMB341.5 million incurred in FY2016. The resulting earnings per share was a reduced loss of RMB3.8 cents as compared to RMB64.2 cents in the previous year. Net asset value per ordinary share as at 31 December 2017 was RMB184.8 cents against RMB188.8 million as at 31 December 2016.



AA AND AE

Segmental revenue contribution by AA and AE increased by 2.3% or by RMB39.3 million from RMB1,697.2 million in FY2016 to RMB1,736.5 million in FY2017. This was due to a 28.3% surge in average selling prices of AA and AE, which went from RMB6,000 per tonne in FY2016 to RMB7,700 per tonne in FY2017, offset by a decrease in sales volume 255,000 tonnes in FY2016 to 235,000 tonnes in FY2017.

As a result of the higher average selling prices of AA and AE, gross profit margin for sale of AA and AE increased from 3.5% in FY2016 to 11.6% during the year.

BALANCE SHEET AND CASH FLOW HIGHLIGHTS

The Group's property, plant and equipment ("PPE") value was lowered by RMB71.2 million from RMB1,206.6 million as at 31 December 2016 to RMB1,135.3 million as at 31 December 2017. This was mainly attributed to the depreciation charge recorded for the period, which was partially offset by the additional PPE value registered for the new equipment and modifications for the Xiangshui plant.

Concurrently, inventories increased by RMB27.2 million to RMB109.1 million as at 31 December 2017 against RMB81.9 million as at the previous year. This was mainly due to the additional stocking of raw material in conjunction with the re-commencement of AA production at our Xiangshui plant in September 2017 after the completion of modifications.

Trade and other receivables decreased by RMB35.3 million to RMB955.0 million as at 31 December 2017 as compared to RMB990.3 million as at 31 December 2016. This was largely caused by the decrease in receivables due from third parties and the joint venture entity and value-added tax recoverable, which were partially offset by an increase in receivables due from related parties and notes receivables. The Group's management will continue to monitor the repayments from the related parties and their cash flow situation closely to minimise our Group's credit exposure.

On the other hand, trade and other payables had gone up by RMB231.5 million from RMB646.0 million as at 31 December 2016 to RMB877.5 million as at 31 December 2017, due to an increase in notes payables for purchase of inventories.

Total non-current and current interest-bearing liabilities had decreased by RMB200.8 million from RMB1,137.3 million as at 31 December 2016 to RMB936.5 million as at 31 December 2017.

Shareholder's equity remained relatively unchanged at RMB983.3 million.

During the year, the Group generated a positive operating cash flow of RMB524.3 million mainly due to depreciation charge, interest expense, a decrease in trade and other receivables, as well as an increase in trade and other payables. However, these were partially set off by an increase in interest income, a reversal of write-down of inventories and an increase in inventories.

Concurrently, financing activities gave rise to negative cash flow of RMB414.3 million in FY2017 due to repayments of bank loans, higher interest and an increase in pledged deposits.

Net cash outflow registered from the Group's investing activities was RMB146.5 million in FY2017 mainly due to purchase of PPE and intangible assets during the year, which was partially offset by interest received.

Consequently, cash and cash equivalents reduced from RMB196.5 million as at 31 December 2016 to RMB157.3 million as at 31 December 2017.

CONCLUSION

With the current oversupply situation persisting in the PRC, we expect the operating environment of the AA industry to remain challenging. Coupled with the volatility observed in the prices of our products, we remain cautious on the Group's overall performance in the following year.

经营和财务 业绩回顾

尽管经营环境仍具有挑战性，集团在实施了相关的策略之后取得了成效，我们很高兴地看到我们的业绩有所提升。

业绩回顾

本年度，集团的营业收入增加了5.3%或1.132亿元（人民币，下同），从2016财年的21.336亿元升至22.467亿元，这主要是因为，丙烯酸（“AA”）和丙烯酸酯（“AE”）的销售收入提高了3,930万元，以及其他化工产品销售收入提高了8,550万元，但被双甘磷和草甘磷销售收入减少1,170万元部分冲抵。

丙烯酸和丙烯酸酯的销售收入增加主要是因为平均销售价格提升，从2016财年的6,000元/吨增至7,700元/吨。然而，销售数量却从2016财年的25.5万吨降至23.5万吨。

整体毛利率提高至三倍，从前一年度的3.3%提升至9.9%。其中丙烯酸和丙烯酸酯的毛利率从之前的3.5%升至11.6%，这主要归功于平均销售价格增加。

因此，集团的毛利润从2016财年的7,010万元增加至2.229亿元。丙烯酸和丙烯酸酯产品以及其他化工产品的毛利润分别为2.016亿元和2,130万元。本年度，双甘磷和草甘磷暂停生产。

其他运营收入（包括利息收入）为400万元；蒸汽销售和合资公司废水处理服务收入为3,450万元，其他收入为730万元。我们停止售卖丙烯和其他原料给合资公司，因为合资公司已经自己开始采购原材料。

另外，因上一年度跟阿科玛合资协议的新条款而有一个显著收入，因此，本年度的其他收入为4,570万元，而上一年度为1.682亿元。

同时，分销费用（包括运输费用、包装成本以及销售有关的费用）提高了660万元，从2016财年3,620万元至4,280万元。这个增加主要是因为运输危险化学品品的要求更加严格了，导致运费增加，以及将合资公司的丙烯酸运至我们响水工厂加工生产丙烯酸酯而产生额外的运费。



管理费用减少了5,080万元，从2016财年的1.730亿元降至1.222亿元，这主要是由于集团管理层采取了有效办法节省开支、控制成本。

鉴于以上因素，归属集团的净亏损为2,030万元，比前一年亏损3.415亿元改善了94.0%。每股损失从前一年度64.2分降至每股损失3.8分人民币；同时，集团的每股净资产也从截至2016年12月31日的188.8分微降至截止2017年12月31日的184.8分。

丙烯酸和酯

丙烯酸和酯板块的业务营业收入提高了3,930万元或2.3%，从前一年度的16.972亿元升至17.365亿元。这主要是由于平均销售价格升高，从2016财年的6,000元/吨升了28.3%，至7,700元/吨。然而，部分被销售数量的降低冲抵。销售数量从前一年度的25.5万吨降至23.5万吨。

因此，由于平均销售价格的提升，丙烯酸和丙烯酸酯业务板块的毛利润从前一年度的3.5%提升至11.6%。



资产负债表和现金流

截至2017年12月31日，集团的房产、厂房和设备（“PPE”）比截至2016年12月31日的12.066亿元减少了7,120万元，至11.353亿元，主要是折旧，并被在响水因设备改造而新增添了一些设备冲抵。

截至2017年12月31日，存货较一年前的8,190万元增加了2,720万元，至1.091亿元；这主要由于2017年9月响水设备改造完成之后恢复生产，新添了原材料存货。

截至本财年底的贸易和其他应收款较2016财年的9.903亿元减少了3,530万元，至9.550亿元。主要由于从第三方和合资公司的贸易应收款降低，以及退回了一些增值税，但被从第三方的应付账款和应收票据的增加部分冲抵。集团将继续密切追踪相关方的回款以及他们的现金流情况，以最大限度地降低集团的信用风险。

另一方面，贸易和其他应付款与前一年相比提高了2.315亿元，从一年前的6.460亿元增至截至2017年12月31日的8.775亿元。这主要是因为我们购买存货应付票据有所增加。

2017年度总的长期和短期计息负债减少了2.008亿元，从截至2016年12月31日的11.373亿元降至截至2017年12月31日的9.365亿元。

股东权益基本不变，保持在9.833亿元。

本年度，集团营运产生了5.243亿元的现金流入。主要由于折旧费用、利息费用、贸易和其他应收账款减少，以及贸易和其他应付账款增加。但部分被利息收入、回记存货以及存货增加而冲抵。

同时，2017财年融资活动的净现金流出为4.143亿元。这主要是因为偿还银行贷款、支付更多利息和抵押金增加。

集团本年度投资活动的净现金流出为1.465亿元，主要是因为购买了PPE资产和无形资产，部分被利息收入冲抵。

因此，集团的现金以及现金等价物从截至2016年12月31日的1.965亿元减少至截至2017年12月31日的1.573亿元。

结语

由于中国市场丙烯酸行业供应过剩的情况仍然持续，我们预计丙烯酸行业仍具挑战性。再加上我们产品的价格波动较大，我们对集团在今年的整体表现持谨慎的态度。

BOARD OF **DIRECTORS**



SUN XIAO

Executive Director and CEO

SUN XIAO has been firstly appointed as an Executive Director and Deputy CEO of the Company with effect from 16 May 2012, later, he was appointed as CEO on 9 January 2013. Mr Sun Xiao is the only son of our ex-Executive Chairman and CEO, late Mr Sun Liping. His duty is in charting the strategic developments of our Group. Sun Xiao graduated from Curtin University of Technologies with a degree of Bachelor of Commerce (Accountancy) in November 2010. Since then, he joined our Group as an intern to familiarise with the operations of our Group.

YANG GUOQIANG

Executive Director

YANG GUOQIANG is our Executive Director and was appointed to our Board on 27 February 2006. He is in charge of JJC's overall operations. From 1982 to 1987, Mr Yang was an assistant factory manager in the Jiangsu Yixing Bricks Factory. In 1987, he joined Yixing Baoxing Thermoelectricity Factory as an assistant factory manager. Subsequently, between 1988 and 2002, he was the deputy plant manager of Yixing Erzhou Environmental Protection Facilities Plant. In August 2002, he was involved in the setting up of Xiangshui Yinyan and was appointed the general manager and director of Xiangshui Yinyan Chemical Industry Co., Ltd. when it was set up in 2003. In 2004, he took up his current position as the general manager of JJC. Mr Yang graduated from Yixin City Heqiao High School in 1975.





ZHU WULING

Executive Director

ZHU WULING is our Executive Director and was appointed to our Board on 27 February 2006. He currently holds the position of assistant general manager of JJC and is also a director of Yixing Yinyan Import & Export Co., Ltd. ("YYIE"). Mr Zhu's primary responsibility is to oversee the import and export operations of the Group. Prior to joining our Group, from 1995 to 2002, he was a manager in the import and export department of Wuxi Kaili Pharmaceutical Co., Ltd., and participated in obtaining approval from the relevant authority for sale of his company's drugs in the European Union. Between 2002 and 2004, he assumed the position of sales manager of the chemical solvent department in Jiangsu Yinyan. He joined JJC as its assistant general manager in 2004. Mr Zhu graduated from the University of Science & Technology of China with a Bachelor Degree in Economy and Foreign Trade in 1995.

KOH POH BENG

Lead Independent Director

KOH POH BENG is our Lead Independent Director appointed since 5 May 2017. He has more than 20 years of experience in the field of corporate finance and accounting, taking up the senior finance positions in various public listed companies. Currently, he is the Group Finance Director of Millennium Investment Holdings Pte. Ltd.. He was previously the CFO of The Stratech Group Limited and Mary Chia Holdings Limited, Business Controller for HTL International Holdings Limited and Group Financial Controller for Chinese Global Investors Group Limited. Prior to that, he served 9 years in Fraser & Neave Limited as Strategic Planning Manager and CFOs of F&N's associate and joint-venture companies. He is a member of the Institute of Singapore Chartered Accountants. Mr Koh holds a Master of Science in Applied Finance from National University of Singapore and graduated from Nanyang Technology University with a Bachelor's Degree in Accounting in 1995.

LUA POH HUAT

Independent Director

LUA POH HUAT is our Independent Director appointed since 5 May 2017. Mr Lua started his career as an auditor with Deloitte & Touche in Malaysia after receiving his ACCA qualification. He then joined Ernst & Young Singapore as audit senior and was subsequently promoted to an audit manager. He joined ICH Capital Pte Ltd in February 2005 and participated in many corporate consultant and fund raising projects in China. He was then transferred to ICH Hanrui Pte Ltd (an affiliate of ICH Capital Pte Ltd) in 2009. From 2011 to 2016, he was CEO of Ruibao Consulting Pte Ltd, providing consulting services. Mr Lua graduated from Foon Yew Advanced Studies in 1990 and is currently the fellow member of Association of Chartered Certified Accountants.



KEY EXECUTIVES

LIM JIN SIN

Group Financial Controller

Lim Jin Sin was appointed as our Group's financial controller in October 2005 to oversee the overall financial and accounting matters of our Group. He started his career with a certified public accounting firm in Kuching (Sarawak, Malaysia) for almost two years before joining a certified public accounting firm in Singapore in June 1998. He then joined Ernst & Young in January 2000, and was involved in the auditing of companies of all sizes and other special projects (such as due diligence, IPO, review of forecast and projection). He left Ernst & Young in September 2005 as an audit manager to join our Group. Mr Lim graduated from Curtin University of Technologies with a degree of Bachelor of Commerce (major in Accountancy and Finance) in 1996. He is a member of the Certified Practising Accountant, Australia.

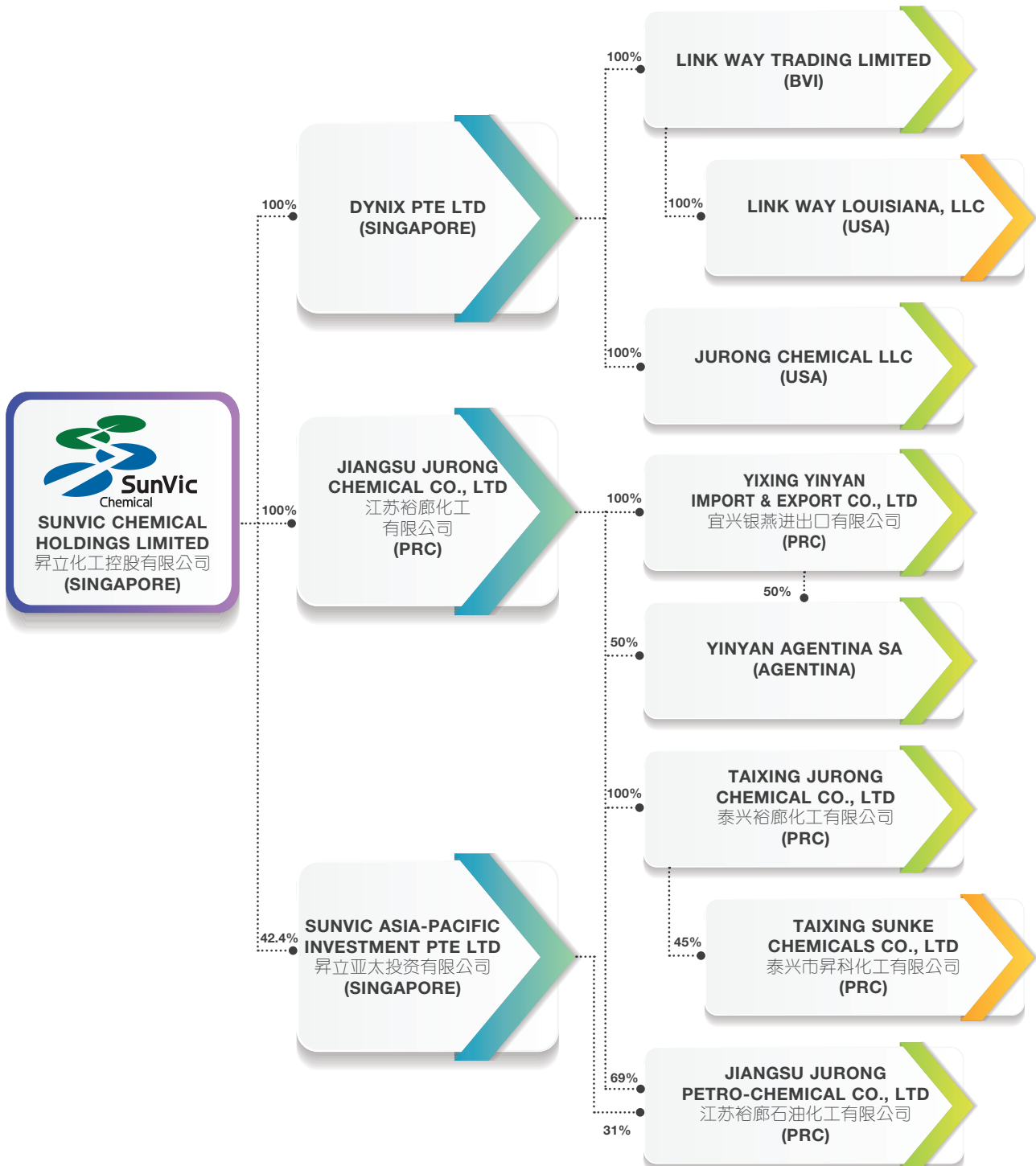
CHEN WEIHUA

Finance Manager

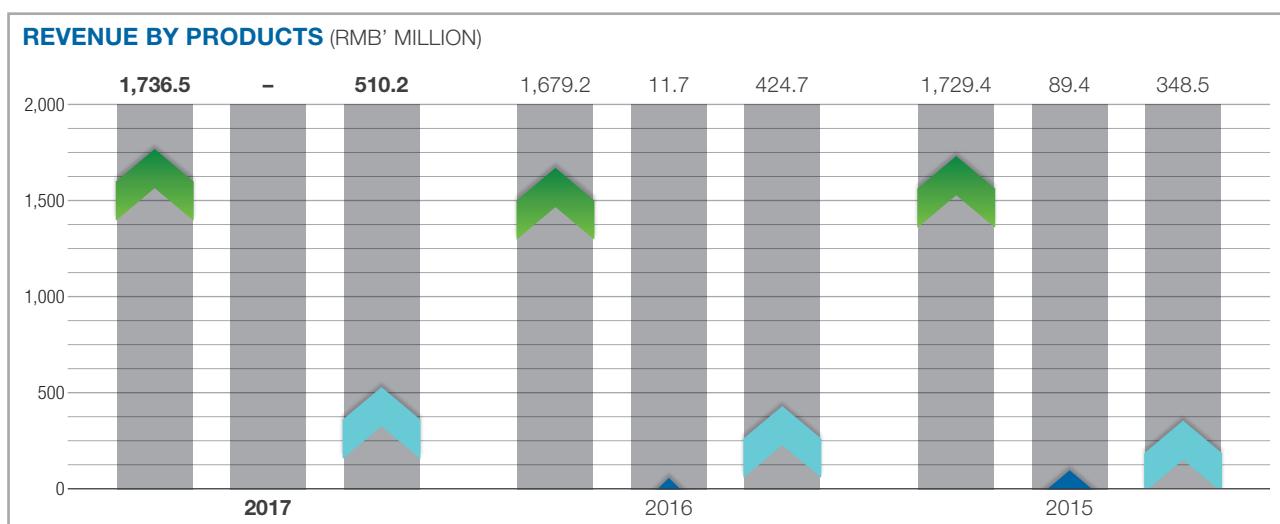
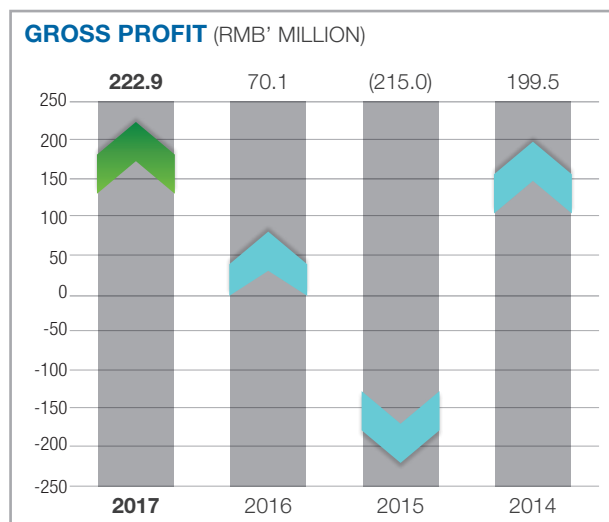
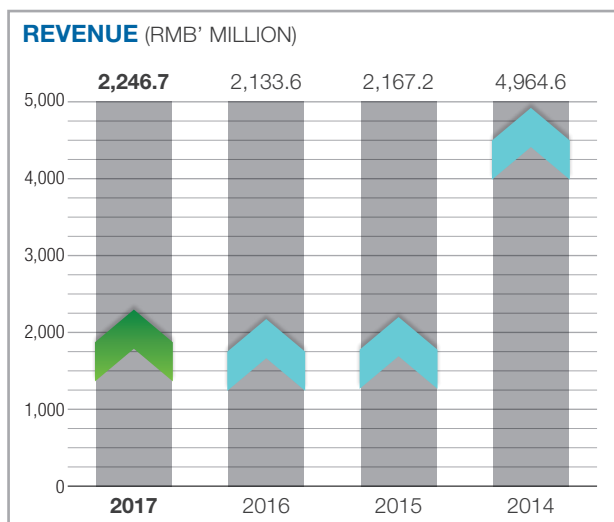
Chen Weihua is our finance manager and oversees the financial and accounting matters of our subsidiary, JJC. He has been the finance manager of JJC since its incorporation in 2004. Prior to joining our Group, between 1991 and 2000, he was the finance section head and director of Jiangsu Guanhe Group, in charge of the group's accounting matters. In July 2000, he joined Yancheng Yangguang Accounting Firm as an auditor. In September 2003, he joined Xiangshui Yinyan as finance manager and subsequent to the acquisition of the major assets of Xiangshui Yinyan by JJC, he was appointed as finance manager in JJC and was also appointed as director of JJC in January 2006. Mr Chen graduated from Yancheng Accounting School with a certificate in accounting in 1991. He was awarded the "Yancheng Accounting Job Advanced Individual" award by the Yancheng City Government in 2005.



