



SunVic Chemical Holdings Limited



ANNUAL
REPORT
2018

TABLE OF CONTENTS

01

COMPANY PROFILE

02

EXECUTIVE DIRECTOR AND CEO'S MESSAGE

05

OPERATIONS AND FINANCIAL REVIEW

07

BOARD OF DIRECTORS

07

KEY EXECUTIVE

08

GROUP STRUCTURE

09

FINANCIAL HIGHLIGHTS

10

QUALITY LEADS TO QUANTITY

11

CORPORATE INFORMATION

12

CORPORATE GOVERNANCE REPORT



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).

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

EXECUTIVE DIRECTOR AND CEO'S MESSAGE

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 2018 ("**FY2018**").

Both 2018 and 2019 proved to be symbolic years characterised by considerable challenges for the Group. A chain of regrettable events occurred one after another and severely impacted our operations and resulted in our productions came to a standstill by FY2018.

FINANCIAL HIGHLIGHTS

Revenue in FY2018 was RMB1,577.1 million as compared to RMB2,246.7 million in FY2017. This translated to a decrease of 29.8% or RMB669.6 million.

Consequently, gross profit fell 79.5% from RMB162.2 million in the previous reporting year to RMB33.3 million during the year under review. As a result, our loss attributable to owners of the Group widened to RMB630.7 million as compared to RMB20.3 million in FY2017.

KEY EVENTS

In April 2018, the operations of the plants of two of our People's Republic of China ("**PRC**") subsidiaries, Jiangsu Jurong Chemical Co., Ltd. ("**JJC**") and Jiangsu Jurong Petrochemicals Co., Ltd. ("**JJP**"), which are located at the Xiangshui Chemical Industry Park were halted following a directive from the local government. This was in response to a media exposure about pollution by other chemical producers in the region, subsequent to which the government authorities in Yancheng City ordered a shutdown of all chemical producers in the region to evaluate their compliance with environmental and safety regulations. As a result, both JJC and JJP, were ordered to shut down to comply with the directive.

Subsequent to the shut-down directive, another unfortunate event happened on 21 March 2019 where a severe chemical explosion occurred at a chemical plant in Xiangshui Chemical Industry Park. The chemical explosion had caused certain damages to the office building as well as plant and equipment of JJC and JJP. After

the chemical explosion, the Yancheng City government decided to completely shut-down the entire chemical zone, where JJC and JJP were operating in and restricted public access to the chemical zone. The Management is currently in negotiation and awaiting the final directive from the Yancheng City government on the status of the chemical zone.

The disposal of our joint venture company with Arkema Asia SAS, Taixing Sunke Chemicals Co., Ltd, was completed in August 2019. The final net receipt of approximately RMB377.1 million from the disposal remained in the two escrow accounts in the PRC in compliance with the Notice of Compliance dated 13 February 2019 issued by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") to the Company and the further directions of the SGX-ST. The Notice of Compliance was issued by the SGX-ST to the Company due to the questionable circumstances surrounding the unauthorised corporate guarantees extended by two of our PRC subsidiaries, Yixing Yinyan Import & Export Co., Ltd ("**YYIE**") and JJC, for loans taken up by unrelated third parties. In this regard, the Company had appointed Ernst & Young Advisory Pte. Ltd. to conduct a special audit which was completed on 6 November 2019. The summary of the key findings of the special audit and the recommendations of the Audit Committee of the Company as well as the redacted special audit report had been announced previously on 7 November 2019. The Company will make further announcements to update the shareholders of the Company of the developments at the appropriate juncture.

In addition, as previously announced on 11 January 2019, in view of the potential claims relating to the unauthorised corporate guarantees extended by YYIE and JJC respectively and the Group's financial situation, the Company suspended the trading of its shares on the SGX-ST on 14 January 2019 pursuant to 1303(3) of the listing manual of the SGX-ST as the Company is unable to demonstrate to the SGX-ST and its shareholders that it is able to continue as a going concern. We are working closely with the relevant parties to manage the situation and hope to steer the Group out of the current difficult situation.