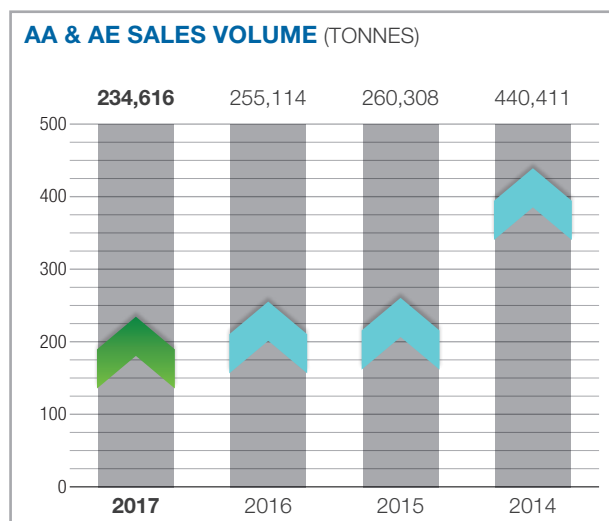
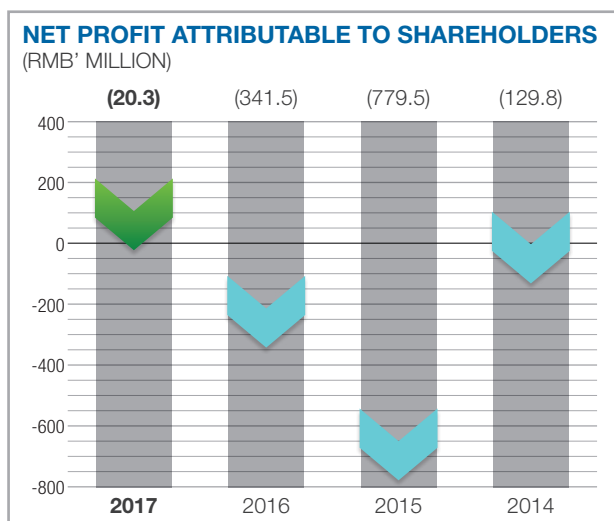
GROUP STRUCTURE



FINANCIAL HIGHLIGHTS



■ AA & AE ■ PMDA ■ OTHERS





QUALITY LEADS TO QUANTITY

ACRYLIC ACID (AA)

SUPER ABSORBENT POLYMERS (SAP)

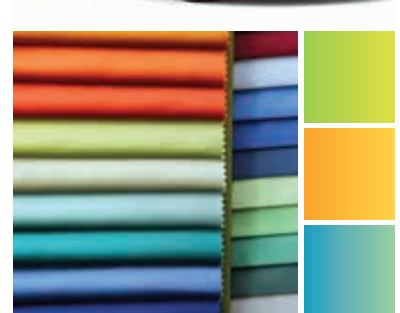
- Disposable Baby Diapers
- Female Hygiene Products
- Adult Incontinency Products

POLYACRYLATES

- Water Treatment

DETERGENT BUILDERS

- Detergents



ACRYLATE ESTERS (AE)

EMULSIONS

- Coatings
- Adhesives
- Sealant

PLASTIC ADDITIVES

- Plastic Products

ACRYLIC RUBBER

- Automotives

TEXTILE TREATMENTS

- Textiles

PMIDA

GLYPHOSATE (HERBICIDE)



CORPORATE INFORMATION

BOARD OF DIRECTORS

Sun Xiao (Executive Director and CEO)

Yang Guoqiang (Executive Director)

Zhu Wuling (Executive Director)

Raymond Ong Sie Hou (Independent Director, retired on 5 May 2017)

Koh Poh Beng (Lead Independent Director, appointed on 5 May 2017)

Lua Poh Huat (Independent Director, appointed on 5 May 2017)

COMPANY SECRETARIES

Selena Leong

Lee Wei Hsiung

REGISTERED OFFICE

112 Robinson Road | #11-01 Robinson 112 | Singapore 068902

Tel: +65 6220 9070

Fax: +65 6223 9177

COMPANY REGISTRATION NUMBER

200406502E

PRINCIPAL PLACE OF BUSINESS

Chenjiagang Chemical Zone

Xiangshui, Yancheng City

Jiangsu Province

People's Republic of China

58 Tong Yuan Road

Taixing Chemical Zone

Jiangsu Province

People's Republic Of China

SHARE REGISTRAR

Tricor Barbinder Share Registration Services (A division of Tricor Singapore Pte. Ltd.)

80 Robinson Road | #02-00 | Singapore 068898

AUDITORS

Foo Kon Tan LLP

Chartered Accountants

24 Raffles Place | #07-03 Clifford Centre | Singapore 048621

Partner-in-Charge: Tei Tong Huat

Year of Appointment: FY2014



CORPORATE GOVERNANCE REPORT 企业治理报告

During the financial year ended 31 December 2017 (“FY2017”) under review, the board of directors of SUNVIC CHEMICAL HOLDINGS LIMITED (the “Company”) (the “Board”) is committed to maintain high standards of corporate governance within and throughout the Company and its subsidiaries (collectively known as, the “Group”) by closely following the recommendations of the Code of Corporate Governance 2012 (the “Code”), together with other applicable laws, rules and regulations, including the Listing Manual (the “Listing Rules”) of the SGX-ST.

在截至2017年12月31日的2017财政年度，昇立化工控股有限公司(“公司”)董事会保持在公司和其子公司(合称“集团”)内，密切遵照企业治理准则2012(“准则”)以及其他相关法律、规定(包括新加坡交易所的《上市手册》)所建议的，在公司内部实施高标准的企业治理措施。

The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure compliance with the Listing Rules.

公司会继续在行为和业务增长方面加强其企业治理，并且不时地审查本公司的企业治理，确保遵守《上市手册》。

BOARD MATTERS

董事会事务

Principle 1: Board’s Conduct of Affairs

原则1：董事会对事务的管理

The Board is entrusted with the responsibility for the overall management of the Group with primary function to protect interest of shareholders and to enhance long-term value and returns for its shareholders. Besides carrying out its statutory responsibilities, the Board is also responsible for the following key matters:

董事会被授权具有对集团进行全面管理的职责，首要的职能在于保护和促进股东的长期利益和回报。除了执行其法定义务，董事会监督的重大事务包括：

- a) approving broad policies, strategies and objectives of the Group and monitoring the achievement of these objectives;
批准集团的主要方针、战略和目标，并监控目标实施成果；
- b) reviewing Management performance;
审核管理层表现；
- c) conducting periodic reviews of the Group’s internal control, risk management, financial performance, compliance practices, information technology controls and resources allocation;
针对集团内部控制、风险管理、财务执行状况、合规方针实践，信息技术控制和资源配置进行定期检查；
- d) approving annual budgets, major funding proposals, investment and divestment proposals;
批准年度预算、重大融资方案、投资和撤资建议；
- e) providing oversight in the proper conduct of the Group’s business and assume responsibility for corporate governance;
监管集团业务的妥善进行，以及承担企业治理方面的职责；
- f) identifying the key stakeholder groups and recognising that their perceptions affect the Company’s reputation; and
确定利益相关方并了解他们的表现是否影响公司的信誉；以及
- g) considering sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.
考虑将可持续发展的相关议题，如环境和社会因素等，作为企业策略组成的一部分。

CORPORATE GOVERNANCE REPORT

企业治理报告

The Board conducts meetings on a quarterly basis to coincide with the announcement of the Group's quarterly and full year financial results and as and when it deems necessary. The Constitution of the Company allows Directors to convene meetings by teleconferencing or videoconferencing.

董事会每季度召开一次会议，这与集团作季度和年度财务结果公告的频率相一致。董事会会议也可在任何有需要的时候召开。公司章程允许公司董事通过电话会议或者视频会议的形式召开董事会。

The Board is also informed about the operations of the Group through regular updates by Management other than the quarterly meetings.

除董事会会议以外，管理层也将定期向董事会汇报集团的运营情况。

The Company has adopted internal guidelines setting forth (a) the matters reserved for the Board's decision and (b) clear directions to Management on matters that must be approved by the Board. In particular, the following matters require the Board's approval:

公司采取了内部指导原则：(a) 请董事会决定的事项；(b) 必须由董事会批准的事项由董事会给予管理层明确指示。特别是以下事务必须交由董事会批准：

- a) material acquisitions and disposal of assets;
重大的资产购置或变卖；
- b) corporate or financial restructuring;
企业或财务重组；
- c) share issuance, dividends and other returns to shareholders;
股票发行、股息和其它的股东收益；
- d) matters as specified under the Group's Interested Person Transaction Policy; and
公司关联方交易政策规定下的相关事宜；以及
- e) any major investment or expenditure.
所有重大投资或支出。

To assist in the execution of its responsibilities, the Board has formed three committees, namely the Audit Committee ("AC"), Remuneration Committee ("RC") and Nominating Committee ("NC"). In addition, in order to strengthen the independence of the Board, the Company has appointed a Lead Independent Director, Mr Koh Poh Beng, to co-ordinate and lead the Independent Directors and to provide a non-executive perspective and to contribute healthy balance of view-points.

为协助其履行职责，董事会组建了三个委员会，即审计委员会、薪酬委员会和提名委员会。此外，为了加强董事会的独立性，公司已委任高宝明先生为首席独立董事，在协调和领导独立董事的同时也从非执行人员的视角提供稳健平衡的观点。

The Board may, as it deems necessary, form a committee and appoint members with requisite knowledge and experience to review and monitor performance of specific investments of the Group.

如董事会认为有必要，可以组建委员会并委派具有专业知识和经验的成员对具体的投资项目进行检讨和监督。

All Directors will receive updates on changes in relevant laws and regulations, industry development, business initiatives and challenges, and financial reporting standards on a regular basis. Directors are encouraged to attend relevant courses conducted by, *inter alia*, the Singapore Institute of Directors, the SGX-ST, professional associates, and business and financial institutions, and these are funded by the Company.

所有董事将定期收到有关法规条款、行业发展、业务建议和面临的挑战，以及财务报告准则等方面的更新内容。鼓励董事参加由新加坡董事协会、新交所、专业协会以及业务和财务协会所举办的培训课程，费用由公司承担。

CORPORATE GOVERNANCE REPORT 企业治理报告

Upon appointment of a new Director, a formal letter of appointment is provided to such Director, which sets out the duties and obligations of such Director. Directors with no previous Board experience have to undergo orientation and training programme to develop the requisite individual skills. They are given training appropriate to the level of their previous experience and are provided with extensive background information about the Group's history and core values, its strategic direction and corporate governance practices as well as industry-specific knowledge. Directors also have the opportunity to visit the Group's operational facilities and meet with Management to gain a better understanding of the Group's business operation.

一旦委任新的董事，公司会向该董事发出一份正式的委任函，并列明该董事的具体职责。先前没有董事会经验的董事需要接受培训，从而提升必备的个人技能。培训将根据他们先前的经验资历，提供详细的集团背景资料，包括集团历史和核心价值、战略方向和公司治理情况以及具体的行业知识。董事们也有机会参观集团的营运设施并与管理层沟通以获得对集团业务状况的进一步了解。

Principle 2: Board's Composition and Guidance

原则2：董事会结构和指导

The Board as at 31 December 2017 has five Directors of whom three are Executive Directors and two are Independent Directors.

截至2017年12月31日，董事会包含五位董事，其中三位为执行董事和两位为独立董事。

The requirement of the Code that at least one-third of the Board consists of Independent Directors is satisfied, however, to maintain a good balance between the Executive and Non-Executive Directors and a strong and independent element on the Board, the Company will endeavor to appoint another suitably qualified candidate as Independent Director of the Company and shareholders will be kept updated in this regard.

准则要求至少三分之一的董事为独立董事，这一点公司与要求相符，然而，为了维持执行董事和非执行董事之间的平衡以及保持董事会的实力且具有独立性，公司将会尽力再委任多一个合格人选为独立董事。公司会将此事的进展向股东报告。

The Board has the appropriate mix of core competencies and diversity of experience, including in the area of accounting or finance and business management, grasp of corporate strategy and potential to contribute to the Company's businesses. However, there is no gender diversity in the Board yet and the Board will enhance the diversity of the Board if it encounters suitable candidates. The profile of the Directors is set out on pages 10 and 11 of this Annual Report. 董事会的构成不仅具有核心竞争力而且背景多样化，包括拥有会计或金融以及商业管理方面的人才，也有掌握企业发展策略以及对集团的业务有贡献潜能的人才。然而，董事会组成的性别还比较单一。如果有适合的候选人，则公司会考虑董事会有男女董事共同组成。董事会成员的相关资料在本报告的第10页至第11页刊出。

Following Mr Sun Liping's stepping down as Chairman of the Board in 2013, the Company has yet to appoint any replacement. Nevertheless, at every Board and general meetings, the Directors will elect a chairman of the meeting from amongst the Directors. Once a suitable candidate is identified, an announcement will be made via SGXNet.

随著孙立平先生从董事会主席的职位退下来，公司还没有委任任何人上任。然而，每一次的董事会会议和股东大会，董事会会推选一位董事担任会议主席。一旦有合适的人选，会通过新交所网站发布公告。

The Board considers the present board size and number of committees facilitate effective decision-making and are appropriate given the nature and scope of the Group's business operations.

董事会认为，目前的董事会规模和委员会数量能够有效的决策，并且就集团业务运作的性质和范围来看是适当的。

CORPORATE GOVERNANCE REPORT

企业治理报告

The Board has taken the following steps to maintain or enhance its balance and diversity:

董事会采取了以下措施来维持董事会的平衡和多样性：

- Annual review by the NC to assess if the existing attributes and core competencies of the Board are complementary and enhance the efficacy of the Board; and
提名委员会每年检讨现有董事会的贡献和核心竞争力并提高董事会的绩效；以及
- Annual evaluation by the Directors of the skill sets the other Directors possess, with a view to understand the range of expertise which is lacking by the Board.
董事们每年对董事拥有的技能进行评估，以了解董事会还缺乏哪些专业能力。

The NC will consider the results of these exercises in its recommendation for the appointment of new Directors and/or the re-appointment of incumbent Directors.

提名委员会将对这些措施的结果进行考虑，以推荐新的董事或重新委聘现任董事。

The independence of each Director is also reviewed by the NC. But in the absence of the required quorum in the NC to carry out this review, the review was carried out by the Board. The Board adopted the Code's definition of what constitutes an Independent Director in its review. As a result of the Board's review of the independence of each Director, the Board is of the view that the Independent Non-Executive Directors of the Company are independent, and further, that no individual or small group of individuals dominate the Board's decision making process. It was also noted that none of the Independent Non-Executive Directors have served for a continuous period of nine (9) years or more.

提名委员会也会检讨每位董事的独立性。但是由于提名委员会没有足够的人数，因此这项检讨由董事会来执行。董事会采用2012准则对独立董事的独立性的定义。董事会就每位董事的独立性进行评估后认为，公司的独立、非执行董事是独立的；还有，没有任何个体或一小撮人控制董事会的决策过程。也没有任何一名独立的非执行董事服务公司9年或以上。

Principle 3: Chairman and Chief Executive Officer

原则3：主席和首席执行官

The Company has yet to determine its new Chairman of the Board, and will keep the shareholders updated on the matter. Mr Sun Xiao is the current Chief Executive Officer ("CEO") of the Company.

公司还没有委任新的董事会主席。公司将会及时通知股东此事进展。孙晓先生目前是公司的首席执行官。

The Board is of the view that there is a sufficient independent element in the Board which could enable the independent exercise of objective judgment on corporate affairs of the Group, taking into account the number of Independent Directors sitting on the Board together with the size and scope of the affairs and operations of the Group.

董事会认为，考虑到独立董事的人数和规模、以及集团事务和运营范围，董事会的构成有足够的独立性，这将能在集团事务中保持客观独立的判断。

Apart from the day-to-day operations of the Group, Mr Sun Xiao also undertakes responsibility in managing the business of the Board and the Board committees and exercising control over the quality, quantity, accuracy and timeliness of information flow between the Board and Management of the Company as well as between the Company and its shareholders. He encourages constructive relations between the Board and Management and between the Executive Directors and the Independent Directors.

除了管理集团的日常运作之外，孙晓先生还负责董事会和其委员会事务，并负责控制董事会和公司管理层之间、公司及其股东之间信息流通的质量、数量、准确性和及时性。他促进董事会与管理层之间以及执行董事和独立董事之间的建设性关系。



CORPORATE GOVERNANCE REPORT 企业治理报告

He also takes a leading role in ensuring the Company's compliance with corporate governance guidelines and monitors and translates the Board's decision and wishes into executive action.

他也在确保公司遵循企业治理指导方针，并将董事会的决策和意愿转化为可执行方案等方面起主导及监督的角色。

The independent element on the Board is strengthened by the appointment of Lead Independent Director. Mr Koh Poh Beng, the Lead Independent Director since 2017, will be available to shareholders who have concerns which contact through the normal channels of the CEO or Group Financial Controller has failed to resolve or for which such contact is inappropriate.

董事会的独立性在2017年聘请了首席独立董事高宝明后更加加强了。股东们在通过正常渠道联系不上首席执行官或集团财务总监，或者不方便联系他们的情况下，可以直接联系首席独立董事。

When necessary, the Lead Independent Director will chair meetings with the Independent Directors without involvement of the Directors, to aid and facilitate well-balanced viewpoints on the Board.

如有需要，首席独立董事可以召开在没有其他董事参与下的独立董事会议，以协助董事会提供平衡的意见。

NOMINATION MATTERS

提名事务

Principle 4: Board Membership

原则4：董事会成员

The NC makes recommendation to the Board on all board appointments. The NC currently comprises two members, all of whom, including the Chairman are independent. The Company will endeavor to appoint another suitably qualified candidate as Independent Director of the Company and shareholders will be kept updated in this regard. The members of the NC are as follows:-

提名委员会对董事会成员的委任提出建议。提名委员会目前有两人，他们，包括提名委员会主席，都是独立的。公司将尽力再委任一名合格的候选人为公司的独立董事。进展情况将会告知股东。提名委员会的成员如下：

Mr Lua Poh Huat	(Chairman)	(Independent Director)
Mr Koh Poh Beng	(Member)	(Lead Independent Director)
赖宝发先生	(主席)	(独立董事)
高宝明先生	(成员)	(首席独立董事)

CORPORATE GOVERNANCE REPORT

企业治理报告

The nature of the Directors' appointment on the Board and details of their membership on the Board committees as at 31 December 2017 are set out below:-

截至2017年12月31日，董事会各董事的职位以及各委员会成员的详细情况见下表：

Board of Directors 董事会	Board Membership 董事会成员	Audit 审计委员会	Remuneration 薪酬委员会	Nominating 提名委员会
Sun Xiao 孙晓	Executive Director and CEO 执行董事兼 首席执行官			
Yang Guoqiang 杨国强	Executive Director 执行董事			
Zhu Wuling 朱吾陵	Executive Director 执行董事			
Koh Poh Beng 高宝明	Lead Independent Director 首席独立董事	Chairman* 主席	Member* 成员	Member* 成员
Lua Poh Huat 赖宝发	Independent Director 独立董事	Member* 成员	Chairman* 主席	Chairman* 主席

Note 注:

* Mr Koh Poh Beng and Mr Lua Poh Huat were appointed to the requisite positions of the respective committees on 5 May 2017.
高宝明和赖宝发先生的委任是在2017年5月5日。

Mr Raymond Ong Sie Hou retired as an Independent Director of the Company as he did not seek re-election in the Annual General Meeting held on 28 April 2017.

独立董事翁士豪先生在2017年4月28日的股东大会上退休，他并未寻求连任；

Mr Koh Poh Beng and Mr Lua Poh Huat have subsequently been appointed as Independent Directors of the Company on 5 May 2017.

高宝明先生和赖宝发先生在2017年5月5日被委任为公司的独立董事。

The NC has adopted written terms of reference that describes its duties and responsibilities.

提名委员会采纳了书面说明其义务与职责的参考条款。

The principal functions of the NC are as follows:

提名委员会的主要职能如下：

- to make recommendations to the Board on all board appointments, including re-nominations, having regard to the Director's contribution and performance (for example, attendance, preparedness, participation and candour) including, if applicable, as an Independent Director. All Directors shall be required to submit themselves for re-nomination and re-election at regular intervals and at least once every three years;
向董事会推荐所有有关董事任命事宜，根据董事(包括作为独立董事)的贡献和表现(例如：出席率，准备，参与和正直)对其进行重新任命，所有董事必须在定期内或者至少三年一次被重新提名和重新选举；



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- b) to recommend to the Board the review of board succession plans for the Company's Directors, in particular, for the Chairman (if appointed) and CEO;
向董事会推荐公司董事，特别是对主席(如有)和首席执行官继任计划的审查；
- c) to determine annually whether or not a Director is independent;
每年评估董事的独立性；
- d) in respect of a Director who has multiple board representations on various companies, to decide whether or not such Director is able to and has been adequately carrying out his/her duties as Director, having regard to the competing time commitments that are faced when serving on multiple boards;
对于在不同公司担任董事会成员的董事，考虑到其在多家董事会任职，在时间投入方面，需要决定此董事是否能够和充分履行其董事的职责；
- e) to decide how the performance of the Board, the Board Committees and Directors may be evaluated and propose objective performance criteria, as approved by the Board that allows comparison with its industry peers, and address how the Board has enhanced long terms shareholders' value; and
评估董事会，各委员会和董事的表现，并提出客观的评估标准供董事会批准，允许和同行业相比较，以及建议董事会如何提高长期的股东价值；以及
- f) to review the training and professional development programs for the Board.
检讨董事会成员培训和专业深造计划。

To address the competing time commitments that are faced by the Directors who serve on multiple boards of publicly listed companies, the Board has determined that the maximum number of listed company board representations each Director is allowed to hold is as follows:-

为了解决在多家上市公司的董事会任职的董事面对时间投入的问题，董事会决定了每个董事在上市公司董事会任职的公司最大数量如下：

- a) directorships without other executive roles – six
非执行董事职位 — 六家公司
- b) directorships with other executive roles – four
执行董事职位 — 四家公司

The contributions by Directors to and during meetings of the Board and relevant Board Committees as well as their attendance at such meetings are holistically assessed and taken into account by the NC.
每个董事他们参加董事会或相关委员会会议时的贡献以及出席率都会由提名委会评估。

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Process for the Selection and Appointment of New Directors 选举或委任新董事的程序		
1.	Determination of selection criteria 确定董事的资格要求	The NC, in consultation with the Board, would identify the current needs of the Board in terms of skills/experience/knowledge to complement and strengthen the Board. 提名委员会在征求董事会意见的同时，确定目前董事会所需新董事应具备的技能、经验和知识等，以完善和强化董事会的构成。
2.	Search for suitable candidates 寻找适合的候选人	The NC would consider candidates proposed by the Directors, key management personnel or substantial shareholders, and may engage external search consultants where necessary. 提名委员会可以考虑董事、主要管理层或大股东推荐的人选，如有需要，也可以委托外部咨询公司来挖掘适合的人选。
3.	Assessment of shortlisted candidates 遴选出几个候选人	The NC would meet and interview the shortlisted candidates to assess their suitability. 提名委员会面试候选人，评估他们是否合适。
4.	Appointment of director 委任董事	The NC would recommend the selected candidate to the Board for consideration and approval. 提名委员会推荐心仪的候选人供董事会考虑和批准。

Process for the Re-electing Incumbent Directors 现任董事的重新选举程序		
1.	Assessment of director 董事评估	- The NC would assess the performance of the Director in accordance with the performance criteria set by the Board; and 提名委员会根据董事会设定的对该董事的要求标准来考核该董事的表现；以及 - The NC would also consider the current needs of the Board. 提名委员会也会考虑目前董事会是否需要这样的人选。
2.	Re-appointment of director 重新委任董事	Subject to the NC's satisfactory assessment, the NC would recommend the proposed re-appointment of the Director to the Board for its consideration and approval. 如果提名委员会对该董事的评估满意，则向董事会推荐重新聘用该董事，以获得董事会的批准。

New Directors who are appointed by the Board will submit themselves for re-election at the annual general meeting following their appointment. In accordance with the provisions of the Company's Constitution, at least one-third of the Directors are required to retire from office at every annual general meeting. Every Director must retire from office at least once in every three years. A retiring Director is eligible and may be nominated for re-election.

受董事会任命的新董事需要在下一年度公司股东大会上被推荐再次选举连任。按照公司章程的规定，至少三分之一的董事需要在每年的股东大会中轮值退休。每位董事每三年必须至少轮值退休一次。该轮值退休的董事有资格被重新性提名选举连任。

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Mr Koh Poh Beng and Mr Lua Poh Huat being appointed in 2017 to fill the casual vacancies shall hold office only until the forthcoming annual general meeting (“AGM”). Pursuant to the Constitution, they are eligible and will submit themselves for re-election, but shall not be taken into account in determining the Directors who are to retire by rotation at the forthcoming AGM. In addition, Mr Sun Xiao, being Director who has been longest in office since his last election, will submit himself for re-nomination and re-election at the forthcoming AGM. As both Mr Koh Poh Beng and Mr Lua Poh Huat are members of the NC, they had abstained from making any recommendation and/or participating in any deliberation of the NC in respect of the assessment of his own re-election as the Directors.

高宝明先生和赖宝发先生于2017年5月被委任是为填补独立董事之空缺，直到在来临的股东大会就任命之事再为讨论。根据公司的章程，他们符合董事资格、并且将提交再选举申请供在来临的股东大会讨论通过，但他们并不应该被认为是轮值退休的。另外，孙晓先生，从上次选举后是任期最长的董事，他将提交被提名和再选择申请，并提请在来临的股东大会上讨论通过。由于高宝明和赖宝发两人都是提名委员会成员，因此他们不能推荐或参与提名委员会讨论他们本人再选举为董事之事宜。

Having considered their overall contributions and performance, the Board has recommended that Mr Sun Xiao, Mr Koh Poh Beng and Mr Lua Poh Huat be re-appointed as Directors at the forthcoming AGM for shareholders’ approval. Upon re-appointment, Mr Sun Xiao, Mr Koh Poh Huat and Mr Lua Poh Huat shall remain as a Director of the Company. Mr Sun Xiao is also the Chief Executive Officer of the Company.

考虑到孙晓先生、高宝明先生和赖宝发先生贡献和表现，董事会建议重新委任他们为公司的董事，并在来临的年度股东大会上讨论通过。一旦重新委任，他们将仍为公司的董事。孙晓先生也仍为公司的首席执行官。

Only one of the three Directors submitted for re-appointment at the forthcoming AGM, namely, Mr Sun Xiao, has an immediate family relationship with its 10% shareholders. The Board has reviewed and noted that both Mr Koh and Mr Lua who submitted themselves for re-appointments does not have any relationship including immediate family relationships with the other Directors, the Company or its 10% shareholders, and Mr Koh and Mr Lua will be considered independent for the purposes of Rule 704(8) of the Listing Rules.

申请在来临的股东大会讨论重新选举的三位董事中，只有孙晓与10%的股东有著直系亲属关系。董事会评估并且认为，高先生和赖先生提交重新委任申请，他们与其他董事、公司或10%的股东没有包括直系亲属关系在内的关系，根据《上市手册》第704(8)条的规定，他们被认为是独立的。

Each member of the NC has abstained from voting on any resolution in respect of the assessment of his performance or re-nomination as a Director of the Company. In the event any member of the NC has an interest in a matter being deliberated upon by the NC, he will abstain from participating in the review and approval process relating to that matter. 提名委员会的成员必须回避就自己的表现评估和其重新任命的决议进行表决。如果提名委员会的成员与提名委员会研讨的问题有利益关系，他将放弃参与此次研讨。

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The date of initial appointment and last re-election of each Director, together with his directorships in other listed companies, are set out below:-

各董事初次任命的日期和上一次连任的日期，以及其他上市公司任职的董事职位的详情见下表：

Director 董事	Date of Initial Appointment 初次任命日期	Date of Last Re-election/Re-appointment 上一次连任/重新任命日期
Sun Xiao 孙晓	16/05/2012	29/04/2016
Yang Guoqiang 杨国强	27/02/2006	28/04/2017
Zhu Wuling 朱吾陵	27/02/2006	29/04/2016
Koh Poh Beng 高宝明	05/05/2017	—
Lua Poh Huat 赖宝发	05/05/2017	—
Former Director 前董事		
Raymond Ong Sie Hou 翁士豪 (Resigned on 5 May 2017) (于2017年5月5日辞职)	—	—

Director 董事	Directorships in other listed companies 其他上市公司的董事职务		Details of other principal commitments 其他主要职务
	Current 目前	Past three years 过去3年	
Sun Xiao 孙晓	—	—	—
Yang Guoqiang 杨国强	—	—	—
Zhu Wuling 朱吾陵	—	—	—
Koh Poh Beng 高宝明	—	—	—
Lua Poh Huat 赖宝发	—	—	—
Former Director 前董事			
Raymond Ong Sie Hou 翁士豪 (Resigned on 5 May 2017) (于2017年5月5日辞职)	—	—	—

The Company has no alternate directors on its Board.

公司董事会没有替代董事。



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Principle 5: Board Performance

原则5：董事会表现

The NC has been tasked with evaluating the Board's performance as a whole, and the performance of individual Directors using objective and appropriate quantitative and qualitative criteria. Assessment parameters include the attendance records of the Directors at Board and Board Committee meetings, the level of participation at such meetings, the guidance provided to Management and the quality of Board processes and the business strategy and performance of the Group. The Board is of the opinion that a separate assessment on the effectiveness of the Board Committees is not necessary as the Board Committees share common members.

提名委员会的任务是，通过客观并恰当的定量和定性标准，对董事会的总体表现和各位董事的独立表现进行评估。评估参数包括董事出席董事会和委员会会议的出席率，在这些会议中的参与程度，以及对于管理层和董事会工作质量和集团业务战略和表现的指导。董事会认为没有必要单独对董事会各委员会的有效性进行评估，因为各委员会成员也同时担任其他委员会的成员。

For FY2017, the review process was as follows:

对于2017财年，评估的程序如下：

1. All Directors individually completed a board evaluation questionnaire on the effectiveness of the Board and the individual Directors based on criteria disclosed;
所有的董事会成员对董事会整体以及各董事按照对其的个别要求独立地完成评估问卷；
2. The Company Secretary collated and submitted the questionnaire results to the NC Chairman; and
公司秘书收集问卷并交给提名委员会主席；以及
3. The NC discussed the results and concluded the performance results during the NC meeting.
由于提名委员会人数不足，董事会讨论调查结果并且得出评估结论。

All NC members have abstained from the voting or review process of any matters in connection with the assessment of his performance or re-appointment as a Director of the Company.

所有提名委员会的成员回避对其本人的表现或重新委任为董事等事宜的投票和评估过程。

No external facilitator was used in the evaluation process.

在评估的过程中没有用到外部的力量。

The NC, having reviewed the overall performance of the Board in terms of its role and responsibilities and the conduct of its affairs as a whole, is of the view that the performance of the Board has been satisfactory in FY2017 and that the Board has met its performance objectives in FY2017.

提名委员会，在就董事会的角色、责任以及执行事务的总体表现进行评估之后认为，董事会在2017财年的表现满意且符合预期。

The NC is of the opinion that the Board is able to exercise objective judgment on corporate affairs independently and no individual or small group of individuals dominates the Board's decision making process.

提名委员会认为，董事会能够对公司事务履行独立的、客观的判断，没有个别或一小撮人控制董事会的决策过程。

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The attendance of each Board member at meetings of the Board and other committees in respect of FY2017 are as follows:

2017财年董事会和各委员会会议的董事出席情况如下：

Name 姓名	Board of Directors 董事会		Audit Committee 审计委员会		Nominating Committee 提名委员会		Remuneration Committee 薪酬委员会	
	Held 举行次数	Attended 参会次数	Held 举行次数	Attended 参会次数	Held 举行次数	Attended 参会次数	Held 举行次数	Attended 参会次数
Current Directors 现任董事								
Sun Xiao 孙晓	4	4	—	—	—	—	—	—
Yang Guoqiang 杨国强	4	4	—	—	—	—	—	—
Zhu Wuling 朱吾陵	4	4	—	—	—	—	—	—
Koh Poh Beng 高宝明 (Appointed on 5 May 2017) (2017年5月5日被委任)	4	3	3	3	1	1	1	1
Lua Poh Huat 赖宝发 (Appointed on 5 May 2017) (2017年5月日被委任)	4	3	3	3	1	1	1	1
Former Director 前董事								
Raymond Ong Sie Hou 翁士豪 (Resigned on 5 May 2017) (2017年5月5日辞职)	4	1	3	0	1	0	1	0

Principle 6: Access to Information

原则6：获得信息

To enable the Board to fulfill its responsibility, Management strives to provide Board members with complete, adequate and timely information for Board and Board Committee meetings on an on-going basis. The Directors have separate and independent access to the Group's Senior Management at all times.

为使董事会履行其职责，管理层力争持续地向董事会成员提供完整、充分和及时的信息。董事可随时与集团高层进行单独和独立的沟通。



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The Directors are always provided with relevant information on a timely manner prior to each Board meeting and Board Committee meeting. This is to give the Directors sufficient time to review and consider the matters being tabled and/or discussed. The Senior Management will be also invited to attend Board meetings to provide additional insights into matters being discussed, and to respond to any queries that the Directors may have.

董事会会议和委员会会议之前，需要及时提供给董事相关的资料。这是为了给董事充足的时间审核和考虑要讨论的问题。高层管理人员也会被邀请参加董事会会议，他们会针对讨论的问题提供额外的信息，并回答董事的提问。

In respect of the annual budgets, any material variances between the projections and actual results are disclosed and explained to the Board by the Management during the Board meetings.

关于年度预算，预算和实际结果之间有任何重大的差异，都要报告并在董事会上由管理层向董事会解释。

All Board members have separate and independent access to the advice and services of the Company Secretary.

所有董事会成员可以单独并独立地向公司秘书获取建议和服务。

The role of the Company Secretary, the appointment and removal of whom is a matter for the Board as a whole, is as follows:

董事会决定委任或解聘公司秘书，公司秘书的角色如下：

- to ensure that Board procedures are observed and that the Company's Constitution, relevant rules and regulations, including requirements of the Securities and Futures Act (Chapter 289) of Singapore, the Companies Act, Chapter 50 of Singapore and the Listing Rules, are complied with;
确保董事会程序的执行，以及与公司章程、有关法律和条规包括新加坡证券法第289章、公司法第50章和新交所《上市手册》的要求相一致；
- to assist the Chairman and the Board to implement and strengthen corporate governance practices, with a view to enhancing long-term shareholder value;
协助主席和董事会实行有力的企业治理，以提高股东的长期价值；
- to assist the Chairman to ensure good information flows within the Board and its committees and key management personnel;
协助主席确保董事会和各委员会以及管理层之间信息畅通；
- to facilitate orientation and assisting with professional development as required;
必要时提供专业性的指导和帮助；
- to train, design and implement a framework for key management personnel's compliance with the Listing Rules, including timely disclosure of material information;
为管理层人员提供培训、设计和执行框架，以确保按新交所的《上市手册》执行，包括及时披露重要信息；
- to attend and prepare minutes for all Board meetings;
参加并准备所有董事会的会议纪要；
- As secretary to all the other Board Committees, the Company Secretary assists to ensure coordination and liaison between the Board, the Board Committees and key management personnel; and
作为各委员会的秘书，公司秘书协助确保董事会、各委员会以及管理层人员之间的沟通和协作；以及
- to assist the Chairman, the Chairman of each Board Committee and key management personnel in the development of the agendas for the various Board and Board Committee meetings.
协助主席、各委员会主席以及管理层人员准备各项会议议程。

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An individual Director or as a group, may seek professional advice in furtherance of their duties and the costs will be borne by the Company.

单个董事或者作为一个整体，为了履行他们的职责义务，可寻求专业建议，费用由公司承担。

REMUNERATION MATTERS

薪酬事务

Principle 7: Procedures for Developing Remuneration Policies

原则7：推进薪酬政策的程序

The Board has a RC comprising two members, all of whom, including the Chairman are independent. The Company will endeavor to appoint another suitably qualified candidate as Independent Director of the Company and shareholders will be kept updated in this regard. The members of the RC are as follows:-

董事会的薪酬委员会由两名董事组成，他们，包括薪酬委员会主席，都是独立的。公司会尽力寻找和委任多一名合格的候选人作为公司的独立董事，以重新组成薪酬委员会。公司会及时通知股东此事的最近进展。薪酬委员会的成员如下：

Mr Lua Poh Huat	(Chairman)	(Independent Director)
Mr Koh Poh Beng	(Member)	(Lead Independent Director)
赖宝发先生	(主席)	(独立董事)
高宝明先生	(成员)	(首席独立董事)

The RC has adopted written terms of reference that describes its duties and responsibilities.

薪酬委员会采纳了书面说明其义务与职责的参考条款。

The principal functions of the RC are:

薪酬委员会的主要职能如下：

- a) to review and recommend to the Board a framework of remuneration for the Directors and key management personnel;
向董事会提呈评估和建议董事及核心管理人员的薪酬架构;
- b) to determine the specific remuneration packages for each Executive Director and the CEO;
确定每个执行董事和首席执行官的具体薪酬配套;
- c) in the case of service contracts, to consider what compensation commitments the Directors' or key management personnel's contracts of service, if any, would entail in the event of early termination with a view to be fair and avoid rewarding poor performance; and
如果董事或核心管理人员的服务合同需要提前解除，需要以公正的态度复查补偿承诺，避免对不佳的表现给予过高的报酬; 以及
- d) to recommend the fees of the Directors.
建议董事的董事费。

In its review, the RC's objective is to establish and maintain a level of remuneration that would be appropriate to attract, retain and motivate the Directors and key management personnel to run the Group successfully. The RC also ensures that the remuneration policies and systems of the Group support the Group's objectives and strategies.

在其评估过程中，薪酬委员会的目标在于建立和维持能够吸引、保留和激励董事和核心管理人员成功运作集团的薪酬水平。薪酬委员会也需要确保集团的薪酬政策和系统支持集团的目标和战略。



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If necessary, the RC will seek expert advice inside the Company and/or outside professional advice on remuneration of all Directors and ensure that existing relationships, if any, between the Company and its appointed consultants will not affect the independence and objectivity of the consultants. No remuneration consultants were engaged by the Company during FY2017.

如有必要，薪酬委员会将会向公司内部或外部的专业机构，就董事的薪酬问题寻求专业的意见，以保持现有的关系；但是，公司与咨询顾问之间的委托关系不会影响其独立性和咨询的目的。公司在2017财年没有聘请薪酬顾问。

The recommendations of the RC will be submitted for endorsement by the entire Board. Each member of the RC shall abstain from voting on any resolution and making any recommendations in respect of his remuneration package. 薪酬委员会的建议将提交给董事会来确认。薪酬委员会成员必须回避对其本人的薪酬配套的投票和建议等。

Principle 8: Level and Mix of Remuneration

原则8：薪酬组合水平

The RC reviews and recommends to the Board a framework of remuneration for the Directors and key management personnel, and determines specific remuneration packages for each Executive Director. The recommendations of the RC on remuneration of Directors would be submitted for endorsement by the entire Board.

薪酬委员会负责检讨并向董事会推荐董事以及核心管理人员的薪酬，制定每个执行董事的薪酬配套。这些建议必须提呈给董事会批准。

All aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits in kind are covered by the RC. Each member of the RC shall abstain from voting on any resolution in respect of his remuneration package.

薪酬的各个方面，包括并不限于董事费、薪水、补助、花红、期权、福利等。每个薪酬委员会成员对本身的薪酬配套无投票权。

In setting the remuneration packages of the Executive Directors and key management personnel, the Company takes into consideration the remuneration and employment conditions and makes a comparative study of the packages of Executive Directors and key management personnel in comparable companies/industries as well as the Group's relative performance.

在制定执行董事和核心管理人员的薪酬总额时，公司考量薪酬和雇佣状况，并参考类似公司/行业的董事和核心管理人员薪酬配套和本集团的相对表现进行比较研究。

Non-Executive Directors are paid a basic fee and an additional fee for serving on any of the Board Committees and the remuneration offered is appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the Non-Executive Directors. The Chairman of each of these Board Committees is compensated for his additional responsibilities. Such fees are approved by the shareholders of the Company as a lump sum payment at the AGM of the Company.

非执行董事将被支付基本董事费和其作为委员会成员的额外董事费。支付给他们的薪酬是与他们所付出的努力和时间以及他们的职责等贡献水平相对应的。每个委员会的主席因为其额外职责将得到相对应的酬劳补偿。这些董事费用的总额将在年度股东大会上由公司股东批准。

The RC is of the view that it is currently not necessary to use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company.

薪酬委员会认为，现阶段公司无需在雇佣合同中增加惩罚性条款，在由于执行董事和主要管理人员的错误财务报告，或过失行为导致公司亏损的特殊情况下，向他们索回其薪酬中的激励部分。

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Principle 9: Disclosure on Remuneration

原则9：薪酬披露

The breakdown showing the level and mix of remuneration paid to each Director for FY2017 is as follows:-
截止2017年12月31日财年的董事薪酬细目分类如下：

Name 姓名	Salary 薪水 %	Bonus 花红 %	Other Benefits 其他福利%	Fees 董事费 %	Total 总计 RMB'000
Current Directors 现任董事					
Sun Xiao 孙晓	100	—	—	—	960
Yang Guoqiang 杨国强	100	—	—	—	492
Zhu Wuling 朱吾陵	100	—	—	—	702

Name 姓名	Salary 薪水 %	Bonus 花红 %	Other Benefits 其他福利 %	Fees 董事费 %	Total 总计 S\$'000
Koh Poh Beng 高宝明 (Appointed on 5 May 2017) (2017年5月5日被委任)	—	—	—	100	40
Lua Poh Huat 赖宝发 (Appointed on 5 May 2017) (2017年5月5日被委任)	—	—	—	100	40
Raymond Ong Sie Hou 翁士豪 (Resigned on 5 May 2017) (2017年5月5日辞职)	—	—	—	100	20



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The remuneration paid to each of the top key management personnel who are not Directors of the Company are all below S\$250,000. A breakdown of the level and mix of remuneration of these top key management personnel is as follows:

给并不担任董事职务的核心管理人员的薪酬全部都在年薪25万元新币以下。首2位核心管理人员的薪酬组合明细如下：

Name 姓名	Fees 费用	Salary 薪水	Bonus 花红	Other Benefits 其他福利	Total 总计
	%	%	%	%	%
Lim Jin Sin 林仁心	—	78	22	—	100
Chen Weihua 陈卫华	—	100	—	—	100

Note 注:

* Lim Jin Sin and Chen Weihua are the only top key management personnel for FY2017.
2017财年只有林仁心和陈卫华两位主要管理层人员。

Shareholders' approval will be sought at the forthcoming AGM of the Company on 30 April 2018, for the payment of directors' fees proposed for FY2017 amounting to an aggregate of S\$100,000.

建议的2017年度的董事费总计为100,000新元，将在2018年4月30日召开的年度股东大会上征求股东的批准。

The total remuneration paid to the top two key management personnel was S\$330,000 for FY2017.

2017年度付给首2位核心管理人员的薪酬总计为330,000新元。

There were no termination, retirement and post-employment benefits granted to Directors, the CEO or the top two key management personnel.

公司没有给予董事、首席执行官以及首2位核心管理人员任何终止、退休或雇佣关系结束后的任何福利待遇。

At present, the Company does not have any employee share option scheme.

目前，公司没有任何员工期权计划。

There is no other employee of the Company, who is an immediate family member of a Director and/or the CEO, whose remuneration exceeded S\$50,000 during FY2017.

集团在2017财年中，没有某位董事的直系亲属、且其薪酬超过新币\$50,000的员工。

RC reviews the compensation framework annually to ensure that the remuneration of the Executive Directors and key management personnel commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group. The Company's compensation framework comprises a basic salary component and a variable component which is the annual bonus, based on the performance of the Group as a whole and their individual performance and employment conditions within the industry. This is designed to align remuneration with the interests of shareholders and link rewards to corporate and individual performance so as to promote the long-term sustainability of the Group.

薪酬委员会对报酬问题进行年度审核，以保证执行董事和高级管理人员的薪酬与他们的表现以及公司的整体表现挂钩，并且考虑到集团的财务和商业以及业务资金需求。公司的薪酬架构包括基本工资和可变动工资(根据集团整体表现、员工个人表现以及行业内雇佣条件等评定)两部分。这个设计是将股东的利益和公司以及员工的表现相结合，以促进集团长期持续发展。

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ACCOUNTABILITY AND AUDIT

责任制和审计

Principle 10: Accountability

原则10：责任制

In presenting the full year financial statements and quarterly financial result announcements to shareholders, it is the aim of the Board to provide the shareholders with a balanced and understandable assessment of the Group's performance, position and prospects.