EXECUTIVE DIRECTOR AND CEO'S MESSAGE

The Group was placed on the SGX-ST watchlist on 5 June 2018 for failing to meet the minimum trading price entry criteria pursuant to Rule 1311(2) of the Listing Manual of the SGX-ST as the Group recorded a volume-weighted average price of less than S\$0.20 and an average daily market capitalisation of less than S\$40 million over the last 6 months.

Furthermore, we also did not satisfy the financial entry criteria pursuant to Rule 1311(1) of the Listing Manual due to our financial results registering pre-tax losses for the 3 most recently completed consecutive financial years (based on audited full year consolidated accounts) and an average daily market capitalisation of less than S\$40 million over the last 6 months.

We will continue to monitor the situation as we consider various options on how best to meet the criteria necessary to exit the SGX-ST watchlist. We will weigh our available options and decide on the best course of action that serves the interests of our shareholders.

BUSINESS PROSPECTS

Following the series of unfortunate events that unfolded from 2018 until to-date, the Group hopes to start business afresh by tapping on our existing expertise and network. As the new incoming Chief Executive Officer of the Group, I have both the challenge and privilege of resolving past issues, as well as crafting new beginnings. During my term, I will do my utmost best to work out feasible solutions that are acceptable for all parties involved while forging new business relationships, so as to allow the Group to move forward anew.

ACKNOWLEDGEMENTS

I am honoured to have the opportunity to join the Group as Executive Director and Chief Executive Officer on 29 February 2020. I look forward to steering the Group towards a new journey of fresh beginnings.

On behalf of the Board, I would like to express my gratitude to our valued shareholders, business partners and associates for their trust and faith during these difficult times. I would also like to give our staff, management and fellow directors the recognition they deserved for their hard work and commitment in overcoming all the challenges over the years. We look forward to creating new value for our stakeholders in the course of our new journey.

Sun Lihua

Executive Director and CEO
December 2020

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2018年12月31日（“2018财年”）的年度报告。

2018年和2019年对集团来说充满了变数，面临相当大的挑战。一系列令人遗憾的事件接连发生，严重地影响了我们的运营，导致我们的生产在2018财年陷入停顿。

业绩回顾

集团在2018财年的营业收入为15.771亿元（人民币，下同）；与2017财年的22.467亿元相比，下降了29.8%，或6.696亿元。

毛利润也从前一年度的1.622亿元大幅下跌了79.5%，至3,330万元。因此，归属股东损失进一步扩大，从2017财年的2,030万元扩大至6.307亿元。

主要事件

2018年4月，我们在中国江苏盐城响水工业园的两个子公司——江苏裕廊化工有限公司（“JJC”）和江苏裕廊是由化工有限公司（“JJP”），接到了当地政府的命令必须停产。这是由于之前有媒体曝光该区域的污染问题，盐城当地政府为了回应这些报道，下令在该区域的所有化工企业关停，以评估他们的环保和安全生产是否符合有关规定和要求。因此，JJC和JJP两家公司根据政令也被迫停产。

被令停产之后，另一件不幸的事情也发生了。2019年3月21日，响水化工园区一家化工企业发生了重大的爆炸案。这个爆炸对JJC和JJP公司的办公楼以及厂房设备等造成了一定的损失和影响。爆炸案之后，盐城市政府决定关闭整个化工园区，也严格拒绝公众进入化工园区。管理层也一直在与当地政府商谈，等待盐城政府对该化工园区的最新指示。

关于出售集团与Arkema Asie SAS的合资公司——泰兴昇科化工有限公司的事宜已经与2019年8月完成。出售该公司共收回3.771亿元。根据新加坡交易所（“新交所”）2019年2月13日发出的合规通知以及后来的指示，目前该资金放在中国的两个共同监管账户。新交所对公司发出合规通知的原因是对集团两家公司——宜兴银燕进出口有限公司（“YYIE”）和JJC给与无关联的第三方公司提供未授权的贷款担保产生质疑。鉴于此，公司委托了安永会计师事务所对此事做特别审计。该审计工作已于2019年11月6日完成。关于特别审计的主要发现、公司审计委员会的建议以及特别审计报告，公司已经于2019年11月7日做出了公告。今后如有进一步的进展，公司会在适当的时候及时告知股东。