在向股东提交年度财务报表和季度报告中，董事会旨在向股东提交一份对集团表现、市场地位及前景展望的平衡的、便于理解的评估报告。

Management currently provides the Board with a continual flow of relevant information on a timely basis in order that it may effectively discharge its duties. Management does not provide all members of the Board with management accounts and such explanation and information on a monthly basis. Instead, the Board members are provided with quarterly financial reports, summary and analysis on the Group's performance for monitoring and decision making.

目前管理层及时并持续地向董事会提供相关信息，以便董事会有效地履行其职责。其中包括提供最新的财务报告以及对集团经营表现的总结和分析，以便其进行有效的监管和决策。管理层不是对每个董事都提供每月的管理账目和解释，而是提供季度的财务报告、集团业绩表现总结和分析，以供监督和决策。

The Board takes steps to ensure compliance with legislative and regulatory requirements, including requirements under the Listing Rules, and will establish written policies in this relation, if appropriate.

董事会会逐步达到有关法令和法规(包括新交所《上市手册》)的要求，在适当的情况下形成书面政策文件。

Principle 11: Risk Management and Internal Controls

原则11：风险管理和内部监控

The Board determines the Company's levels of risk tolerance and risk tolerance policies, and oversee Management in the design, implementation and monitoring of the risk management and internal control system. The Board recognises that no internal control system will preclude all errors and irregularities. The system is designed to manage rather than to eliminate the risk of failure to achieve business objectives. The controls are to provide reasonable, but not absolute, assurance to safeguard shareholders' investments and the Group's assets.

董事会决定公司的风险公差水平和政策，并且负责管理在风险管理和内部控制系统方面的设计、实施和监控等。董事会意识到没有一个内部控制系统能够排除所有错误和违规行为。该系统的设计旨在管理而不是完全排除业务失败的风险。这些监控程序能够向股东投资和集团资产的保护提供合理的，但不是绝对的保证。

The Group has appointed Deloitte Touche Tohmatsu CPA LLP to continue in ascertaining the organisation's systems of risk management, control, and governance processes, as designed and represented by Management, is adequate and functioning in a proper manner through carrying out a desktop enterprise risk assessment, as well as a control self-assessment exercise. This will facilitate the Board in providing an opinion on the adequacy of the internal controls, addressing financial, operational, compliance and information technology controls, and risk management systems.

集团委托德勤华永会计师事务所有限公司，通过进行重大风险评估以及控制自我评估的方法，来帮助判断公司目前的风险管理、控制以及治理程序的组织系统是否完善并发挥作用。这将给董事会对企业内部控制、财务、运作以及执行等方面是否完善提供参考意见。



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The AC will ensure that a review of the effectiveness of the Group's material internal controls, including financial, operational, compliance and information technology controls, and risk management systems is conducted annually. The AC will review the audit plans, and the findings of the auditors and will ensure that the Group follows up on the auditors' recommendations raised, if any, during the audit process.

审计委员会将确保对集团内控的有效性进行年度检查，包括财务、经营、合规和信息技术控制，以及风险管理。审计委员会将审核审计计划及审计师发现的问题，并确保集团能够根据审计师提出的建议实施相应的改进措施。

The AC has reviewed the Group's risk and internal control assessment and based on the internal auditors' reports and the internal controls in place, it is satisfied with the internal controls in the Group save for areas relating to the outstanding interested person transactions and cross guarantees which have been disclosed in the Group's quarterly results and other announcements. Management continues to work closely with the majority shareholders to rectify these matters.

审计委员会检讨和评估了集团的风险和内部控制，并且基于内部审计报告以及所采取的内部控制措施，审计委员会对集团内部控制表示满意，除了关于未解决的关联方交易和互保事项（这些在集团的季度业绩报告和其他公告中有披露）以外。管理层将继续与大股东紧密地沟通协作来解决这些事宜。

The Board had received assurance from the CEO and Group Financial Controller: (a) that the financial records as at 31 December 2017 have been properly maintained and the financial statements for FY2017 give a true and fair view of the Company's operations and finances, and (b) regarding the effectiveness of the Company's risk management and internal control systems.

董事会收到首席执行官和集团财务总监的保证，保证(a) 公司截至2017年12月31日的财务记录保存完好，2017年度财务报告中关于公司的营运和财务状况的描述是真实的和公正的；以及(b) 关于公司风险管理和内部控制的有效性。

Principle 12: Audit Committee

原则12：审计委员会

The Board has an AC comprising two members, all of whom, including the Chairman are independent and have, among them, accounting, business or related financial management expertise and experience. The Independent Directors do not have any existing business or professional relationship of a material nature with the Group, other Directors or substantial shareholders. The Company will endeavor to appoint another suitably qualified candidate as Independent Director of the Company and shareholders will be kept updated in this regard. The members of the AC are as follows:—
董事会的审计委员会目前有两名成员，他们，包括委员会主席，都是独立的，他们都具有财务、业务或与财务有管理有关的专业知识和经验。独立董事跟集团、其他董事或主要股东不存在任何实质性的业务或者专业关系。公司会尽力寻找和委任多一名合格人选作为公司的独立董事。公司会就此事的进展向股东报告。审计委员会成员如下：

Mr Koh Poh Beng	(Chairman)	(Lead Independent Director)
Mr Lua Poh Huat	(Member)	(Independent Director)
高宝明先生	(主席)	(首席独立董事)
赖宝发先生	(成员)	(独立董事)

The AC assists the Board in discharging its responsibilities to safeguard the assets, maintain adequate accounting records and develop and maintain effective systems of internal control, with the overall objective of ensuring that Management creates and maintains an effective control environment in the Group.

审计委员会协助董事会履行其职责，包括保护资产、维护充分的会计记录并开展与维护有效的内部监控系统，总目标在于确保管理层在集团中建立和维护有效的监控环境。

The AC provides a channel of communication between the Board, Management and the external auditors on matters relating to audit.

审计委员会为董事会、管理层和外部审计师在审计事宜方面提供了沟通渠道。

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The AC has adopted written terms of reference that clearly set out its authority and duties.
审计委员会采纳了书面说明其义务与职责的参考条款。

The AC meets periodically to perform the following functions:
审计委员会定期召开会议执行以下职能：

- a) to review the audit plans of the external auditors and internal auditors, including the results of the external and internal auditors' review and evaluation of the Group's system of internal controls;
复审外部审计师和内部审计师的审计计划，包括外审和内审的审阅结果和集团内部控制系统的评估；
- b) to review the annual consolidated financial statements and the external auditors' report on those financial statements and discuss any significant adjustments, major risk areas, changes in accounting policies, compliance with Singapore financial reporting standards, concerns and issues arising from their audits including any matter which the auditors may wish to discuss in the absence of Management, where necessary, before submission to the Board for approval;
在提交董事会批准之前，复审年度合并财务报表和外部审计师报告，并讨论任何重大调整、主要风险事项、会计政策的变化、遵守新加坡财务报告准则、以及在审计中产生的关注点和问题，也包括审计师希望在管理层不在场的情况下讨论的问题；
- c) to review the periodic consolidated financial statements comprising the income statement and the balance sheet and such other information required by the Listing Rules, before submission to the Board for approval;
在提交董事会批准之前，定期复审合并财务报表，包括损益表、资产负债表和《上市手册》所要求的其他信息；
- d) to review and discuss with the external and internal auditors, any suspected fraud, irregularity or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position and Management's response;
与外部和内部审计师复审和讨论那些可能对集团运行结果或财务状况造成实质影响的可疑舞弊、不规范或者违反有关法律、法规或者规定的事项，以及后续的管理层回复；
- e) to review the co-operation given by Management to the external auditors;
复审管理层与外部审计师的合作；
- f) to recommend the appointment, re-appointment and removal of the external auditors to the Board;
就外部审计师的委任、重新委任和免职向董事会提出建议；
- g) to review and ratify any interested person transactions falling within the scope of Chapter 9 of the Listing Rules;
复审和批准属于《上市手册》第九章范围内的关联交易；
- h) to review any potential conflict of interests;
复审任何潜在的利益冲突；
- i) to undertake such other reviews and projects as may be requested by the Board, and report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and
进行董事会要求的其它项目的复审，并随时将引起审计委员会关注的问题和发现报告董事会；以及
- j) to undertake such other functions and duties as may be required by the statute or the Listing Rules, and by such amendments made thereto from time to time.
承担法规或新加坡证交所《上市手册》及其修订版后所要求的其它职能和义务。



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The AC carried out the following activities during FY2017 in the discharge of its functions and duties including the deliberation and review of:

审计委员会在2017财年中发挥其职能，包括审核以下内容：

- the unaudited quarterly financial results of the Group and announcements prior submission to the Board for approval and release the results to SGX;
审核在提交给董事会审核和新交所之前的集团每季度未审计的财务报告和公告；
- the internal and external audit plans in terms of their scope of audit prior to their commencement of their annual audit;
在内审和外审开始工作之前，审核他们的审计工作范围；
- the external auditors' report in relation to audit and accounting issues arising from the audit matters from audit of the Group in meeting with the external auditors without presence of the Executive Directors and Management;
审核外部审计师的有关审计和财务的报告，并在执行董事和管理层不在场的情况下单独与审计师面谈；
- the interested person transactions falling within scope of Chapter 9 and 10 of Listing Rules and any potential conflicts of interests; and
审核在《上市手册》第9章和第10章定义的关联交易以及任何潜在的利益冲突；以及
- the Whistle-Blowing Policy of the Group and procedures by which employees of the Group could report the possible improprieties to the AC Chairman (prior to the Resignations).
审核集团的揭发政策以及集团员工向审计委员会主席报告可能的不当行为的程序。

The AC carried out the following activities during FY2017 in the discharge of its functions and duties including the deliberation and review of:

审计委员会在2017财年进行了以下工作：

- the adequacy and effectiveness of the Group's internal audit function.
审核集团内部审计职能的充分性和有效性；
- the audited financial statements of the Group and of the Company prior to submission of the same to the Board of Directors for consideration and approval;
审核在提交给董事会讨论和审议之前的集团和公司的经审计的财务报告；
- the external audit and internal audit fees for FY2017 and had recommended the same to the Board for approval; and
审核截至2017财政年度外审和内审的费用，并提交董事会审议；以及
- the independence and re-appointment of the external auditors and had recommended the same to the Board for approval.
审核外部审计师的独立性以及是否再续聘，并提交董事会审议。

The Board has reviewed the independence of the external auditor including the volume of non-audit services supplied by them and is satisfied with their position as an independent external auditor, and the nomination of the external auditor for re-appointment at the AGM of the Company.

审计委员会已复审了外部审计师的独立性，包括他们所提供的非审计类的服务量，并对他们作为独立外部审计师的立场表示满意。审计委员会向董事会提出建议，在公司年度股东大会时对其进行重新委任。

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In appointing the auditing firm for the Company and its subsidiaries, the Company has complied with Rules 712 and 715 of the Listing Rules.

在为公司及其子公司委任审计师的程序上，公司符合《上市手册》第712和715条的要求。

The total amount of audit fee paid to the external auditors, Foo Kon Tan LLP for FY2017 was S\$418,000.00. The external auditors did not provide any non-audit services to the Group during FY2017.

2017财年，支付给外部审计师Foo Kon Tan LLP的审计费用总计约为418,000新元。在2017财年，外部审计师没有提供非审计的服务。

The AC has full access to, and cooperation from Management including the external auditors, and has full discretion to invite Executive Directors and any officer to attend its meetings. The AC also has power to investigate any matter brought to its attention, within its terms of reference, with the power to retain professional advice at the Company's expense.

审计委员会得到管理层以及外部审计师的全力配合，并具有邀请任何执行董事和执行人员来参加会议的决定权。在有关条款范围内，审计委员会有权调查所有其关注的事项，并有权保留专业建议，相关费用将由公司承担。

The AC meets with the external auditors, without the presence of Management at least once a year. The AC has met with the external auditors without the presence of Management during FY2017.

审计委员会每年至少在管理层不在场合的情况下，与外部审计师会谈一次。2017财年审计委员会与外部审计师在没有管理层参加的情况下进行了会谈。

The AC takes measures to keep abreast of the changes to accounting standards and issues which have impact on financial statements, with training conducted by professionals or external consultants. No former partner or director of the Company's existing auditing firm is a member of the AC.

审计委员会会接受专业人员和外部顾问的培训，以密切关注任何可能影响财务报告的会计准则的变化。公司目前审计公司的前合伙人或董事，没有人是公司的审计委员会成员。

Whistle-Blowing Policy

揭发政策

The Group has put in place a Whistleblowing Policy whereby the staff can access the Whistleblowing Co-ordinator, as well as the IA and AC, who act jointly and severally as Whistleblowing Protection Officers, to raise concerns about improprieties or suspected fraud within the Group.

集团已设立揭发程序制度，以便员工可与保护揭发者协调员以及审计委员会及内部审计师就集团内的不妥或可疑事项进行沟通。审计委员会和内部审计师在此制度中个别以及全体将对揭发程序制度的实施提供保障。

Principle 13: Internal Audit

原则13：内部审计

In accordance with the AC's recommendation, the Group had appointed Deloitte Touche Tohmatsu CPA LLP, as our Internal Auditor ("IA") to assist the Management to conduct internal control review in accordance with the audit plan approved by the Company's Management and AC, and to highlight and report to Management and the AC the areas where weaknesses exist and where improvements to the internal controls may be made.

根据审计委员会的推荐，公司委任了德勤华永会计师事务所有限公司为我们的内部审计师，来协助管理层履行根据审计委员会批准的审计计划审核内部控制系统职责，并向管理层及审计委员会提交报告，指出内控系统存在的薄弱环节及改进的措施以提高内部控制。



CORPORATE GOVERNANCE REPORT 企业治理报告

The IA reports directly to the AC Chairman on internal audit matters and to Management and the CEO on administrative matters.

对于内部审计事宜，内部审计师直接向审计委员会主席报告；对于行政管理事宜，内部审计师直接向管理层报告。

The AC also meets the IA at least once a year without the presence of Management.

审计委员会每年至少一次在管理层不在场的情况下与内部审计师会面。

To ensure the adequacy of the internal audit function, the AC reviews and approves the internal audit plan on an annual basis.

为了保证内部审计职能的充分性，审计委员会将每年对内审计划进行审批。

The AC is responsible to approve the hiring, removal, evaluation and compensation of the auditing firm. The IA have full access to all the Group's documents, records, properties and personnel, including access to the AC.

审计委员会负责内部审计公司的聘用、解除、评估以及补偿等事宜。内部审计师有权接触集团的所有文件、记录、财产和人员，包括审计委员会成员。

The IA carried out its functions in accordance with the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

内部审计根据内部审计师协会所制定的内部审计专业准则来执行其审计职能。

SHAREHOLDERS RIGHT AND RESPONSIBILITIES

股东的权利和义务

Principle 14: Shareholder Rights

原则14：股东权利

The Company engages in regular, effective and fair communication with shareholders. On a regular and timely basis, the Company disseminates material information via SGXNet and its official website.

公司定期、有效和公平地与股东进行沟通。公司定期及时地通过新加坡交易所网站以及其官方网站发布重要信息。

The Directors ensure that the shareholders have the opportunity to participate effectively in and vote at general meetings and shareholders will be well informed of the meeting and voting procedures.

董事保证股东在股东大会上有机会参与并投票，而且清楚地将有关会议的事宜和投票的程序清楚地告知股东。

Principle 15: Communication with Shareholders

原则15：与股东沟通

The Group strives for timeliness and transparency in its disclosures to the shareholders and the public. In addition to the regular dissemination of information on major developments through SGXNet, the Company also responds to enquiries from investors, analysts, fund managers and the press. However, the Company does not practice selective disclosure as all price-sensitive information is always released through SGXNet.

集团力争及时透明地向股东和公众进行信息披露。除了定期通过新加坡交易所网站就集团重大进展进行披露之外，公司还回答投资者、分析师、基金经理和媒体的询问。但公司没有作选择性披露，所有价格敏感信息都是通过新加坡交易所网站公布的。

CORPORATE GOVERNANCE REPORT

企业治理报告

The Company has in place an investor relations ("IR") website which contains investor-related information on the Company, including annual reports and the Company's offer document, for its shareholders. To ensure two-way flow of information, the Company has an IR contact to solicit feedback and understand the view of shareholders.

公司有一个投资者关系的网站，该网站包含了公司的与投资者有关的信息，包括年度报告、公司向股东披露的文件。为确保信息的双向交流，公司有一个投资者关系联系人，来收集反馈意见并了解股东的想法。

The Company currently does not have a fixed dividend policy. Nonetheless, the Management, after reviewing the performance of the Company in the relevant financial period, will make an appropriate recommendation to the Board. Any dividend declaration will be communicated to shareholders via announcement through SGXNet. The Board has not declared or recommended dividend in respect of FY2017, as Management is of the view that the cash can be better used in the repayment of its bank borrowings so as to remain competitive and to invest in new business opportunities to grow the Company at this juncture.

公司目前没有固定的股息政策。但是，管理层在考虑了公司在有关财务期内的经营状况之后，会向董事会提出适当的建议。任何派发股息的信息将会在新交所的网站上向股东公布。董事会在2017财年没有宣布或建议派发股息，这是因为管理层认为用现金来偿还银行贷款以保持公司的竞争力并且可以利用这些现金来投资在一些新的业务机会，以使公司发展壮大。

Principle 16: Conduct of Shareholder Meetings

原则16：召开股东大会

The Company is in full support of shareholders participation at general meetings. Shareholders are given the opportunity to enquire from Directors and Management on any matters concerning the Company and the Group during general meetings.

公司欢迎股东参加股东大会。股东在大会上可以对公司和集团的任何事宜向董事和管理层提问。

The Company's Constitution allows for absentia voting at general meetings.

公司的章程可以允许在股东大会上进行缺席投票。

There are separate resolutions at general meetings on each substantially separate issue, shareholders are invited to put forth any questions they may have on the motions to be debated and decided upon. Every shareholder of the Company is entitled to attend and vote at the general meetings of the Company and is allowed to appoint not more than two proxies to vote on his/her behalf at the general meetings during his/her absence. The Company had amended its Constitution in FY2016 to *inter alia* adopt the multiple proxies regime introduced under The Companies (Amendment) Act 2014 of Singapore. Accordingly, a shareholder who is a relevant intermediary (as defined in the Companies Act, Chapter 50 of Singapore) may appoint more than two proxies to attend, speak and vote at such meetings. This enables indirect investors to be appointed as proxies to participate in shareholders' meetings.

股东大会上的个别重大事项，均由个别提案决议。在决议表决之前，股东都被邀请提出任何问题和看法，经过讨论后，股东再进行投票。公司的每个股东都能够参加股东大会；如不能够亲临，则可以委托不超过两名代理人参加会议并代为投票。公司已经在2016财年修改章程，采用新加坡《公司法(修正案)2014》介绍的多名代理人制度。因此，一名股东，他是新加坡《公司法》第50章定义的相关中间人，可以委托超过两名代理人参加股东大会，并可以发言和投票。这可以使得非直接投资人可以作为代理人，受托参加股东大会。

In addition to Board Committees, the external auditors are also invited to attend AGM to assist the Directors to address shareholders' queries about the conduct of audit and the preparation and contents of the auditors' report.



CORPORATE GOVERNANCE REPORT 企业治理报告

除了参加董事会的委员会会议之外，外部审计师也被邀请参加年度股东大会，以协助董事答覆股东关于审计活动和审计师报告的准备和内容的质询。

The proceeding of the general meetings will be properly recorded, including all comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management, and to make these minutes available to shareholders upon their request.

股东大会的所有事项，包括所有有关会议议程的意见或问题以及董事会以及管理层的回答等，将被准确记录。如股东要查看会议纪要，公司有责任提供。

To promote greater transparency and effective participation, the Company has conducted the voting of all its resolutions by poll since its 2013 AGM. The detailed voting results, including the total number of votes cast for or against each resolution tabled, were announced immediately at the AGMs and via SGXNet.

为了提高透明度和有效性，公司从2013年度的股东大会开始以计票方式对决议进行表决。详细的计票结果，包括对每项决议的支持或反对的具体票数都会在股东大会上立即宣布以及通过新交所的SGXNet进行公告。

INTERESTED PERSON TRANSACTIONS (“IPT”)

关联方交易 (IPT)

The Company’s disclosure according to Rule 907 of the Listing Rules in respect of IPT for the financial year ended 31 December 2017 is stated as follows:

根据新加坡证交所《上市手册》第907条，截止2017年12月31日财年里公司的关联方交易披露如下：

Name of Interested Person 关联方名称	Aggregate value of all IPTs under review (excluding transactions less than \$100,000 and transactions conducted under shareholders’ mandate pursuant to Rule 920) 所有关联交易总值 (不包括少于 \$100,000 的交易和根据第920条规定股东授权进行的交易)	Aggregate value of all IPTs conducted under shareholders’ mandate pursuant to Rule 920 (excluding transactions less than \$100,000) 所有根据第920条规定股东授权进行的关联交易总值 (不包括少于 \$100,000 的交易)
Yixing Danson Technology Co., Ltd (“Yixing Danson”) 宜兴丹森科技有限公司 (“ 宜兴丹森 ”)	Corporate guarantees in favour of Yixing Danson – 给宜兴丹森提供企业担保 RMB479,000,000 Sale of crude AA to Yixing Danson – 销售粗丙烯酸给宜兴丹森 RMB195,696,000 Purchase of residual crude AA from Yixing Danson – 从宜兴丹森处购买剩余的粗丙烯酸 RMB64,027,000	–

CORPORATE GOVERNANCE REPORT
企业治理报告

Name of Interested Person 关联方名称	Aggregate value of all IPTs under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) 所有关联交易总值 (不包括少于 \$100,000 的交易和根据第920条规定股东授权进行的交易)	Aggregate value of all IPTs conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) 所有根据第920条规定股东授权进行的关联交易总值 (不包括少于 \$100,000 的交易)
Taixing Jinyan Chemical Technology Co., Ltd ("Taixing Jinyan") 泰兴金燕化学科技有限公司 ("泰兴金燕")	Corporate guarantees in favour of Taixing Jinyan – 给嘉兴金燕提供企业担保 RMB715,000,000 Supply of chemical raw materials to Taixing Jinyan – 提供化工原材料给泰兴金燕 RMB349,421,000 Purchase of chemical products from Taixing Jinyan – 从泰兴金燕购买化工产品 RMB11,193,000	–
Jiaying Jinyan Chemical Co., Ltd ("Jiaying Jinyan") 嘉兴金燕化工有限公司 ("嘉兴金燕")	Purchase of chemical products from Jiaying Jinyan – 从嘉兴金燕购买化工产品 RMB35,039,000	–
Taixing Jinyan Cangchu Co., Ltd. ("Taixing Cangchu") 泰兴金燕仓储有限公司 ("泰兴仓储")	Corporate guarantees in favour of Taixing Cangchu – 给泰兴仓储提供企业担保 RMB260,000,000	
Jiangsu Yinyan Specialty Chemical Co., Ltd ("Jiangsu Yinyan") 江苏银燕化工有限公司 ("江苏银燕")	Sales of chemical products to Jiangsu Yinyan – 销售化工产品给江苏银燕 RMB49,060,000 Sales of chemical products to Jiangsu Yinyan – 销售化工产品给江苏银燕 RMB9,462,000	Purchase of chemical products from Jiangsu Yinyan – 从江苏银燕购买化工产品 RMB11,372,000
Jiangsu Jurong Petrochemicals Co., Ltd ("Jiangsu Jurong") 江苏裕廊石油化工有限公司 ("江苏裕廊")	Sales of chemical products to Jiangsu Jurong – 销售化工产品给江苏裕廊 RMB13,275,000	Sales of chemical products to Jiangsu Jurong – 销售化工产品给江苏裕廊 RMB3,183,000

Note 注:

The Company is in the process of preparing a circular to seek shareholders' ratification for past interested person transactions, and a shareholders' mandate for any on-going interested person transactions.