另外，如2019年1月11日的公告所述，考虑到关于YYIE和JJC未授权担保之事项的潜在诉讼风险以及集团的财务状况，由于公司无法向新交所及其股东证明，它能够继续作为一家持续经营的公司，于是公司根据新交所《上市手册》第1303(3)条的规定，于2019年1月14日暂停了其股票在新交所的交易。我们目前正在与各方积极协调配合，希望能够帮助集团走出困境。

根据新交所《上市手册》第1311(2)条的规定，由于集团有连续6个月的数量加权平均交易价格低于0.20新元，并且日平均资本市值少于4,000万新元，不能够满足股票交易的最低的入围标准，因此，新交所于2018年6月5日将公司列入观察名单。

另外，我们也不能满足《上市手册》第1311(1)条的财务的入围标准，因为集团已经连续三年都遭受税前亏损（基于审计后的合并报表），且在过去的6个月日平均资本市值少于4,000万新元。

我们将继续跟踪这些情况，也正在考虑可能的选项，如何达到新交所的要求，争取退出观察名单。同时，我们也会权衡可行的选项，找出符合股东利益的最佳行动方案。

业务前景

在2018年至今发生的一系列事件之后，集团希望利用我们现有的专长和商业网络，重新开始业务。作为集团新任的首席执行官，我既面临挑战、又有责任，解决过去的问题；同时，也要开创新的开端。在我的任期内，我将尽我最大的努力，制定出可行的解决方案，让各方都能接受，同时建立新的业务关系，让集团重新前进。

衷心感谢

我很荣幸有机会于2020年2月29日加入集团，受委为集团的执行董事兼首席执行官。我期待能带领集团走出困境，迈向新的旅程。

在此，我谨代表董事会，向我们的股东、商业合作伙伴表示感谢，感谢他们在困难时期给予我们的信任。我也要表扬我们的员工、管理层和董事同仁，他们多年来在克服所有挑战时所付出的努力和奉献。我们期待在新的旅程中能为我们的利益相关者创造新的价值。

孙立华

执行董事兼首席执行官

2020年12月

OPERATIONS AND FINANCIAL REVIEW

In view of the series of unfortunate events that unfolded over the years, the Group has essentially discontinued all operations of our plants.

FINANCIAL REVIEW

In FY2018, the Group's revenue decreased by 29.8% or RMB669.6 million to RMB1,577.1 million as compared to RMB2,246.7 million in FY2017. During the year, the Group maintained our objective of seeking continual revenue growth while minimising losses incurred due to increased credit risk exposure.

In line with our discontinued operations, cost of sales dropped by 25.9% or RMB540.7 million to RMB1,543.8 million. Consequently, gross profit dipped by 79.5% to RMB33.3 million during the year.

Separately, other income rose by RMB30.0 million or doubled to RMB43.8 million. Meanwhile, distribution expenses lowered by 7.7% to RMB37.1 million. Administrative expenses increased by 38.4% or RMB39.6 million to RMB142.7 million in FY2018.

As a result, net loss attributable to the Group widened to RMB630.7 million in FY2018 from RMB20.3 million in FY2017. The resultant loss per share was RMB118.5 cents as compared to RMB3.8 cents in the previous year.

BALANCE SHEET AND CASH FLOW HIGHLIGHTS

As at 31 December 2018, the carrying amount of the Group's property, plant and equipment value stood at RMB337.8 million as compared to RMB1.1 billion as at 31 December 2017.

Due to discontinued operations of our plants, inventories decreased significantly by 83.0% or RMB90.6 million from RMB109.1 million as at 31 December 2017 to RMB18.5 million as at 31 December 2018.

Trade and other receivables reduced by RMB203.2 million to RMB751.7 million as at year end as compared to RMB955.0 million a year ago, while trade and other payables rose to RMB1,058.4 million as at 31 December 2018 from RMB877.5 million as at 31 December 2017.

Total non-current and current interest-bearing liabilities stood at RMB471.4 million as at 31 December 2018 against RMB936.5 million as at 31 December 2017.