公司正在准备《股东通告书》寻求股东对以往的关联交易的认可，并且争取获得股东对现在进行关联交易的授权。

CORPORATE GOVERNANCE REPORT 企业治理报告

As at 31 December 2017, the aggregate amount of the corporate guarantees that the Group provided to Yixing Danson, Taixing Jinyan and Taixing Cangchu was approximately RMB1,454,000,000, whilst the aggregate amount of corporate guarantees that these same entities provided to the Group was approximately RMB932,400,000.

截至2017年12月31日，集团对宜兴丹森、泰兴金燕和泰兴仓储提供的企业担保累计总额约为14.54亿元人民币，同时，这些企业给集团的担保累计总额约为9.324亿元人民币。

DEALINGS IN SECURITIES

证券交易

In line with Chapter 12, Rule 1207(19) of the Listing Rules, the Company has in place a policy on dealings in securities. The Directors and employees are prohibited from securities dealings whilst they are in possession of price-sensitive information. The Company issues regular circulars to its Directors, principal officers and relevant officers who have access to unpublished material price-sensitive information to remind them of the prohibition and to remind them of the requirement to report their dealing in shares of the Company.

根据《上市手册》12章第1207 (19)条，公司已设立证券交易的程序规定。当董事和雇员拥有价格敏感信息时禁止从事证券交易。公司定期向拥有未公开的价格敏感信息的董事、主要管理人员及相关职员发出通知，提醒他们禁止从事公司股票交易和汇报他们所从事的公司股票交易。

The Directors and employees are also prohibited from dealing in the securities of the Company during the period commencing two weeks prior to the announcement of the Company's financial statements for each of the first three quarters of its financial year and one month before the announcement of the Company's financial statements for the full financial year.

在财年前三个季度公司财务报表公布前两个星期，以及在公司全年财务报表公布前一个月到相关财务报表结果公布之日期间，禁止董事和雇员从事公司股票交易。

Directors and employees of the Group are observed not to deal in the Company's shares on short term consideration and when he or she is in possession of unpublished price-sensitive information relating to the Group. They are expected to observe the insider trading laws at all times even when dealing in securities within permitted trading period.

集团董事或职员都须遵守在获得未披露之集团敏感信息时不短线交易公司股票。同时，也须在任何时候即使是可交易期间，遵守内线交易法律。

MATERIAL CONTRACT

重要合同

Save as disclosed, there are no other material contract entered by the Group or its subsidiaries involving the interest of the Chief Executive Officer, any Director or controlling shareholder subsisting in FY2017.

除了已经公告的内容，2017财年，集团及其属子公司没有签署任何涉及到首席执行官、董事或者控股股东的重要合同。

RISK MANAGEMENT

风险管理

Management will regularly review the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks within the Group's policies and strategies. The Management reviews all significant control policies and procedures and highlight all significant matters to the Directors and the AC. Please refer to Principle 11 on Risk Management Internal Controls.

管理层会定期检查集团业务和运转情况，从而在集团方针和战略范围内确定重大业务风险事项和能够控制和减轻这些风险的适当措施。管理层检讨所有主要的控制政策和程序，并且向董事会和审计委员会提出需要留意的事项。请参阅原则11有关风险管理和内部控制的内容。



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DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2017 and the statement of financial position of the Company as at 31 December 2017.

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 2017 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; and
- (b) at the date of this statement, 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 Xiao
Yang Guoqiang
Zhu Wuling
Koh Poh Beng (Gao Baoming) (appointed on 5 May 2017)
Lua Poh Huat (appointed on 5 May 2017)

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>	
	As at 1.1.2017 or date of appointment, if later	As at 31.12.2017 and 21.1.2018 [#]	As at 1.1.2017 or date of appointment, if later	As at 31.12.2017 and 21.1.2018 [#]
SunVic Chemical Holdings Limited				
		<u>Number of ordinary shares</u>		
Yang Guoqiang	190,000	190,000	-	-
Zhu Wuling	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 2018.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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 both the internal and external audits and the assistance given by the Company's officers to the auditors. It met with the Company's internal and 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 2017 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 via reviews carried out by the internal auditors;
- (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;



DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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 auditor 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, 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 24(b) to the financial statements.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Other information required by the SGX-ST (Cont'd)

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 24(a) to the financial statements.

On behalf of the Directors

.....
SUN XIAO

.....
ZHU WULING

Dated: 12 April 2018



INDEPENDENT AUDITOR'S REPORT

to the members of SunVic Chemical Holdings Limited

Report on the Audit of the financial statements

Opinion

We have audited the financial statements of SunVic Chemical Holdings Limited (the Company) and its subsidiaries (the Group), which comprise the consolidated statements of financial position of the Group and the statement of financial position of the Company as at 31 December 2017, and 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) 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 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key Audit Matter	Risk	Our responses and work performed
Impairment of property, plant and equipment	The Group has been incurring operating losses since year 2014. In addition, the Group has idle capacity and there are certain property, plant and equipment currently not in used. The market demand for the Group's core products acrylic acid and acrylate esters, remained unstable in the year 2017.	We have identified the impairment of property, plant and equipment is significant to our audit. Our audit procedures included, among others, obtaining an understanding of and challenging management's assumptions in determining the recoverable amounts of the non-financial assets. The recoverable amount of non-financial assets was based on fair value less costs of disposal, estimated using depreciated replacement cost method. The depreciated replacement cost method is defined as the gross current replacement cost reduced by factors providing for age, physical depreciation, technical and functional obsolescence considering the assets' total estimated useful life and anticipated residual value (if any).

INDEPENDENT AUDITOR'S REPORT

to the members of SunVic Chemical Holdings Limited

Key Audit Matters (Cont'd)

Key Audit Matter	Risk	Our responses and work performed
Impairment of property, plant and equipment (Cont'd)	In view of the uncertain market outlook, there is material uncertainty in the Group's ability to generate future economic cash inflow from certain property, plant and equipment. Hence, there is a risk relating to the impairment of property, plant and equipment due to the uncertain global economic environment, depressed crude oil prices as well as oversupply and low market demand for its products.	The management has assessed the depreciated replacement cost method to be the most appropriate valuation method given the lack of market data for comparison. We have critically evaluated management's methodologies in preparing impairment models and documented basis for key assumptions. The most significant input of the depreciated replacement cost valuation relates to the estimated obsolescence of the assets over physical, functional and technological aspects. Our procedures to address the key audit matter includes: • assessing internal controls designed to identify impairment indicators; • evaluating the reasonableness of the Group's judgments as to the existence of impairment indicators, and consequently, the requirement to perform related impairment tests of non-current assets; • critically assessing the Group's assumptions and estimates used to determine the recoverable amount of non-financial assets and consequently any impairment losses recognised; • critically assessing the Group's identification of assets that were idle, using our experience of the Group and review of historical experience, whether such assets have any recoverable value; • running a range of sensitivity analyses to confirm that no impairment was required if a range of less optimistic assumptions were adopted. Management's disclosures on the impairment of non-financial assets is included in Note 9 to the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

to the members of SunVic Chemical Holdings Limited

Key Audit Matters (Cont'd)

Key Audit Matter	Risk	Our responses and work performed
Related party transactions	During the year, the Group entered into arm-length sales and purchases transactions (collectively known as "Transactions") with related parties as disclosed in Note 24(b) to the financial statements. The Transaction values were significant and it totalled RMB 655,220,000 (2016: RMB 257,500,000). 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. These transactions had been reviewed by the Group's in-house legal counsel as to their compliance with a practice commonly carried out in the PRC.	Our procedures to address the key audit matter includes: • Inquired the management about the identity of related parties, the nature of relationships and the type and purpose of related party transactions; • Inquired the management and others within the entity to understand the entity's controls on related party relationships and transactions. • Inspected the underlying contracts or agreements. • Assessed the business rationale of the transactions to see whether they may have been initiated to engage in fraudulent financial reporting or to conceal misappropriation of assets. • Assessed whether the terms of the transactions are consistent with management's explanations. • Verified if the transactions have been appropriately accounted for and disclosed in accordance with the applicable financial reporting requirements. • Obtained evidence that the transactions have been appropriately authorised and approved. • Assessed whether the transaction is excessively complex; • Assessed whether it carries unusual terms of trade, like unusual prices, interest rates, repayment terms or guarantees; • Assessed whether it involves related parties that were not previously identified by management. • Performed an interview with a significant related party to understand the logical business reason of the transactions. • Performed an interview with in-house legal counsel and external lawyer as to their compliance with a practice commonly carried out in the industry.

INDEPENDENT AUDITOR'S REPORT

to the members of SunVic Chemical Holdings Limited

Other Information

Management is responsible for the other information. The other information refers to the "Directors' Statement" section of the annual report but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the remaining sections of the annual report which are expected to be made available to us after that date.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining sections of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

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 FRSs, 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 objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



INDEPENDENT AUDITOR'S REPORT

to the members of SunVic Chemical Holdings Limited

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

INDEPENDENT AUDITOR'S REPORT

to the members of SunVic Chemical Holdings Limited

Report on Other Legal and Regulatory Requirements

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

Other matters

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 2017, the transactions consist of the sale of chemical products of RMB 195,696,000 (2016 - RMB 475,505,000) and purchase of inventories of RMB 65,658,000 (2016 - RMB 130,302,000). We understand that the Company has appointed the relevant professional advisers to assist in the compliance. The Company has not convened the extraordinary general meeting as at the date of this report as they are in the process of obtaining SGX’s approval in respect of the contents in the shareholder’s circular to the extraordinary general meeting. We draw your attention to the uncertainty related to the outcome of this convening of extraordinary general meeting or the non-compliance of the SGX listing rules.

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 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 86% owned subsidiary company of Jiaying Jinyan. The transactions consist of sale of raw materials of RMB 349,421,000 (2016 – RMB 226,769,000), purchase of inventories of RMB 11,193,000 (2016 – RMB 720,000) and purchase of raw material RMB 2,123,000 (2016 – 2,187,000). We understand that the Company has appointed the relevant professional advisers to assist in the compliance. The Company has not convened the extraordinary general meeting as at the date of this report as they are in the process of obtaining SGX’s approval in respect of the contents in the shareholder’s circular to the extraordinary general meeting. We draw your attention to the uncertainty related to the outcome of this convening of 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 Tei Tong Huat.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 12 April 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000
Revenue	4	2,246,712	2,133,553
Cost of sales		(2,023,780)	(2,063,433)
Gross profit		222,932	70,120
Other income	5	45,720	168,202
Distribution expenses		(42,772)	(36,205)
Administrative expenses		(122,166)	(172,967)
Other operating expenses	6(a)	(39,239)	(245,703)
Finance costs	6(b)	(81,634)	(78,682)
Loss before taxation	6(c)	(17,159)	(295,235)
Taxation	7	(5,704)	(69,570)
Loss for the year		(22,863)	(364,805)
Other comprehensive income after tax:			
(Item that may be reclassified subsequently to profit or loss)			
Foreign currency translation		(574)	349
Total comprehensive loss for the year		(23,437)	(364,456)
Loss attributable to:			
Owners of the Company		(20,322)	(341,489)
Non-controlling interests		(2,541)	(23,316)
Loss for the year		(22,863)	(364,805)
Total comprehensive loss attributable to:			
Owners of the Company		(20,896)	(341,140)
Non-controlling interests		(2,541)	(23,316)
Total comprehensive loss for the year		(23,437)	(364,456)
Loss per share:			
Basic and diluted	8	(3.8)	(64.2)

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

STATEMENT OF
FINANCIAL POSITION

AS AT 31 DECEMBER 2017

		Group		Company	
	Note	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	9	1,135,353	1,206,559	-	-
Intangible assets	10	9,259	9,915	-	-
Land use rights	11	59,173	48,772	-	-
Investment in subsidiaries	12(a)	-	-	342,623	342,623
Long-term prepayments	13	6,027	-	-	-
Deferred tax assets	14(a)	24,430	24,430	-	-
Fixed deposits - pledged	17	76,739	-	-	-
Value-added tax recoverable	14(b)	84,931	86,380	-	-
		1,395,912	1,376,056	342,623	342,623
Current assets					
Inventories	15	109,132	81,893	-	-
Trade and other receivables	16	954,950	990,299	46,996	45,283
Cash and cash equivalents	17	278,164	262,216	306	1,036
		1,342,246	1,334,408	47,302	46,319
Non-current assets held for sale	18	-	12,532	-	-
Total assets		2,738,158	2,722,996	389,925	388,942
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)
Retained earnings		404,441	424,763	64,426	66,726
Other reserves	20	288,897	289,471	-	-
		983,279	1,004,175	354,367	356,667
Non-controlling interests		(79,659)	(77,118)	-	-
Total equity		903,620	927,057	354,367	356,667
Non-current liabilities					
Borrowings	21	228,631	180,000	-	-
Deferred tax liabilities	14(a)	7,500	7,500	-	-
		236,131	187,500	-	-
Current liabilities					
Borrowings	21	707,853	957,300	-	-
Trade and other payables	22	877,483	645,956	35,558	32,275
Income tax payable		13,071	5,183	-	-
		1,598,407	1,608,439	35,558	32,275
Total liabilities		1,834,538	1,795,939	35,558	32,275
Total equity and liabilities		2,738,158	2,722,996	389,925	388,942

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



CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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 2016	291,516	(1,575)	255,286	(15,979)	(499)	50,314	289,122	766,252	1,345,315	(53,802)	1,291,513
Loss for the year	-	-	-	-	-	-	-	(341,489)	(341,489)	(23,316)	(364,805)
Other comprehensive income	-	-	-	349	-	-	349	-	349	-	349
Total comprehensive income/(loss) for the year	-	-	-	349	-	-	349	(341,489)	(341,140)	(23,316)	(364,456)
Balance at 31 December 2016	291,516	(1,575)	255,286	(15,630)	(499)	50,314	289,471	424,763	1,004,175	(77,118)	927,057
Loss for the year	-	-	-	-	-	-	-	(20,322)	(20,322)	(2,541)	(22,863)
Other comprehensive income	-	-	-	(574)	-	-	(574)	-	(574)	-	(574)
Total comprehensive income/(loss) for the year	-	-	-	(574)	-	-	(574)	(20,322)	(20,896)	(2,541)	(23,437)
Balance at 31 December 2017	291,516	(1,575)	255,286	(16,204)	(499)	50,314	288,897	404,441	983,279	(79,659)	903,620

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 RMB'000	2016 RMB'000
Cash Flows from Operating Activities			
Loss before taxation		(17,159)	(295,235)
Adjustments for:			
Interest expense	6(b)	81,634	78,682
Interest income	5	(3,988)	(2,662)
Depreciation of property, plant and equipment	9	135,053	142,590
Impairment loss of property, plant and equipment	9	-	178,527
Amortisation of intangible assets	10	774	766
Amortisation of land use rights	11	1,404	1,376
Gain on disposal of property, plant and equipment	5	(232)	(668)
Property, plant and equipment written off	6(a)	707	-
Inventories written-down		-	2,588
Unrealised currency translation difference		574	349
Provision for doubtful debts		355	258
Reversal of write-down of inventories		(2,588)	(13,697)
Operating profit before working capital changes		196,534	92,874
(Increase)/decrease in inventories		(24,654)	62,502
Decrease in trade and other receivables		32,568	519,444
Increase/(decrease) in trade and other payables		317,620	(358,713)
Cash generated from operations		522,068	316,107
Income tax refund/(paid)		2,185	(7,227)
Net cash flows generated from operating activities		524,253	308,880
Cash Flows from Investing Activities			
Interest received		3,988	2,662
Purchase of property, plant and equipment (Note A)		(152,014)	(82,770)
Purchase of intangible assets	10	(2)	(335)
Proceeds from disposal of property, plant and equipment		1,484	24,460
Net cash flows used in investing activities		(146,544)	(55,983)
Cash Flows from Financing Activities			
Proceeds from borrowings		1,339,256	2,112,157
Repayments of borrowings		(1,540,072)	(2,386,825)
Interest paid		(81,634)	(78,682)
Decrease in pledged deposits		(131,870)	118,225
Net cash flows used in financing activities		(414,320)	(235,125)
Net (decrease)/increase cash and cash equivalents		(36,611)	17,772
Cash and cash equivalents at beginning		196,507	173,553
Effects of exchange rate changes		(2,572)	5,182
Cash and cash equivalents at end	17	157,324	196,507

Note:

A. Property, plant and equipment

During the year, the Group paid cash of RMB 152,014,000 (2016 - RMB 82,770,000) for the additions to property, plant and equipment amounting to RMB 74,406,000 (2016 - RMB 67,660,000). The difference was mainly due to payment made for prior year payables for property, plant and equipment.

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

B. Reconciliation of liabilities arising from financing activities

With effective from 1 January 2017, the Amendments to FRS 7 Statements of Cash Flow comes with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in 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:

	31 December 2016	Cash flows		31 December 2017
		Cash outflow	Cash inflow	
	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	1,137,300	(1,540,072)	1,339,256	936,484

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

1 General information

The financial statements of the Company and of the Group for the year ended 31 December 2017 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 (FRS) 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) Interpretations and amendments to published standards effective in 2017

The directors do not anticipate that the adoption of the FRSs will have a material impact on the financial statements of the Group and the Company in the period of their initial adoption except for the following new or amended FRS and INT FRS issued and effective in year 2017:

Reference	Description	Effective date (Annual Periods beginning on)
Amendments to FRS 7	Statement of Cash Flows	1 January 2017

Amendments to FRS 7 Statement of Cash Flows

The Amendments to *FRS 7 Statement of Cash Flows* required entities to reconcile cash flows arising from financing activities as reported in the statement of cash flows – excluding contributed equity – to the corresponding liabilities in the opening and closing statements of financial position and to disclose on any restrictions over the decisions of an entity to use cash and cash equivalent balances, in particular way - e.g. any tax liabilities that would arise on repatriation of foreign cash and cash equivalent balances. These amendments are effective on beginning or after 1 January 2017. As this is a disclosure standard, it will have no impact to the financial position and performance of the Group when applied in.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 Summary of significant accounting policies (Cont'd)

(c) FRS issued but not yet effective

The Accounting Standards Council announced on 29 May 2014 that Singapore-incorporated companies listed on the SGX-ST will apply a new financial reporting framework identical to the International Financial Reporting Standards ("IFRS") for financial year ending 31 December 2018 onwards. Singapore-incorporated companies listed on the SGX-ST will have to assess the impact of IFRS 1 First-time adoption of IFRS when transitioning to the new reporting framework. The Group is currently assessing the impact of transitioning to the new reporting framework on its financial statements.

The Group has performed an assessment of the impact of adopting the new financial reporting framework. Other than the adoption of the new standards that are effective on 1 January 2018, the Group expects that the adoption of the new framework will have no material impact on the financial statements in the year of initial application. The Group expects that the impact of adopting the new standards that are effective on 1 January 2018 will be similar to that as disclosed below.

The following are the new or amended FRSs and INT FRS issued in 2017 that are not yet effective but may be early adopted for the current financial year:

Reference	Description	Effective date (Annual periods beginning on or after)
SFRS(I) 15	Revenue from Contracts with Customers	1 January 2018
SFRS(I) 9	Financial Instruments	1 January 2018
SFRS(I) INT 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
SFRS(I) 16	Leases	1 January 2019

The directors do not anticipate that the adoption of the above FRSs in future periods will have a material impact on the financial statements of the Group and the Company in the period of their initial adoption, except the following:

SFRS(I) 15 Revenue Contracts with Customers

SFRS(I) 15 *Revenue from Contracts with Customers* establishes a framework for determining when and how to recognise revenue. The objective of the standard is to establish the principles that an entity shall apply to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. It established a new five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods and services to a customer.

The standard replaces FRS 11 *Construction Contracts*, FRS 18 *Revenue*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for Construction of Real Estate*, INT FRS 118 *Transfer of Assets from Customers* and INT FRS 31 *Revenue - Barter Transactions involving Advertising Services*. The new standard applies to contracts with customers. However, it does not apply to insurance contracts, financial instruments or lease contracts, which fall into the scope of other standards.

The standard clarifies how to:

- Identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract
- Determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided)
- Determine whether the revenue from granting a licence should be recognised at a point in time or over time.

The amendments have the same effective date as the Standard, SFRS(I) 15, i.e. on 1 January 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 Summary of significant accounting policies (Cont'd)

(c) FRS issued but not yet effective (cont'd)

SFRS(I) 15 Revenue Contracts with Customers (cont'd)

During 2017, the Group completed its initial assessment of the impact on the Group's financial statements. Based on its initial assessment, the Group does not expect significant changes to the basis of revenue recognition for its development projects in Singapore and overseas. However, additional disclosures for trade receivables and revenue may be required, including any significant judgement and estimation made.

The Group plans to adopt the standard when it becomes effective in 2018 using the full retrospective approach. The Group is currently performing a detailed analysis under SFRS (I) 15 to determine its election of the practical expedients and to quantify the transition adjustments on its financial statements. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application as the management has yet to complete its detailed assessment. Management does not plan to early adopt the new SFRS (I) 15.

SFRS(I) 9 Financial Instruments

SFRS(I) 9 *Financial Instruments* replaces the FRS 39 and it is a package of improvements introduced by SFRS(I) 9 which includes a logical model for:

- Classification and measurement;
- A single, forward-looking "expected loss" impairment model; and
- A substantially reformed approach to hedge accounting.

SFRS(I) 9 is effective for annual periods beginning on or after 1 January 2018.

During 2017, the Group has completed its initial assessment of the impact on the Group's financial statements. Overall, the Group does not expect a significant change to the measurement basis arising from adoption the new classification and measurement model under SFRS (I) 9.

Loans and receivables currently accounted for at amortised cost will continue to be accounted for using amortised cost model under SFRS (I) 9.

Impairment – The Group plans to apply the 12- month approach and record lifetime expected impairment losses on all trade receivables.

The Group is currently performing a detailed analysis under SFRS (I) 9 which will result in changes to the accounting policies relating to the impairment provisions of financial assets and liabilities. Management will consider whether the 12 – month or lifetime expected credit losses on financial assets and liabilities should be recognised, which is dependent on whether there has been a significant increase in the credit risk of the assets and liabilities from initial recognition to the date of initial application of SFRS (I) 9. Additional disclosures will also be made. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application as the management has yet to complete its detailed assessment. Management does not plan to early adopt the new SFRS (I) 9.

SFRS(I) INT 22 Foreign Currency Transactions and Advance Consideration

This Interpretation provides requirements about which exchange rate to use in reporting foreign currency transactions (such as revenue transactions) when payment is made or received in advance.

The Interpretations are effective from 1 January 2018. The Group is reassessing the impact to the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 Summary of significant accounting policies (Cont'd)

(c) FRS issued but not yet effective (cont'd)

SFRS(I) 16 Leases

SFRS(I) 16 *Leases* replaces accounting requirements introduced more than 30 years ago in accordance with FRS 17 *Leases* that are no longer considered fit for purpose, and is a major revision of the way in which companies where it is required lessees to recognise most leases on their balance sheets. Lessor accounting is substantially unchanged from current accounting in accordance with FRS 17. SFRS(I) 16 *Leases* will be effective for accounting periods beginning on or after 1 January 2019. Early adoption will be permitted, provided the company has adopted SFRS(I) 15.

The Group has performed a preliminary assessment of the new standard on its existing operating lease arrangements as a lessee. Based on the preliminary assessment, the Group has office where they are operating leases. The Group expects these operating leases to be recognised as Right-Of-Use assets with corresponding lease liabilities under the new standard. This would increase the gearing ratio of the Group. It is currently impracticable to disclose any further information on the known or reasonable estimable impact to the entity's financial statement. Management does not plan to early adopt the above new SFRS (I) 16.

(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 financial year. 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 12(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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 FRSs).

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 FRS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 Summary of significant accounting policies (Cont'd)

(d) Significant accounting policies (Cont'd)

Consolidation (Cont'd)

Acquisition of businesses (Cont'd)

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.

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 fittings	-	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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 Summary of significant accounting policies (Cont'd)

(d) Significant accounting policies (Cont'd)

Property, plant and equipment (Cont'd)

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 each reporting date as a change in estimates.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 Summary of significant accounting policies (Cont'd)

(d) Significant accounting policies (Cont'd)

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 Summary of significant accounting policies (Cont'd)

(d) Significant accounting policies (Cont'd)

Impairment of non-financial assets

The carrying amounts of the Company's and the Group's non-financial assets subject to impairment are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belong will be identified.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Individual assets or cash-generating units are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use, based on an internal discounted cash flow evaluation. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Any impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case it is charged to equity.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

A reversal of an impairment loss on a revalued asset, if any, is credited directly to equity under the heading revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the profit or loss, a reversal of that impairment loss is recognised as income in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 Summary of significant accounting policies (Cont'd)

(d) Significant accounting policies (Cont'd)

Financial assets

Financial assets, other than hedging instruments, can be divided into the following categories: Financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the assets were acquired. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

All financial assets are recognised on their trade date - the date on which the Company and the Group commit to purchase or sell the asset. Financial assets are initially recognised at fair value, plus directly attributable transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

An assessment for impairment is undertaken at least at the end of each reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company and 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.

Non-compounding interest and other cash flows resulting from holding financial assets are recognised in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

As at 31 December 2017, the Company and the Group has loans and receivables. The Company and the Group do not designate any held-to-maturity investments, financial assets at fair value through profit or loss and available-for-sale financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company and the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Loans and receivables include trade and other receivables, pledged deposits and cash and bank balances. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. If there is objective evidence that the asset has been impaired, the financial asset is measured at the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. The impairment or write-back is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 Summary of significant accounting policies (Cont'd)

(d) Significant accounting policies (Cont'd)

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.

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.

Non-current assets held-for-sale

Non-current assets 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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 Summary of significant accounting policies (Cont'd)

(d) Significant accounting policies (Cont'd)

Financial liabilities (Cont'd)

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.

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 recognised at their fair value plus transaction costs in the statements of financial position.

Financial guarantee contracts are subsequently amortised to the profit or loss over the period of the subsidiaries' borrowings, unless the Company has incurred an obligation to reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantee contracts shall be carried at the expected amount payable to the bank.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 Summary of significant accounting policies (cont'd)

(d) Significant accounting policies (cont'd)

Leases

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.

Revenue recognition

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes goods and services taxes and is arrived at after deduction of trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

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.

Interest income is recognised on a time-apportioned basis using the effective interest rate method.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 Summary of significant accounting policies (cont'd)

(d) Significant accounting policies (cont'd)

Income taxes (Cont'd)

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.

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 23, 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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 reporting date 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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)

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.

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 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.

3 Significant accounting estimates and judgements

The preparation of the financial statements in conformity with FRS 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 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

Income taxes (Note 7 and 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

3 Significant accounting estimates and judgements (Cont'd)

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

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 management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

Environmental remediation

The Group has not incurred any expenditure for environmental remediation, is currently not involved in any environmental remediation, and has not accrued any amounts for environmental remediation relating to its operations. Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. However, the PRC government may move further towards more rigorous enforcement of applicable laws, and towards the adoption of more stringent environmental standards. The outcome of environmental liabilities under future environmental legislation cannot be reasonably estimated at present and hence not provided for but which could be material.

Joint arrangement (Note 12(b))

In 2014, the Group partially disposed of 55% of its interest in Taixing Sunke Chemicals Co., Ltd. ("Sunke") to a third party and retained 45% equity interest. Both the equity owners of Sunke have three board representation each in the Board of Directors. No parties have the casting vote in the event of any disagreement on the operation of Sunke.

Although Sunke is legally separated from the parties, the Group has classified it as a joint operation in accordance with the requirements of FRS 111. This is on the basis that contractual arrangements with Sunke is to provide the joint control parties the extent of the Group's obligation as to the annual output of the relevant activities and derive substantially the economic benefits accruing from the joint operations.

As at 31 December 2017, there are no changes to the ownership and terms of the joint arrangement.

Investment in subsidiary

As disclosed in Note 12(a), the Group owns 42.4% equity interest in SunVic Asia Pacific Investments Holdings Pte. Ltd. ("SVAP") which is less than half. However, the Group is able to control SVAP and is exposed to, or has rights to, variable returns from its involvement with SVAP and has the ability to affect those returns through its power over SVAP. This is because the Group has exercisable option to subscribe for additional ordinary shares of SVAP, which could potentially increase its equity interests in SVAP by 30.2% to 72.6% and the remaining equity interest of SVAP is held by Whitefield Capital Inc. which is the holding company of the Group. Consequently, SVAP is accounted for as a subsidiary in the Group.

Going concern

The Group reported a loss after taxation of approximately RMB 22,863,000 (2016 - RMB 364,805,000) and total comprehensive loss of approximately RMB 23,437,000 (2016 - RMB 364,456,000) for the financial year ended 31 December 2017. The Group's current liabilities exceeded the current assets by approximately RMB 256,161,000 (2016 - RMB 274,031,000) as at 31 December 2017. The Group has been incurring operating losses for a consecutive four years since year 2014. The market demand for the Group's core products acrylic acid and acrylate esters, remained weak throughout 2017. In view of the uncertain market outlook, there is material uncertainty of the Group's ability to generate future economic cash inflow from its operations. This may cast doubt on the Group's ability to operate as a going concern due to the challenging environment and lack of business visibility in the chemical industry.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

3 Significant accounting estimates and judgements (Cont'd)

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

Going concern (Cont'd)

However, in the opinion of the directors of the Group, the financial statements prepared on a going concern basis is appropriate on the basis that appropriate measures will be taken to reduce the operating costs as well as to continue to increase its revenue. The Group net cash flows generated from operating activities for financial year 2017 is RMB 524,253,000 (2016 – RMB 308,880,000). The Group continues to implement measures to improve the Group's liquidity condition, including but not limited to actively monitoring the collections from trade receivables, utilisation of advances paid to suppliers in the coming financial year and tightening its costs. In addition, the Group has a positive net asset of approximately RMB 903,620,000 (2016 - RMB 927,057,000).

The Group has adequate amount of credit facilities available in addition to cash and cash equivalents of RMB 354,900,000 (2016 - RMB 262,200,000). Given its good track record in servicing its debts and reputation in the chemical industry, the Group believes that going forward, it will continue to be able to renew its bank loans when they are due. In addition, the Group has obtained guarantee from related parties amounting to RMB 932,400,000 for banking borrowing due to financial institutions of RMB 936,484,000 and personal guarantee from Ms. Hu Yanping, the substantial shareholders of the Company and Mr. Sun Xiao (the Chief Executive Officer of the Company) for all guarantees provided by the Group. (See below)

Related parties' transactions

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.

3.2 Significant accounting estimates

Corporate guarantee (Note 26)

The Group acted as a corporate guarantor to its related parties amounted to RMB 1,454,000,000 (2016 - RMB 1,390,000,000) to secure banking facilities. As at 31 December 2017, the related parties had drawn down an amount of RMB 920,200,000 (2016 - RMB 948,180,000) from these facilities.

At the reporting date, the Group and the Company do not consider it probable that a claim will be made against the Company under the intra-group financial guarantee. Based on historical experience, there are no defaults in the repayment of the principal or interest payments when due in accordance with the terms of the borrowings of the related parties.

Impairment of loans and receivables (Note 16)

The Group 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 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 value 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 loans and receivables at the end of the reporting period is disclosed in Note 16 to the financial statements.

If the present value of estimated future cash flows decrease by 10% from management's estimates, the Group's allowance for impairment will increase by RMB 109,200 (2016 - increase by RMB 73,700).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

3 Significant accounting estimates and judgements (Cont'd)

3.2 Significant accounting estimates (Cont'd)

Impairment of non-financial assets (Note 9)

An impairment exists when the carrying value 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. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested.

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

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

As a result of the assessment, an impairment loss of RMB Nil (2016 - RMB 92,662,000) was recognised in profit or loss. The recoverable amount of property, plant and equipment was based on fair value less costs of disposal, estimated using depreciated replacement cost method.

The key sensitivity of the depreciated replacement cost valuation relates to the estimated obsolescence of the assets over physical, functional and technological aspects. An increase of one percentage point in the estimated obsolescence used would have increased the impairment loss by RMB Nil (2016 - RMB 4,774,000).

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

As a result of the assessment, an impairment loss of RMB Nil (2016 - RMB 57,880,000) was recognised in profit or loss. The recoverable amount of the property, plant and equipment was based on fair value less costs of disposal, estimated using depreciated replacement cost method.

The key sensitivity of the depreciated replacement cost valuation relates to the estimated obsolescence of the assets over physical, functional and technological aspects. An increase of one percentage point in the estimated obsolescence used would have increased the impairment loss by RMB Nil million (2016 - RMB 2,964,000).

The carrying amount as at 31 December 2017 was disclosed in Note 9 to the financial statements.

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

As a result of the assessment, an impairment loss of RMB Nil (2016 - RMB 27,985,000) was recognised in profit or loss. The recoverable amount of property, plant and equipment was based on fair value less costs of disposal, estimated using depreciated replacement cost method.

The key sensitivity of the depreciated replacement cost valuation relates to the estimated obsolescence of the assets over physical, functional and technological aspects. An increase of one percentage point in the estimated obsolescence used would have increased the impairment loss by RMB Nil (2016 - 515,000).



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

3 Significant accounting estimates and judgements (Cont'd)

3.2 Significant accounting estimates (Cont'd)

Depreciation of property, plant and equipment (Note 9)

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of property, plant and equipment to be within 3 to 20 years. The carrying amount of the Company's and the Group's property, plant and equipment as at 31 December 2017 are RMB Nil (2016 - RMB Nil) and RMB 1,135,353,000 (2016 - RMB 1,206,559,000) 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 increases/decreases by 10% from management's estimates, the Group's profit for the year will decrease/increase by approximately RMB 13,505,000 (2016 - RMB 14,259,000).

Allowance for inventory obsolescence (Note 15)

The Group reviews the ageing analysis of inventories at each reporting date, 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 management's estimates, the Group's profit will decrease/increase by RMB Nil (2016 - RMB 258,800). The carrying amount of the inventory is disclosed in Note 15 to the financial statements.

4 Principal activities and revenue

The principal activities of the Company are those relating to investment holding. The principal activities of the subsidiaries are as stated in Note 12(a).

Revenue of the Group consists of revenue from sale of goods.

5 Other income

The Group	2017 RMB'000	2016 RMB'000
Rental income	667	942
Interest income	3,988	2,662
Reversal of inventory write-down	2,588	13,697
Compensation received from joint venture party for changes in joint venture terms	-	100,000
Sale of raw material, other spare parts, steam and provision of waste water treatment services	34,479	42,171
Gain on disposal of property, plant and equipment	232	668
Other miscellaneous income	3,766	8,062
Total other income	45,720	168,202

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

6(a) Other operating expenses

The Group	Note	2017 RMB'000	2016 RMB'000
Impairment loss of property, plant and equipment	9	-	178,527
Property, plant and equipment written off		707	-
Cost of raw material and steam sold and provision of waste water treatment services		28,496	38,140
Employee compensation		866	-
Inventories written-off		751	-
Penalty		1,379	1,252
Prepayment written-off		5,691	-
Other miscellaneous expenses		1,349	27,784
		39,239	245,703

6(b) Finance costs

The Group	2017 RMB'000	2016 RMB'000
Interest paid and payable to banks	81,634	78,682

6(c) Loss before taxation

Loss before taxation is stated after charging:

The Group	Note	2017 RMB'000	2016 RMB'000
Audit fees paid to:			
- Auditors of the Company		2,056	2,011
Cost of inventories included in cost of sales	15	1,434,976	1,577,446
Cost of raw material sold included in other operating expenses	6(a)	28,496	38,140
Net foreign exchange (gain)/ loss		(4,187)	13,697
Staff costs		52,303	57,022
Contributions to defined contribution plans, included in staff costs		6,749	6,368
Depreciation of property, plant and equipment	9	135,053	142,590
Gain on disposal of property, plant and equipment	5	232	668
Property, plant and equipment written off	6(a)	707	-
Impairment loss of trade receivables	16	355	258
Impairment loss of property, plant and equipment	9	-	178,527
Amortisation of intangible assets	10	774	766
Amortisation of land use rights	11	1,404	1,376
Operating lease expense		775	1,588
Directors' fees		491	962

7 Taxation

The Group	2017 RMB'000	2016 RMB'000
Current taxation	5,811	29,084
(Over)/Under-provision in respect of previous years		
- Current taxation	(107)	40,486
	5,704	69,570



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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	2017 RMB'000	2016 RMB'000
Loss before taxation	(17,159)	(295,235)
Income tax using applicable tax rates	(21,465)	(73,213)
Adjustments:		
Non-taxable income ⁽¹⁾	(4,014)	(289)
Non-deductible expenses ⁽²⁾	2,008	2,171
(Over)/Under-provision in respect of previous years	(107)	40,486
Deferred tax assets not recognised ⁽³⁾	31,592	100,535
Utilisation of deferred tax assets on temporary difference not recognised in previous years	(2,109)	(120)
Tax incentives	(123)	-
Others	(78)	-
Income tax expense recognised in profit or loss	5,704	69,570

⁽¹⁾ This relates to capital gain that is not subject to tax.

⁽²⁾ This is mainly related to expenditures incurred out of the ordinary course of business which are not likely to be agreed by the local tax authorities.

⁽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 14).

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

Jiangsu Jurong Chemical Co., Ltd ("JJC"), Yixing Yinyan Import and Export Co., Ltd ("YYIE"), Taixing Jurong Chemical Co., Ltd ("TXJC"), Jiangsu Jurong Petrochemicals Co., Ltd ("JJP") and Taixing Sunke Chemicals Co., Ltd ("Sunke") are subject to the PRC income taxes rate at 25% (2016 - 25%) on their taxable profit.

Sunvic Chemical Holdings Limited, Dynix Pte. Ltd. ("Dynix") and SunVic Asia Pacific Investments Holdings Pte Ltd ("SVAP") are subject to Singapore income tax rate at 17% (2016 - 17%) on its taxable profit.

8 Loss per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue of 532,001,000 (2016 - 532,001,000) shares during the financial year.

The Group	2017	2016
Net loss attributable to equity holders of the Company (RMB'000)	(20,322)	(341,489)
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	532,001	532,001
Basic loss per share (RMB cents per share)	(3.8)	(64.2)
Diluted loss per share (RMB cents per share)	(3.8)	(64.2)

For the purpose of calculating diluted 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.

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FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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 2016	674,469	2,288,064	13,838	26,467	249,334	3,252,172
Additions	-	2,199	1,011	-	64,450	67,660
Disposals	-	(13,014)	(42)	(1,306)	(17,204)	(31,566)
Reclassifications	456	20,871	2,223	-	(23,550)	-
At 31 December 2016	674,925	2,298,120	17,030	25,161	273,030	3,288,266
Additions	2,762	1,269	415	-	69,960	74,406
Disposals	(1,236)	(15,834)	(389)	(51)	(209)	(17,719)
Reclassifications	51,478	40,609	1,975	119	(102,781)	(8,600)
At 31 December 2017	727,929	2,324,164	19,031	25,229	240,000	3,336,353
<u>Accumulated depreciation and impairment losses</u>						
At 1 January 2016	345,773	1,392,940	7,082	21,759	810	1,768,364
Depreciation	28,795	109,880	1,572	2,343	-	142,590
Impairment loss recognised	-	178,527	-	-	-	178,527
Disposals	-	(6,640)	(28)	(1,106)	-	(7,774)
At 31 December 2016	374,568	1,674,707	8,626	22,996	810	2,081,707
Depreciation	26,127	105,737	2,271	918	-	135,053
Impairment loss recognised	-	-	-	-	-	-
Disposals	(212)	(15,158)	(359)	(31)	-	(15,760)
At 31 December 2017	400,483	1,765,286	10,538	23,883	810	2,201,000
<u>Net carrying amount</u>						
At 31 December 2017	327,446	558,878	8,493	1,346	239,190	1,135,353
At 31 December 2016	300,357	623,413	8,404	2,165	272,220	1,206,559

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

9 Property, plant and equipment (cont'd)

(a) Impairment assessment

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

	Jiangsu Jurong Chemical Co., Ltd RMB'000	Jiangsu Jurong Petrochemical Co., Ltd RMB'000	Taixing Jurong Chemical Co., Ltd RMB'000	Taixing Sunke Chemicals Co., Ltd RMB'000	Yixing Yinyan Import and Export Co., Ltd RMB'000	Total RMB'000
Carrying amount	100,054	171,893	295,819	566,745	842	1,135,353
Less: impairment loss recognised	-	-	-	-	-	-
Net book value	100,054	171,893	295,819	566,745	842	1,135,353
Cost	1,197,536	960,258	346,389	824,672	7,498	3,336,353
Percentage of net book value over costs	8%	18%	85%	69%	11%	
Indicators of impairment	No	Yes	No	No	No	
Note	(i)	(ii)	(iii)			

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

The company incurred operating losses for consecutive four years since year 2014. The market demand for the company's core products acrylic acid and acrylate esters, remained weak throughout 2017.

In view of the unstable market outlook, there is material uncertainty in the company's ability to generate future economic cash inflow from its property, plant and equipment.

Impairment assessment

The assets are almost fully depreciated as at 31 December 2017 and the carrying amount representing 8% of its costs approximate its residual value. The recoverable amount of the cracking plant was based on fair value less costs of disposal, estimated using depreciated replacement cost method.

The depreciated replacement cost method is defined as the gross current replacement cost reduced by factors providing for age, physical depreciation, technical and functional obsolescence considering the assets' total estimated useful life and anticipated residual value (if any). The management has assessed the depreciated replacement cost method to be the most appropriate valuation method given the lack of market data for comparison. The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used.

The key sensitivity of the depreciated replacement cost valuation relates to the estimated obsolescence of the assets over physical, functional and technological aspects. The obsolescence factors applied to the affect assets ranged from 45% to 65%.

Based on depreciated replacement cost valuation for year 2017, an adjustment of RMB Nil (2016 - RMB 57,880,000) was made to reflect the recoverable amounts of the assets.

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

The Group has not commenced the production of MTBE nor uses its cracking plant facilities for production since the completion of the plant due to the uncertain global economic environment, depressed crude oil prices as well as oversupply and low demand in the market for its products. Accordingly, there is a risk relating to the impairment of property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

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9 Property, plant and equipment (Cont'd)

Impairment assessment (Cont'd)

(ii) Jiangsu Jurong Petrochemical Co., Ltd ("JJPC") (Cont'd)

Impairment assessment

In 2017, the Group engaged an independent professional valuer to assess the recoverable amount of the cracking plant and MTBE plant. The recoverable amount of cracking plant and MTBE plant were based on fair value less costs of disposal, estimated using depreciated replacement cost method.