Shareholder's equity decreased from RMB983.3 million in the previous year to RMB353.4 million in the reporting year.

During the year, the Group achieved a positive operating cash flow of RMB376.4 million, and net cash outflow of RMB32.4 million and RMB491.3 million respectively for investing and financing activities. Expectedly, cash and cash equivalents decreased by RMB147.3 million from RMB157.3 million as at 31 December 2017 to RMB9.0 million as at 31 December 2018.

经营和财务 业绩回顾

鉴于这些年来发生的一系列事件，集团已基本上停止了我们的工厂的所有业务。

业绩回顾

2018财年，集团收入同比下降29.8%，或6.696亿元（人民币，下同），从2017财年的22.467亿元降至15.771亿元。本年度，本集团维持持续增长收入的目标，同时尽量减少因信贷风险增加而引致的损失。

由于我们停止了运营，销售成本下降了25.9%，或5.407亿元，至15.438亿元人民币。因此，全年毛利润下降79.5%，至3,330万元。

另外，其他收入增加了3,000万元，至4,380万元。同时，分销费用降低了7.7%至3,710万元。管理费用增加了38.4%或3,960万元，至1.427亿元。

因此，集团在2018财年的净损失从2017财年的2,030万元扩大至6.307亿元。每股损失也从一年前的3.8分升至1.185元。

资产负债表和现金流

截至2018年12月31日，集团的房产、厂房和设备为3.378亿元，而一年前是11亿元。

由于生产停滞，截至2018年12月31日，我们的存货从一年前的1.091亿元减少了83.0%或9,060万元，至1,850万元。

截至2018年12月31日，贸易和其他应收款较2017财年的9.55亿元减少了2.032亿元，至7.517亿元，然而，贸易和其他应付款相较于2017财年的8.775亿元增加到了10.584亿元。

截至2018年12月31日，总的长期和短期计息借款共为4.714亿元，一年前为9.365亿元。

股东权益从一年前的9.833亿元降至3.534亿元。

本年度，集团运营产生3.764亿元的现金流入；投资和融资的净现金流出分别为3,240万元和4.913亿元。现金以及现金等价物减少了1.473亿元，从2017年底的1.573亿元，降至900万元。

BOARD OF DIRECTORS

SUN LIHUA EXECUTIVE DIRECTOR AND CEO

SUN LIHUA was appointed as Executive Director and Chief Executive Officer of the Company on 29 February 2020. He is responsible for the management of the day to day operation, charting the strategic development of the Group.

Mr Sun has over 30-year experience in the chemical industry. He is currently also the General Manager cum Director of Taixing Jinyan Cangchu Co., Ltd., and Director of Taixing Jinyan Chemical Technology Co., Ltd, and Jiaying Jinyan Chemical Co., Ltd.

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 Stratch 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

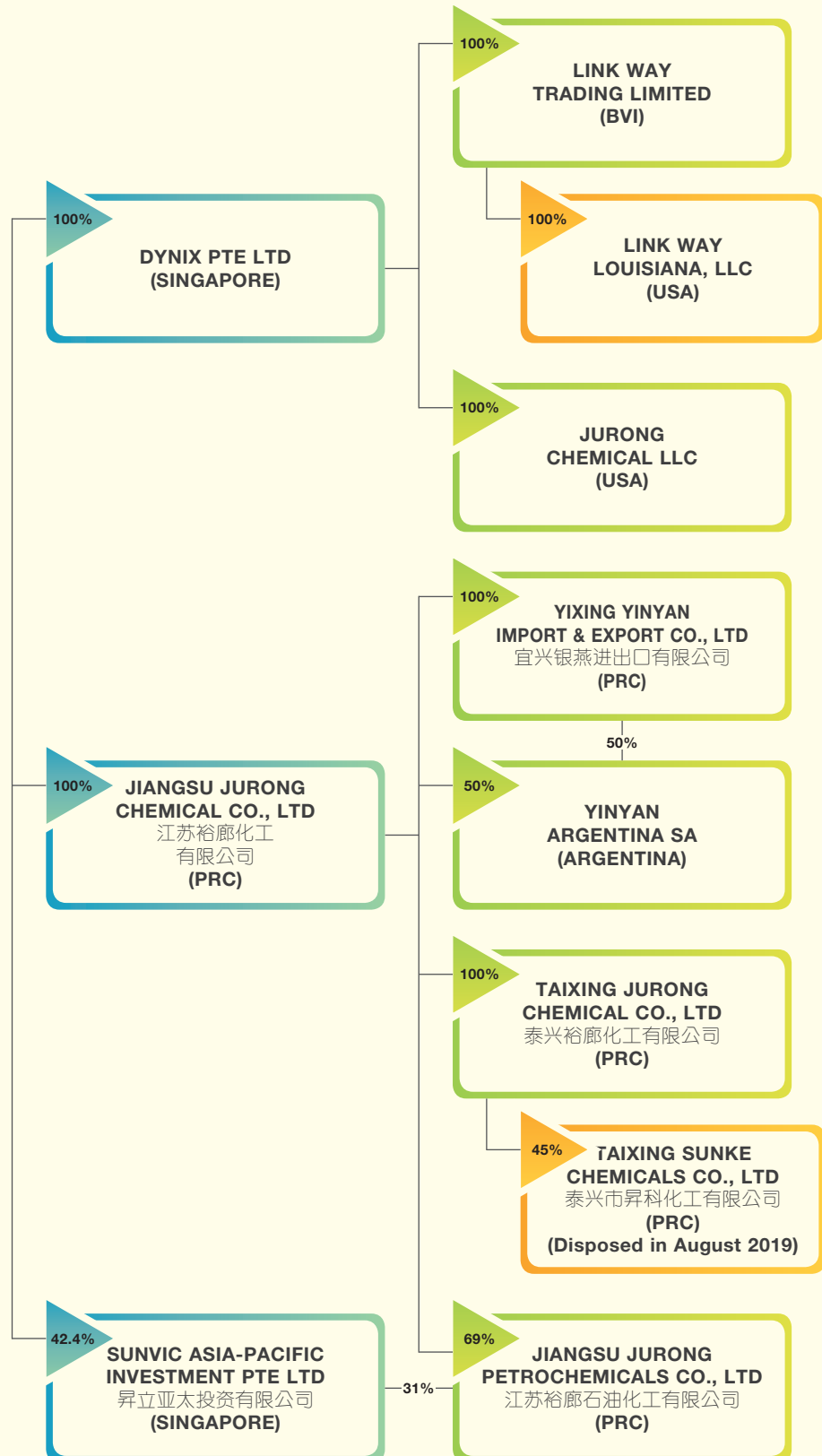
LUA POH HUAT is our Independent Director appointed since 5 May 2017. Mr Lua started his career as an auditor with Deloitte & Touche in Malaysia after receiving his ACCA qualification. He then joined Ernst & Young Singapore as audit senior and was subsequently promoted to an audit manager. He joined ICH 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 EXECUTIVE

LIM JIN SIN GROUP FINANCIAL CONTROLLER

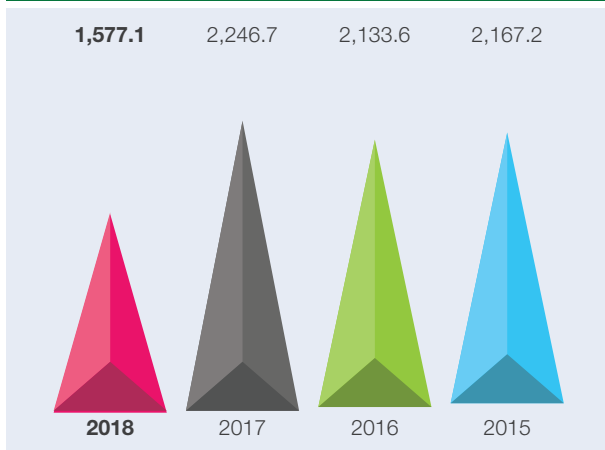
Lim Jin Sin was appointed as our Group's financial controller in October 2005 to oversee the overall financial and accounting matters of our Group. He started his career with a certified public accounting firm in Kuching (Sarawak, Malaysia) for almost two years before joining a certified public accounting 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.