The depreciated replacement cost method is defined as the gross current replacement cost reduced by factors providing for age, physical depreciation, technical and functional obsolescence considering the assets' total estimated useful life and anticipated residual value (if any). The management has assessed the depreciated replacement cost method to be the most appropriate valuation method given the lack of market data for comparison. The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used.

The most significant input of the depreciated replacement cost valuation relates to the estimated obsolescence of the assets over physical, functional and technological aspects. The obsolescence factors applied to the affected assets ranged from 45% to 65%.

Based on depreciated replacement cost valuation for year 2017, an adjustment of RMB Nil (2016 - RMB 92,662,000) was made to reflect the replacement costs of the assets.

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

The property, plant and equipment of Taixing Jurong comprise mainly of

- Construction-in-progress of RMB 208,327,000; and
- Building of RMB 87,143,000

There are no indicators of impairment for the construction-in-progress and buildings.

(b) Security

As at 31 December 2017, property, plant and equipment of the Group with a carrying amount of RMB 22,950,000 (2016 - RMB 540,101,000) are pledged as security to secure bank loans (Note 21).

(c) Construction work-in-progress as at 31 December 2017 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 2017, the capitalised costs amounted to RMB 220,420,000 (2016 - RMB 253,240,000).

(d) As at 31 December 2017, the accumulated impairment loss on property, plant and equipment for the Group is RMB 1,135,527,000 (2016 - RMB 1,135,527,000).



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10 Intangible assets

The Group	Technology know-how RMB'000	Computer software RMB'000	Total RMB'000
<u>Cost</u>			
At 1 January 2016	12,557	2,748	15,305
Additions	-	335	335
At 31 December 2016	12,557	3,083	15,640
Additions	-	2	2
Transfer from construction-in-progress	-	116	116
At 31 December 2017	12,557	3,201	15,758
<u>Accumulated amortisation</u>			
At 1 January 2016	3,952	1,007	4,959
Amortisation charge	493	273	766
At 31 December 2016	4,445	1,280	5,725
Amortisation charge	465	309	774
At 31 December 2017	4,910	1,589	6,499
<u>Net carrying amount</u>			
At 31 December 2017	7,647	1,612	9,259
At 31 December 2016	8,112	1,803	9,915

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.

The amortisation of intangible assets amounted to RMB 751,882 is included in the 'Administrative expenses' line item in consolidated statement of profit or loss and other comprehensive income.

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11 Land use rights

The Group	2017 RMB'000	2016 RMB'000
<u>Cost</u>		
At 1 January	54,514	54,514
Transfer from non-current asset held for sale	11,805	-
At 31 December	66,319	54,514
<u>Accumulated amortisation</u>		
At 1 January	5,742	4,366
Amortisation charge	1,404	1,376
At 31 December	7,146	5,742
<u>Net carrying amount</u>		
At 31 December	59,173	48,772
The Group	2017 RMB'000	2016 RMB'000
Amount to be amortised:		
- Not later than one year	1,404	857
- Later than one year but not later than five years	5,616	3,427
- Later than five years	40,348	44,488
	47,368	48,772

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 35 years (2016 - 37 years). The land use rights were pledged as securities to obtain credit facilities (Note 21).

The amortisation of the use rights amounted to RMB 1,404,000 (2016 - RMB 1,376,000) is included in the 'Administrative expenses' line items in consolidated statement of profit or loss and other comprehensive income.

The transfer of land use right from non-current assets held for sale relates to the freehold land in Louisiana amounting to RMB 11,805,000 (2016: classified under non-current assets held for sale - RMB 12,532,000). The cost of freehold land is not amortised. The transfer is mainly due to these assets are unable to meet the conditions required by FRS 105 to continue to be classified as assets held for sale. Accordingly, the Group has reclassified the freehold land from non-current assets held for sale to property, plant and equipment as at 31 December 2017.

As at 31 December 2017, land use rights of the Group with a carrying amount of RMB 23,376,000 (2016 - RMB Nil) are pledged as security to secure bank loans (Note 21).

12(a) Investment in subsidiaries

The Company	2017 RMB'000	2016 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



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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

12(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>	
			2017 %	2016 %
Held by the Company:				
Dynix Pte. Ltd. ("Dynix") ⁽¹⁾	Singapore	Import and export of chemical products	100	100
Jiangsu Jurong Chemical Co., Ltd ("JJC") ⁽²⁾	The 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 ("JC") ⁽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 ("LWL") ⁽⁴⁾	United States of America ("USA")	Trading business and provision of after-sales services	100	100
Held through JJC:				
Yinyan Products Quimicos Ltda ("YPQ") ^{(3) (5)}	Brazil	Import and export of chemical products	-	100
Yixing Yinyan Import and Export Co., Ltd ("YYIE") ⁽²⁾	The PRC	Import and export of chemical products	100	100
Yinyan Argentina SA ("YAS") ⁽³⁾	Argentina	Import and export of chemical products	100	100
Taixing Jurong Chemical Co., Ltd ("TJC") ⁽²⁾	The PRC	Manufacture and sale of chemical products	100	100
Jiangsu Jurong Petrochemicals Co., Ltd ("JJP") ⁽²⁾	The PRC	Manufacture and sale of chemical products	82.1	82.1
Held through TJC:				
Taixing Sunke Chemicals Co., Ltd ("TSC" or "Sunke") ⁽²⁾	The PRC	Manufacture and sale of chemical products	#	#

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

⁽²⁾ Audited by Grant Thornton, Certified Public Accountants, the PRC

⁽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 Sunke which is accounted for as joint operation (Note 12(b))

Investment in SVAP

- (i) Although the Group owns less than half of SVAP, it is able to control SVAP and is exposed to, or has rights to, variable returns from its involvement with SVAP and has the ability to affect those returns through its power over SVAP. This is because the Group has exercisable option to subscribe for additional ordinary shares of SVAP, which could potentially increase its equity interests in SVAP by 30.2% to 72.6% and the remaining equity interest of SVAP is held by Whitefield Capital Inc. which is the holding company of the Group. Consequently, SVAP is accounted for as a subsidiary in the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

Investment in SVAP (Cont'd)

- (ii) The impairment loss represents the write-down of equity investment in SVAP which in turn holds the equity interest in JJP. In the financial year 2014, the Group had assessed the impairment of the underlying assets held by JJP which resulted in an impairment loss of RMB 573,000,000 being recognised in financial year 2014 profit or loss. The Company determined that the recoverable amount of SVAP was lower than its carrying value by RMB 57,000,000 determined based on fair value less cost of disposal. Accordingly, an impairment loss of RMB 57 million had been recognised on the Company's cost of investment in SVAP in financial year 2014. No additional impairment is required in year 2017 because the investment was fully impaired since year 2014. The resulting fair values of the investment in subsidiaries are considered as Level 3 fair value measurement.

- (iii) 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 year ended 31 December 2017 and 2016.

<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>2017</u> %	<u>2016</u> %
Jiangsu Jurong Petrochemicals Co., Ltd	The PRC	Manufacture and sale of chemical products	17.9	17.9
			<u>2017</u> RMB'000	<u>2016</u> RMB'000
<u>Summarised statement of financial position</u>				
Current				
Assets			16,765	21,852
Liabilities			(792,172)	(792,302)
Total net current liabilities			(775,407)	(770,450)
Non-current				
Assets			267,737	285,994
Net liabilities			(507,670)	(484,456)
			<u>2017</u> RMB'000	<u>2016</u> RMB'000
<u>Summarised income statement</u>				
Revenue			27,390	17,410
Expenses			(41,502)	(147,566)
Loss before income tax			(14,112)	(130,156)
Income tax expense			-	-
Loss after tax			(14,112)	(130,156)
Other comprehensive income			-	-
Total comprehensive loss			(14,112)	(130,156)
Total comprehensive loss allocated to non-controlling interests			(2,526)	(23,298)
Dividends paid to non-controlling interests			-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

Investment in SVAP (Cont'd)

(iii) Summarised financial information of subsidiaries with material non-controlling interests (Cont'd)

	2017 RMB'000	2016 RMB'000
<u>Summarised cash flows</u>		
Cash flows generated from operating activities	443	12,736
Cash flows generated from investing activities	-	-
Cash flows used in financing activities	-	(12,933)
Net increase/(decrease) in cash and cash equivalents	443	(197)

12(b) Investment in joint operation

The Group holds 45% equity interest in the joint operation through its wholly owned subsidiary Taixing Jurong Chemical Co., Ltd.

Details of joint operation are as follows:

<u>Name of joint operation</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>Proportion of ownership interest and voting rights held</u>	
			2017 %	2016 %
Taixing Sunke Chemicals Co., Ltd ("Sunke")	The PRC	Manufacture and sale of chemical products	45	45

The Group consolidates its 45% share of assets, liabilities, revenues and expenses of its joint operation.

	2017 RMB'000	2016 RMB'000
<u>Summarised statement of financial position</u>		
<u>Assets</u>		
Property, plant and equipment	1,934,214	2,089,756
Land use rights	49,721	50,871
Intangible assets	1,485	1,407
Long-term prepayments	13,394	-
Inventories	145,797	94,558
Trade and other receivables	535,906	639,304
Cash and cash equivalents	233,262	346,831
Total assets	2,913,779	3,222,727
<u>Liabilities</u>		
Trade and other payables	(660,305)	(948,024)
Bank borrowing	(340,000)	(400,000)
Income tax payable	(9,641)	(6,677)
Total liabilities	(1,009,946)	(1,354,701)
Net assets	1,903,833	1,868,026

	2017 RMB'000	2016 RMB'000
<u>Summarised income statement</u>		
Revenue	2,545,868	2,145,048
Expenses	(2,510,061)	(2,108,496)
Profit for the period	35,807	36,552
Dividend received from joint operation	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

12(b) Investment in joint operation (Cont'd)

	2017 RMB'000	2016 RMB'000
<u>Summarised cash flows</u>		
Cash flows generated from/(used in) operating activities	59,648	(73,794)
Cash flows used in investing activities	(113,253)	(53,871)
Cash flows (used in)/generated from financing activities	(60,000)	391,292
Net (decrease)/increase in cash and cash equivalents	(113,605)	263,627

13 Long-term prepayments

	2017 RMB'000	2016 RMB'000
The Group		
Due within one year (Note 16)	1,592	-
Due after one year	6,027	-
	7,619	-

Long-term prepayments represent the prepayment of repair and maintenance cost on plant and machinery and water treatment antiseptics.

Long-term prepayments are denominated in Chinese Renminbi.

14(a) 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:

	2017 RMB'000	2016 RMB'000
The Group		
Deferred tax assets		
- To be recovered after one year	24,430	24,430
Deferred tax liabilities		
- To be settled after one year	(7,500)	(7,500)

The movement in temporary differences during the year is analysed as follows:

	Excess of net book value over tax written down value of qualifying property, plant and equipment RMB'000	Unappropriated profits RMB'000	Total RMB'000
The Group			
At 1 January 2016, 31 December 2016 and 31 December 2017	24,430	(7,500)	16,930



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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

14(a) Deferred taxation (Cont'd)

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 Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China 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 2017, the aggregate amount of temporary differences relating to undistributed profits of subsidiaries for which deferred tax liabilities have not been recognised is RMB 874,454,000 (2016 - RMB 1,103,353,000). Unutilised tax liability totalling approximately RMB 43,723,000 (2016 - RMB 55,168,000) 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:

The Group	2017 RMB'000	2016 RMB'000
Deductible temporary difference	1,639,620	1,522,798
Tax losses	343,715	347,959
	1,983,335	1,870,757

The Group has unabsorbed tax losses amounting to approximately RMB 347,495,000 (2016 - RMB 347,959,000) that will expire between 2018 to 2020 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 1,639,620,000 (2016 - RMB 1,522,798,000).

Unutilised tax benefits totalling approximately RMB 495,458,000 (2016 - RMB 465,975,000) arising from deductible temporary difference and tax losses had not been recognised as there was no reasonable certainty of their realisation in the future.

14(b) Value-added tax recoverable

The Group	2017 RMB'000	2016 RMB'000
Value-added tax recoverable	84,931	86,380

Value-added tax recoverable pertains to the tax recoverable on the purchase of property, plant and equipment by Jiangsu Jurong Petrochemicals Co., Ltd since financial year 2014. There is no expiration date on the VAT recoverable.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

15 Inventories

The Group	2017 RMB'000	2016 RMB'000
<u>At cost</u>		
Raw materials	47,908	32,981
Packaging materials	3,037	2,738
Goods-in-transit	-	9,772
	50,945	45,491
<u>At net realisable value</u>		
Finished goods	53,833	32,313
Work-in-progress	4,354	4,089
	109,132	81,893
<u>Statement of profit or loss and other comprehensive income:</u>		
Inventories recognised as an expense in cost of sales (Note 6(c))	1,434,976	1,577,446
Inventories recognised as an expense in other operating expenses	28,496	38,140
Inclusive of the following charge:		
- Inventories written-down	-	2,588
- Reversal of write-down of inventories	(2,588)	(13,697)

The reversal of write-down of inventories was made when the related inventories were sold above their carrying amounts.

16 Trade and other receivables

	Group		Company	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Trade receivables				
- 3rd parties	121,338	201,269	340	374
- joint operation	119,683	239,390	-	-
- related parties	486,177	349,317	-	-
- subsidiaries	-	-	32,058	29,884
Notes receivable	102,139	65,423	-	-
	829,337	855,399	32,398	30,258
Allowance for impairment losses				
Balance at beginning	(737)	(479)	-	-
Impairment charge	(355)	(258)	-	-
Balance at end	(1,092)	(737)	-	-
Net trade receivables	828,245	854,662	32,398	30,258
Non-trade amounts due from subsidiaries	-	-	14,076	14,825
Other receivables	70,391	34,662	118	194
Loans and receivables	898,636	889,324	46,592	45,277
Prepayments				
- Long-term prepayment – current (Note 13)	1,592	-	-	-
- Other prepayments	3,736	21,084	391	-
Value-added tax recoverable	50,986	79,891	13	6
Total	954,950	990,299	46,996	45,283

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 2017

16 Trade and other receivables (Cont'd)

Loans and receivables

Loans and receivables are non-interest bearing. Trade receivables are generally on 30 to 90 days' terms (2016 - 30 to 90 days' terms). They are recognised at their original invoice amounts which represent their fair value on initial recognition.

In determining the recoverability of trade and other receivables, the Group considers any change in the credit quality of the trade receivables from the date credits were initially granted up to the end of the reporting period. In addition, management evaluates the adequacy of the allowance for doubtful trade receivables by analysing trade receivables collections trends, historical bad debts, customer concentrations, customer creditworthiness, the credit tightening measures by the PRC government, and the changes in customer payment terms and general financial conditions of the customers. The receivables would be written off if the possibility of collection is determined to be remote.

As a result of its critical evaluations performed on the trade receivables, RMB 1,092,000 allowances were considered necessary by management (2016 - RMB 737,000) as of 31 December 2017. Trade receivables are individually determined as allowance for impairment or written-off at the end of reporting period as the probability of recovering these trade debts is remote. These trade receivables are not secured by any collateral or credit enhancements. Other than the above, there is no further allowance for impairment in respect of the remaining trade receivables including those receivables that are past due but not impaired.

As at 31 December 2017, trade receivables and notes receivable amounted to RMB 52,393,000 (2016 - RMB 70,549,000) were pledged as securities to obtain credit facilities (Note 21).

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

- (i) Loans and receivables that are neither past due nor impaired

	Group		Company	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
- Trade receivables	739,760	668,199	32,224	30,258
- Other receivables	70,391	34,662	14,195	15,019
Total	810,151	702,861	46,419	45,277

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

- (ii) Loans and receivables that are past due but not impaired

The ageing analysis of loans and receivables past due but not impaired is as follows:

	Group		Company	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Less than 30 days	51,359	124,947	-	-
30 to 120 days	24,523	46,071	135	-
More than 120 days	12,603	15,445	38	-
Total	88,485	186,463	173	-

Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of loans and 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.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

16 Trade and other receivables (Cont'd)

(iii) Loans and receivables that are past due and/or impaired

The ageing analysis of loans and receivables determined to be impaired is as follows:

	Group		Company	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
More than 120 days	1,092	737	-	-

The carrying amount of loans and receivables individually determined to be impaired is follows:

	Group		Company	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Gross amount	1,092	737	-	-
Less: allowance for impairment of trade receivables	(1,092)	(737)	-	-
	-	-	-	-

Loans and 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.

17 Cash and cash equivalents

	Group		Company	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current				
Fixed deposits - pledged	76,739	-	-	-
Current				
Cash and bank balances	157,324	196,507	306	1,036
Fixed deposits - pledged	118,840	65,709	-	-
	276,164	262,216	306	1,036

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

	2017	2016
	RMB'000	RMB'000
The Group		
Cash and cash equivalents	276,164	262,216
Less: fixed deposits - pledged	(118,840)	(65,709)
	157,324	196,507

Pledged deposits represent deposits pledged to banks to secure notes payable (Note 22) and credit facilities (Note 21) granted to the Group. The pledged deposits will be released upon the settlement of relevant bank borrowings and the expiry of relevant bank guarantees.

The fixed deposits mature between one month to three years (2016 - one to nine months) from the end of the financial year with the weighted average effective interest rate at 4.38% (2016 - 1.62%) per annum.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

18 Non-current assets held for sale

Details of the non-current assets held-for-sale are as follows:

The Group	2017 RMB'000	2016 RMB'000
Property, plant and equipment	-	12,532

Land in Louisiana

The Group's freehold land which was classified as non-current assets held for sale in the previous year has yet to be disposed of as at 31 December 2017. The sale was not completed within the last 2 years due to the poor property market conditions whereby the Group was unable to sell the freehold property for the amount that it was valued at. As these assets are unable to meet the conditions required by FRS 105 to continue to be classified as assets held for sale, the Group has reclassified the freehold land from non-current assets held for sale to property, plant and equipment as at 31 December 2017.

19 Share capital

Group and Company	No. of ordinary shares Issued share capital '000	Treasury shares '000	Amount Issued share capital RMB'000	Treasury shares RMB'000
2017				
Beginning and end of financial year	533,651	(1,650)	291,516	(1,575)
2016				
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	2017 RMB'000	2016 RMB'000
Merger reserve	(i)	(499)	(499)
Capital reserve	(ii)	255,286	255,286
Foreign currency translation reserve	(iii)	(16,204)	(15,630)
Special safety reserve	(iv)	50,314	50,314
		288,897	289,471
Represented by:			
Distributable		(16,204)	(15,630)
Non-distributable		305,101	305,101
		288,897	289,471

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

20 Other reserves (cont'd)

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.

	2017 RMB'000	2016 RMB'000
The Group		
Merger reserve		
Balance at beginning and at end	(499)	(499)

- (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.

	2017 RMB'000	2016 RMB'000
The Group		
Capital reserve		
Balance at beginning and at end	255,286	255,286

- (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.

	2017 RMB'000	2016 RMB'000
The Group		
Foreign currency translation reserve		
Balance at beginning	(15,630)	(15,979)
Net currency translation differences of financial statements of foreign subsidiaries	(574)	349
Balance at end	(16,204)	(15,630)



NOTES TO THE FINANCIAL STATEMENTS

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20 Other reserves (Cont'd)

- (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.

The Group	2017 RMB'000	2016 RMB'000
Special safety reserve		
Balance at beginning and at end	50,314	50,314

21 Borrowings

The Group	2017 RMB'000	2016 RMB'000
Current		
Secured bank loans	707,853	942,732
Unsecured bank loans	-	14,568
	707,853	957,300
Non-current		
Secured bank loans	228,631	180,000
Unsecured bank loans	-	-
	228,631	180,000
Total borrowings	936,484	1,137,300

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:

- (a) Property, plant and equipment of the subsidiaries (Note 9(b));
- (b) Land use rights (Note 11);
- (c) Loans and receivables (Note 16);
- (d) Pledge deposits (Note 17); and
- (e) Guarantee provided by the related parties, a director and a shareholder.

21.1 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	2017 %	2016 %
Secured bank loans	RMB	3.63-7.50	2.90-7.50
Secured bank loans	USD	1.44-3.11	1.18-4.60
Unsecured bank loans	USD	-	1.95-2.10

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

21 Borrowings (cont'd)

21.2 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	Carrying amounts RMB'000	Fair values RMB'000
2017		
Secured bank loans	228,631	232,830
2016		
Secured bank loans	180,000	195,277

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	2017	2016
Secured bank loans	3.90%	3.00%

21.3 Undrawn borrowing facilities

The amount of stand-by credit facilities available to the Group at the end of the financial year is RMB 184,100,000 (2016 - RMB 535,740,000).

22 Trade and other payables

	Group		Company	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Trade payables				
- third parties	321,195	386,071	-	-
- related parties	176,986	144,478	-	-
Notes payables	282,578	-	-	-
	780,759	530,549		-
Accrued operating expenses	36,903	42,537	6,102	7,140
Amounts due to subsidiaries (non-trade)	-	-	27,889	24,542
Other payables	59,821	72,870	1,567	593
	877,483	645,956	35,558	32,275

Trade and other payables

Trade and other payables are unsecured and non-interest bearing. Trade payables are normally settled on 60-day (2016 - 60-day) terms.

Notes payables

The notes payables are secured on the fixed deposits of RMB 59,798,000 (2016 - RMB 17,257,000) of the Group.

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 28(b).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

23 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 ("AA") and Acrylate Esters ("AE");
- Manufacture and sale of PMDA 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 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 2017 or 2016.