GROUP STRUCTURE

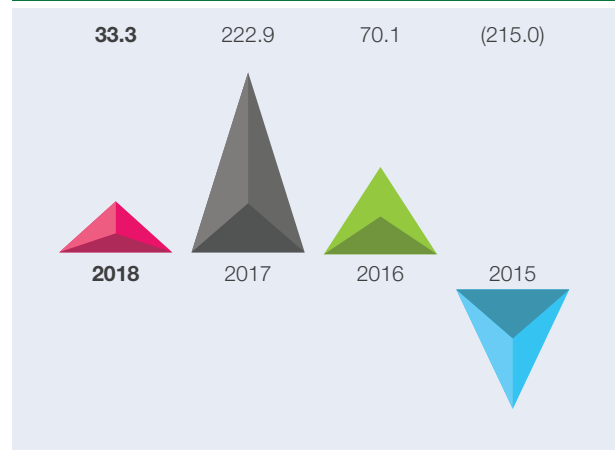


FINANCIAL HIGHLIGHTS

REVENUE (RMB' MILLION)

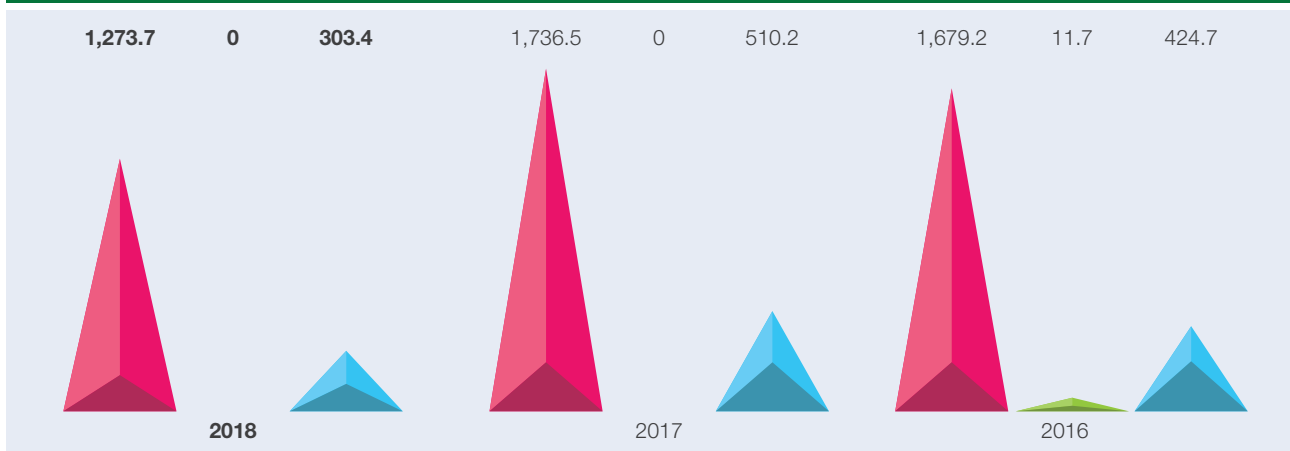


GROSS PROFIT (RMB' MILLION)

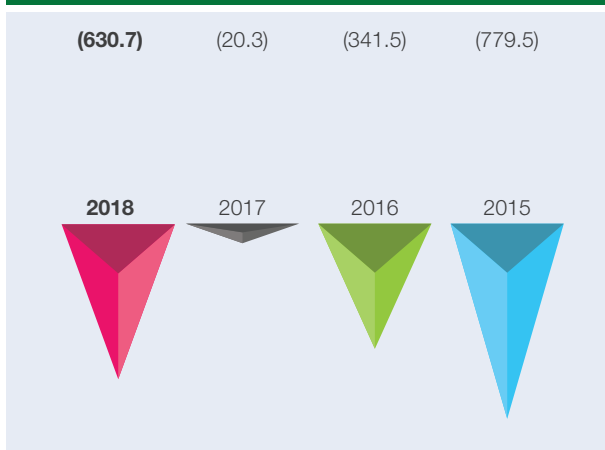


REVENUE BY PRODUCTS (RMB' MILLION)