Information about reportable segments is as follows:

	AA and AE		PMDA and glyphosate		MTBE and Petroleum-related products		Others		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
External revenue	1,736,539	1,697,217	-	11,684	-	-	510,173	424,652	2,246,712	2,133,553
Interest income	-	-	-	-	-	-	3,988	2,662	3,988	2,662
Interest expense	(63,097)	(62,591)	-	(431)	-	-	(18,537)	(15,660)	(81,634)	(78,682)
Depreciation and amortisation	(100,315)	(83,337)	(9,376)	(9,585)	(26,825)	(50,963)	(715)	(847)	(137,231)	(144,732)
Impairment loss on property, plant and equipment	-	(85,865)	-	-	-	(92,662)	-	-	-	(178,527)
Reportable segment (loss)/profit before income tax	47,125	(163,298)	(9,376)	(9,410)	(26,826)	(143,625)	(28,082)	21,098	(17,159)	(295,235)
Reportable segment assets	2,264,262	2,164,323	5,202	18,800	205,553	359,128	263,141	180,745	2,738,158	2,722,996
Capital expenditure	74,408	67,413	-	-	-	582	-	-	74,408	67,995
Reportable segment liabilities	1,724,574	1,719,165	-	-	22,225	24,863	87,739	51,911	1,834,538	1,795,939

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

23 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
2017						
Revenue from external customers	2,184,132	10,738	5,400	39,624	6,818	2,246,712
Non-current assets	1,191,980	-	-	11,805	-	1,203,785
2016						
Revenue from external customers	2,112,045	821	1,061	19,368	258	2,133,553
Non-current assets	1,265,246	-	-	-	-	1,265,246

Information about major customers

Revenue of approximately RMB 511,717,000 (2016 - RMB 1,138,328,000) are derived from 5 (2016 - 3) external customers. These revenues are attributable to the AA & AE segments in the PRC.

24 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 2017 and 31 December 2016:

The Group	Note	2017 RMB'000	2016 RMB'000
Sale of chemical products	(i)	254,790	544,691
Sale of waste material	(ii)	14,921	23,176
Purchase of inventories	(iii)	123,262	161,342
Purchase of raw material	(iv)	2,123	2,187
Sale of raw material and other spare parts	(v)	349,421	226,769

(i) Sale of chemical products

The Group sold chemical products to Jiangsu Yinyan Specialty Chemicals Co., Ltd ("Jiangsu Yinyan"), Jiaying Jinyan Chemical Co., Ltd ("Jiaying Jinyan") and Yixing Danson Technology Co., Ltd ("Yixing Danson").

(ii) Sale of waste material

The Group sold waste material to Yixing Danson.

(iii) Purchase of inventories

The Group purchased inventories from Yixing Danson, Taixing Jinyan, Jiangsu Yinyan and Jiaying Jinyan.

(iv) Purchase of raw material

The Group purchased raw materials from Taixing Jinyan.

(v) Sale of raw material and other spare parts

During the year, the Group sold raw material and other spare parts to Jiaying Jinyan.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

24 Related party transactions (Cont'd)

- (b) During the year, the Group entered into arm-length sales and purchases transactions (collectively known as "Transactions") with related parties. The Transaction values are significant and it totalled RMB 655,220,000 (2016: RMB 257,500,000). Such Transactions have been entered to maintain the Group's existing credit facilities with the banks, which is a common practice carried out in the People's Republic of China. Management has presented these transactions on a net basis for financial reporting purpose in the consolidated financial statements.

(c) Compensation of directors and key management personnel

The Group	2017 RMB'000	2016 RMB'000
Short-term employee benefits	4,265	4,464
CPF contributions	122	79
	4,387	4,543
Comprise amounts paid to:		
Directors of the Company	2,666	2,905
Other key management personnel	1,721	1,638
	4,387	4,543

25 Commitments

(a) Operating lease commitments - as lessee

The Group has entered into a commercial lease on an office premise. The lease has a tenure of 3 years (2016 - between 1 and 2 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 2017 amounted to RMB 775,000 (2016 - RMB 1,588,000).

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

	Group and Company 2017 RMB'000	2016 RMB'000
Not later than one year	503	257
Later than one year but not later than five years	693	15
	1,196	272

(b) Operating lease commitments - as lessor

The Company sub-leases office premise to external parties.

	Group 2017 RMB'000	2016 RMB'000	Company 2017 RMB'000	2016 RMB'000
Not later than one year	68	52	136	146

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

The leases on the Group and the Company's office premise on which rentals are receivable will expire on 30 May 2018 (2016 - 30 April 2017) with renewals at the then prevailing rates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

26 Corporate guarantee

The Group acted as a corporate guarantor to provide guarantees to its related parties amounted to RMB 1,454,000,000 (2016 - RMB 1,390,000,000) respectively to secure banking facilities. As at 31 December 2017, the related parties had drawn down an amount of RMB 920,200 (2016 - RMB 948,180,000) from these facilities. The loan facilities will expire in 2018 (2016 - expire in 2017).

	2017 RMB'000	2016 RMB'000
Guarantee given:		
Yixing Danson	479,000	590,000
Jiaxing Jinyan	-	65,000
Taixing Jinyan	715,000	475,000
Jinyan Cangchu	260,000	260,000
	1,454,000	1,390,000
Amount drawn down:		
Yixing Danson	124,950	347,000
Jiaxing Jinyan	-	45,000
Jinyan Cangchu	260,000	260,000
Taixing Jinyan	535,250	296,180
	920,200	948,180

At the reporting date, the Group and the Company do not consider it probable that a claim will be made against the Company under the intra-group financial guarantee on the basis that the past three years historical experience to financial year 2017, there are no defaults being triggered for the repayment of the principal or interest payments thereon in respect of the guarantee obligations.

The fair value of corporate guarantees are minimal because the banking facilities provided under the corporate guarantees are pledged by the assets.

27 Fair value measurement

Definition of fair value

FRSs define 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.

27.1 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 is no financial assets and financial liabilities measured at fair value as at 31 December 2017 and 2016.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

27 Fair value measurement (Cont'd)

27.2 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	2017 RMB'000	2016 RMB'000
Loans and receivables:			
Trade and other receivables	16	898,636	889,324
Pledged deposits and cash and bank balances (including non-current fixed deposits pledged)	17	354,903	262,216
Total		1,253,539	1,151,540
Financial liabilities at amortised cost:			
Borrowings	21	936,484	1,137,300
Trade and other payables	22	877,483	645,956
Total		1,813,967	1,783,256

The Company	Note	2017 RMB'000	2016 RMB'000
Financial assets:			
Trade and other receivables	16	46,592	45,277
Cash and bank balances	17	306	1,036
Total		46,898	46,313
Financial liabilities at amortised cost:			
Trade and other payables	22	35,558	32,275

28 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

28 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 maximum exposure of the Group in respect of the financial guarantee (see Note 26) at the reporting date is if the facility is drawn down by the related parties to the maximum amount of RMB 1,454,000,000 (2016 - RMB 1,390,000,000). At the reporting date, the Group does not consider it probable that a claim will be made against the Group under the intra-group financial guarantee.

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 16.

(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 financial year is RMB 184,100,000 (2016 - RMB 535,740,000).

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 financial position dates would be RMB 920,200,000 (2016 - RMB 948,180,000).



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

(b) Liquidity risk (Cont'd)

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

The Group	2017			Total RMB'000
	One year or less RMB'000	One to five years RMB'000	Over five years RMB'000	
Trade and other payables	877,483	-	-	877,483
Borrowings	720,332	260,155	-	980,487
Financial guarantee contracts	1,454,000	-	-	1,454,000
	3,051,815	260,155	-	3,311,970

	2016			Total RMB'000
	One year or less RMB'000	One to five years RMB'000	Over five years RMB'000	
Trade and other payables	645,956	-	-	645,956
Borrowings	958,523	221,075	-	1,179,598
Financial guarantee contracts	1,390,000	-	-	1,390,000
	2,994,479	221,075	-	3,215,554

The Company	2017			Total RMB'000
	One year or less RMB'000	One to five years RMB'000	Over five years RMB'000	
Trade and other payables	35,558	-	-	35,558
	35,558	-	-	35,558

	2016			Total RMB'000
	One year or less RMB'000	One to five years RMB'000	Over five years RMB'000	
Trade and other payables	32,275	-	-	32,275
Financial guarantee contracts	-	69,370	-	69,370
	32,275	69,370	-	101,645

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

(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 (RMB). The foreign currencies in which these transactions are denominated are mainly United States Dollar (USD).

Currently, the PRC government imposes control over foreign currencies. RMB, the official currency in China, 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:

Group	Renminbi RMB'000	Singapore Dollar RMB'000	USD RMB'000	Euro RMB'000	Brazilian Real RMB'000	Total RMB'000
2017						
Trade and other receivables	894,617	340	3,679	-	-	898,636
Cash and cash equivalents (including non-current fixed deposits pledged)	327,467 (823,850)	409 -	27,026 (112,634)	1 -	- -	354,903 (936,484)
Borrowings	(789,734)	(2,904)	(84,845)	-	-	(877,483)
Trade and other payables	(391,500)	(2,155)	(166,774)	1	-	(560,428)
2016						
Trade and other receivables	874,353	568	14,403	-	-	889,324
Cash and cash equivalents	201,804	1,312	59,065	1	34	262,216
Borrowings	(1,044,900)	-	(92,400)	-	-	(1,137,300)
Trade and other payables	(618,967)	(2,960)	(22,942)	-	(1,087)	(645,956)
	(587,710)	(1,080)	(41,874)	1	(1,053)	(631,716)
Company						
2017						
Trade and other receivables	(200)	1,281	45,511	-	-	46,592
Cash and cash equivalents	-	267	39	-	-	306
Trade and other payables	-	(1,567)	(33,991)	-	-	(35,558)
	(200)	(19)	11,559	-	-	11,340
2016						
Trade and other receivables	-	1,123	44,154	-	-	45,277
Cash and cash equivalents	-	993	43	-	-	1,036
Trade and other payables	(5,000)	(2,732)	(24,543)	-	-	(32,275)
	(5,000)	(616)	19,654	-	-	14,038



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

(d) Foreign currency risk (Cont'd)

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		Company	
		Profit net of tax		Profit net of tax	
		Increase/(Decrease)		Increase/(Decrease)	
		2017	2016	2017	2016
		RMB'000	RMB'000	RMB'000	RMB'000
USD/RMB	- strengthened 3% (2016 - 3%)	(3,700)	(934)	1	1
	- weakened 3% (2016 - 3%)	3,700	934	(1)	(1)

(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 of the reporting date, the Group is not subject to significant market price risk.

29 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 going concern;
- (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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

29 Capital management (Cont'd)

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

	Group		Company	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Borrowings	936,484	1,137,300	-	-
Less: Cash and cash equivalents (including non-current fixed deposits pledged)	(354,903)	(262,216)	(306)	(1,036)
Total net debt	581,581	875,084	(306)	(1,036)
Total equity	903,620	927,057	354,367	356,667
Total capital	1,485,201	1,802,141	354,061	355,631
Gearing ratio	39%	49%	0%	0%

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 2017 and 2016.

The Group is not subject to externally imposed capital requirement.



STATISTICS OF SHAREHOLDINGS

AS AT 22 MARCH 2018

Class of shares	: Ordinary Shares
Voting rights excluding treasury shares	: One vote per ordinary share
No. of issued shares excluding treasury shares	: 532,000,641
No. of treasury shares	: 1,650,000
No. of subsidiary holdings	: 0
Percentage of treasury shares & subsidiary holdings	: 0.31%

DISTRIBUTION OF HOLDERS OF SHARES BY SIZE OF SHAREHOLDINGS AS AT 22 MARCH 2018

Size of Shareholdings	No. of Holders	%	No. of Shares	%
1 – 99	4	0.21	98	0.00
100 – 1,000	53	2.75	46,344	0.01
1,001 – 10,000	781	40.47	5,530,902	1.04
10,001 – 1,000,000	1,067	55.28	77,005,862	14.47
1,000,001 and above	25	1.29	449,417,435	84.48
TOTAL	1,930	100.00	532,000,641	100.00

TWENTY LARGEST HOLDERS OF SHARES AS AT 22 MARCH 2018

No.	Name of Holders of Shares	No. of Shares	%
1	DBS VICKERS SECURITIES (S) PTE LTD	296,644,700	55.76
2	WHITEFIELD CAPITAL INC.	54,732,241	10.29
3	MAYBANK KIM ENG SECURITIES PTE LTD	18,506,549	3.48
4	UOB KAY HIAN PTE LTD	17,172,500	3.23
5	CITIBANK NOMINEES SINGAPORE PTE LTD	11,521,938	2.17
6	DBS NOMINEES PTE LTD	8,637,600	1.62
7	GOH BEE LAN	6,165,000	1.16
8	LIM CHAP HUAT	5,950,000	1.12
9	PHILLIP SECURITIES PTE LTD	4,036,400	0.76
10	RAFFLES NOMINEES (PTE) LTD	2,968,507	0.56
11	LIM HAN QIN	2,700,000	0.51
12	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	2,233,200	0.42
13	TEOH BOON TECK	2,156,000	0.41
14	TA YOKE PENG EDWARD	1,694,700	0.32
15	LEE MUI MUI JACQUELINE	1,600,000	0.30
16	ONEEQUITY SG PRIVATE LIMITED	1,500,000	0.28
17	LIN ZEWEI	1,449,300	0.27
18	RHB SECURITIES SINGAPORE PTE LTD	1,399,000	0.26
19	FU HO OR LEE SIEW YOKE	1,374,800	0.26
20	OCBC SECURITIES PRIVATE LTD	1,252,000	0.24
TOTAL		443,694,435	83.42

Note: The percentages are computed based on 532,000,641 ordinary shares excluding treasury shares as at 22 March 2018.

STATISTICS OF SHAREHOLDINGS

AS AT 22 MARCH 2018

SUBSTANTIAL SHAREHOLDERS AS AT 22 MARCH 2018

<u>Name of Substantial Shareholders</u>	<u>No. of shares in which substantial shareholders have direct interest</u>	<u>No. of shares in which substantial shareholders are deemed to have interest</u>
1 Whitefield Capital Inc.	329,152,241	
2 Hu Yanping		329,152,241 ⁽¹⁾

Note:

(1) Deemed interest in 329,152,241 shares held by Whitefield Capital Inc. by virtue of Section 7 of the Companies Act, Chapter 50 of Singapore.

On the basis of the information available to the Company as at 22 March 2018, approximately 37.56% of the Company's total number of issued shares excluding treasury shares is held in the hands of the public. This is in compliance with Rule 723 of the Listing Manual of the SGX-ST which requires at least 10% of a listed issuer's total number of issued shares excluding treasury shares at all times held by the public.



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (“**AGM**”) of the Company will be held at Orchard Room, Level 4, Raffles City Convention Centre, 80 Bras Basah Road, Singapore 189560 on Monday, 30 April 2018 at 10:00 a.m. to transact the following businesses:–

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2017 and the Directors’ Statement together with the Auditors’ Report. **(Resolution 1)**

2. To re-elect the following Directors who are retiring in accordance with the Company’s Constitution:
 - (a) Mr Sun Xiao (Retiring under Article 89) **(Resolution 2)**
 - (b) Mr Koh Poh Beng (Retiring under Article 88) **(Resolution 3)**
 - (c) Mr Lua Poh Huat (Retiring under Article 88) **(Resolution 4)**

[See Explanatory Note 1]

3. To re-appoint Foo Kon Tan LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**

4. To approve the payment of Directors’ fees of S\$100,000/– for the financial year ended 31 December 2017. (2016: \$200,000/–). **(Resolution 6)**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following ordinary resolutions, with or without modifications:–

5. Authority to allot and issue new shares

“That:–

- (a) pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the “Act”) and the listing rules of the Singapore Exchange Securities Trading Limited (“SGX-ST”), authority be and is hereby given to the Directors of the Company to:
 - (i) issue shares in the capital of the Company (“Shares”) whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares;

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may, in their absolute discretion, deem fit; and

NOTICE OF ANNUAL GENERAL MEETING

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

- (i) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) (the “Share Issues”) shall not exceed 50 per cent (50%) of the Company’s total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (b) below), of which the aggregate number of Shares to be issued other than on a *pro-rata* basis to existing shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed 20 per cent (20%) of the Company’s total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (b) below);
- (ii) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (i) above, the percentage of issued Shares (excluding treasury shares) shall be based on the Company’s total number of issued Shares (excluding treasury shares) at the time this Resolution is passed, after adjusting for:
- (A) new Shares arising from the conversion or exercise of any convertible securities;
- (B) new Shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time that this Resolution is passed; and
- (C) any subsequent bonus issue, consolidation or subdivision of Shares;
- (c) in exercising the authority conferred by this Resolution, the Company shall comply with the requirements imposed by the SGX-ST from time to time and the provisions of the Listing Manual of the SGX-ST for the time being in force (in each case, unless compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act and otherwise, and the Constitution for the time being of the Company; and
- (d) such authority shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.”

[See Explanatory Note 2]



NOTICE OF ANNUAL GENERAL MEETING

6. To transact any other business of which due notice shall have been given.

By Order of the Board

Selena Leong
Company Secretary

13 April 2018
Singapore

EXPLANATORY NOTES:

1. Ordinary Resolutions 3 to 4 – Mr Koh Poh Beng upon re-election as a Director of the Company, remains as Chairman of the Audit Committee and a member of Nominating Committee and Remuneration Committee. Mr Koh Poh Beng will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"). Mr Lua Poh Huat upon re-election as a Director of the Company, remains as Chairman of both the Nominating Committee and Remuneration Committee, and a member of Audit Committee. Mr Lua Poh Huat will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"). Save as disclosed in those sections, there are no relationships including immediate family relationships between each of these Directors and other Directors, the Company or its 10% shareholders.
2. Ordinary Resolution 7, if passed, will authorise the Directors of the Company to, from the date of the passing of Ordinary Resolution 7 to the date of the next Annual General Meeting, issue Shares and to make or grant Instruments (such as warrants or debentures) convertible into Shares, and to issue Shares in pursuance of such Instruments, up to an amount not exceeding in total 50 per cent (50%) of the total number of issued Shares (excluding treasury shares), with a sub-limit of 20 per cent (20%) of the total number of issued Shares (excluding treasury shares) for issues other than on a pro-rata basis to existing shareholders of the Company. For the purpose of determining the aggregate number of Shares that may be issued, the percentage of issued Shares shall be based on the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time that Ordinary Resolution 7 is passed, after adjusting for:–
 - (a) new Shares arising from the conversion or exercise of any convertible securities;
 - (b) new Shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time that Ordinary Resolution 7 is passed; and
 - (c) any subsequent bonus issue, consolidation or sub-division of Shares.

In exercising the authority conferred by Ordinary Resolution 7, the Company shall comply with the requirements of the SGX-ST (unless waived by the SGX-ST), all applicable legal requirements and the Company's Constitution. This authority, will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

NOTICE OF ANNUAL GENERAL MEETING

NOTES:

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

(b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.
2. A proxy need not be a member of the Company.
3. The instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, Tricor Barbinder Share Registration Services, at 80 Robinson Road, #11-02, Singapore 068898, not less than 72 hours before the time appointed for the holding of the Annual General Meeting.

PERSONAL DATA PRIVACY:

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

SUNVIC CHEMICAL HOLDINGS LIMITED

(Company Registration No. 200406502E)
(Incorporated in the Republic of Singapore)

PROXY FORM

Important:

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 of Singapore may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF monies to buy Sunvic Chemical Holdings Limited shares, this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective agent banks if they have any queries regarding their appointment as proxies.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), a member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 13 April 2018.

I/We _____ (NRIC/Passport No./Co Reg Number) _____

of _____

being a *member/members of Sunvic Chemical Holdings Limited (the "Company"), hereby appoint

Name	Address	NRIC/Passport No	Proportion of shareholdings to be represented by proxy (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport No	Proportion of shareholdings to be represented by proxy (%)

or failing him/them, the Chairman of the Annual General Meeting ("AGM"), as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the AGM of the Company to be held at 10.00 a.m. on Monday, 30 April 2018 at Orchard Room, Level 4, Raffles City Convention Centre, 80 Bras Basah Road, Singapore 189560 and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the AGM (of which Resolution Nos. 1 to 7 will be proposed as Ordinary Resolutions) as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies may vote or abstain from voting at his/their discretion, as he/they may on any other matter arising at the AGM.

No.	Resolutions relating to:	For	Against
1.	To receive and adopt the Audited Accounts for the financial year ended 31 December 2017 and the Directors' Statement together with the Auditors' Report thereon		
2.	To re-elect Mr Sun Xiao who is retiring pursuant to Article 89 of the Company's Constitution		
3.	To re-elect Mr Koh Poh Beng who is retiring pursuant to Article 88 of the Company's Constitution		
4.	To re-elect Mr Lua Poh Huat who is retiring pursuant to Article 88 of the Company's Constitution		
5.	To re-appoint Foo Kon Tan LLP as Auditors and to authorise the Directors to fix their remuneration		
6.	To approve the payment of Directors' Fees of S\$100,000/- for the financial year ended 31 December 2017		
7.	To authorise Directors to allot and issue shares		

* Voting will be conducted by poll. If you wish to exercise all your voted "For" or "Against" the relevant resolution, please tick (✓) within the relevant box provided. Alternatively, if you wish to exercise your votes both "For" and "Against" the relevant resolution, please indicate the number of shares in the boxes provided.

Dated this _____ day of _____ 2018.

Total Number of Shares held^(Note 1)

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

IMPORTANT: PLEASE READ NOTES OVERLEAF



NOTES TO PROXY FORM:

1. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
2.
 - (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
 - (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.
3. A proxy need not be a member of the Company.
4. The instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, Tricor Barbinder Share Registration Services, at 80 Robinson Road, #11-02, Singapore 068898, not less than 72 hours before the time appointed for the holding of the Annual General Meeting.
5. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the Annual General Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Annual General Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the Annual General Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointer or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. The Company shall be entitled to reject an instrument appointing a proxy or proxies which is incomplete, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument (including any related attachment). In addition, in the case a member whose shares are entered in the Depository Register, the Company may reject an instrument appointing a proxy or proxies if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.
9. An investor who buys shares using CPF monies ("CPF Investor") and/or SRS monies ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Annual General Meeting in person. CPF and SRS Investors who are unable to attend the Annual General Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Annual General Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Annual General Meeting.

A photograph of laboratory glassware, including several Erlenmeyer flasks and beakers. The flasks contain liquids of various colors: blue, green, pink, and red. A glass dropper is visible, dispensing a red liquid into one of the flasks. The background is a soft, out-of-focus orange and yellow. The image is partially framed by a large, light gray geometric shape on the left side.

SUNVIC CHEMICAL HOLDINGS LIMITED

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