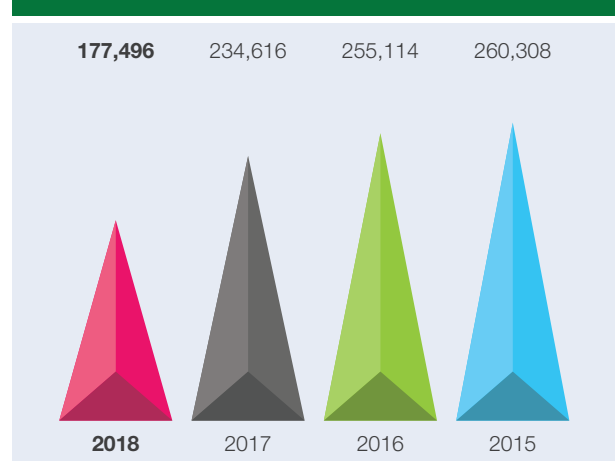
▲ AA & AE ▲ PMDA ▲ OTHERS



NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS (RMB' MILLION)



AA & AE SALES VOLUME (TONNES)



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 Lihua (Executive Director and CEO, appointed on 29 February 2020)

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

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

COMPANY SECRETARIES

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

Public Accountants and Chartered Accountants

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

Partner-in-Charge: Chang Fook Kay

Year of Appointment: FY2018

CORPORATE GOVERNANCE REPORT

企业治理报告

During the financial year ended 31 December 2018 (“FY2018”) 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2018年12月31日的2018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，董事会负责的重大事务包括：

- 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;
定期检查集团内部控制、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等；
- 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

CORPORATE GOVERNANCE REPORT

企业治理报告

- 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。

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.

除每季度董事会会议以外，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。

CORPORATE GOVERNANCE REPORT

企业治理报告

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。

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：董事会构成和指导

As at the date of this annual report, the Board has three Directors, comprising one Executive Director and two Independent Directors.

截至本年度报告日期，董事会由三名董事组成，其中一位为执行董事，另两位为独立董事。

The requirement of the Code that at least one-third of the Board consists of Independent Directors is satisfied. 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。

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 page 7 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7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。

CORPORATE GOVERNANCE REPORT

企业治理报告

The Board will assess and consider suitable candidates from time to time to ensure that number of directors on the Board and the various Board Committees maintain at such number required for compliance with the minimum number of directors in accordance with the Code. As at the date of this annual report, the Board considers the present board size and number of Board Committees facilitate effective decision-making and are appropriate given the nature and scope of the Group's business operations.

董事会将会不时地评估和考虑合适的人选，确保董事会和各个委员会的人数保持在符合准则要求的最低水平，截至本年年报日期，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。

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，以推荐新的董事和/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.

提名委员会也会审核每位董事的独立性。但是由于提名委员会没有足够的人数，因此这项审核由董事会来执行。董事会审议时采用了准则对独立董事的定义。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, Lihua 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。孙立华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，这将能使得集团在事务中保持客观独立的判断。

CORPORATE GOVERNANCE REPORT

企业治理报告

Once appointed, the new Chairman of the Board will:
新的董事会主席一经委任，将：

- lead the Board to ensure its effectiveness on all aspects of its role;
领导董事会，确保其各方面的有效性；
- set the agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues;
制定议程，确保有足够的时间讨论所有议程项目，特别是战略问题；
- promote a culture of openness and constructive debate at the Board ;
在董事会推动开放的和有建设性讨论的文化；
- ensure that the Directors receive complete, adequate and timely information;
确保董事收到完整、充分和及时的信息；
- ensure effective communication with shareholders of the Company;
确保与公司的股东有效的沟通；
- encourage constructive relations within the Board and between the Board and Management;
鼓励董事会内部以及董事会和管理层之间有建设性的关系；
- facilitate the effective contribution of Non-Executive Directors in particular; and
特别促使非执行董事对董事会的有效贡献；和
- promote high standards of corporate governance
促进高标准的企业治理

Prior to the appointment of the new Chairman of the Board, apart from the day-to-day operations of the Group, the CEO, Mr Sun Lihua 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. 在委任新的董事长之前，孙立华先生除了管理集团的日常运作之外，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，公司和其股东之间信息流通的质量、数量、准确性和及时性。他鼓励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。

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。

CORPORATE GOVERNANCE REPORT

企业治理报告

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。高宝明先生于2017年起为公司之首席独立董事，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，可以直接联系他。

When necessary, the Lead Independent Director will chair meetings with the Independent Directors without involvement of the Executive Director and the Management, to aid and facilitate well-balanced viewpoints on the Board and to report any feedback to the Board as appropriate.

如有需要，首席独立董事可以召开在没有执行董事和管理层参与下的独立董事会议，以协助董事会提供平衡的意见并且在适当的时候向董事会报告反馈意见。

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 of the NC 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。公司将会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 the date of this annual report are set out below:-

截至2018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 Lihua 孙立华 (Appointed on 29 February 2020) (受委于2020年2月29日)	Executive Director and CEO 执行董事兼首席执行官			
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

The following directors have resigned subsequent to 2018:

以下董事2018年以后相继辞职：

Mr Sun Xiao – resigned on 8 February 2020

Mr Yang Guoqiang – resigned on 28 November 2019

Mr Zhu Wuling – resigned on 29 February 2020

孙晓先生 – 2020年2月8日辞职

杨国强先生 – 2019年11月28日辞职

朱吾陵先生 – 2020年2月29日辞职

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

提名委员会已通过书面形式，说明其职责。

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。
- 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。

CORPORATE GOVERNANCE REPORT

企业治理报告

- 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.
审核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。

CORPORATE GOVERNANCE REPORT

企业治理报告

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提名选举连任。

CORPORATE GOVERNANCE REPORT

企业治理报告

Mr Sun Lihua, who has been appointed in 2020 to fill the casual vacancy in the Board, shall hold office only until the forthcoming annual general meeting (“**AGM**”). Pursuant to the Constitution, he is eligible and will submit himself for re-election, but shall not be taken into account in determining the Directors who are to retire by rotation at the forthcoming AGM.

孙立华先生于2020年被任命填补董事会的临时空缺，其任职期至即将召开的年度股东大会（“**年度股东大会**”）。根据公司章程，他有资格并且愿意再次选举连任，但在即将召开的年度股东大会上，不应该考虑轮值退休的董事。

In addition, Mr Koh Poh Beng will submit himself for re-nomination and re-election at the forthcoming AGM. As Mr Koh Poh Beng is a member of the NC, he 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 a Director.

高宝明先生将在来临的股东大会上提交再提名和再选举申请供大会讨论通过。由于高宝明先生是提名委员会成员，因此他不能推荐或参与提名委员会讨论他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 Lihua and Mr Koh Poh Beng be re-appointed as Directors at the forthcoming AGM for the shareholders' approval. Upon re-appointment, Mr Sun Lihua shall remain as the Executive Director and the CEO of the Company; and Mr Koh Poh Beng shall remain as the Lead Independent Director of the Company, Chairman of the AC and member of the NC and the RC. 考虑到孙立华先生和高宝明先生先生的贡献和表现，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，孙立华先生将仍为公司的执行董事和首席执行官；高宝明先生仍为公司的首席独立董事，审计委员会主席以及提名委员会和薪酬委员会的成员。

Mr Sun Lihua has an immediate family relationship with the majority shareholder.
孙立华先生系公司的大股东的直系家庭成员。

The NC and the Board have reviewed and noted that Mr Koh Poh Beng who submitted himself for re-appointment is independent in conduct, character and judgment, and has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of his independent business judgment in the best interests of the Company in accordance with the Code.

提名委员会和董事会评估并且认为，提交重新委任申请的高宝明先生在行为、性格以及判断上是独立的，他与公司以及关联公司、10%的股东或可以干预或被合理认为干预的官员，没有任何关系；他可以按照准则并为争取公司的最佳利益而进行独立的商业判断。

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. 提名委员会的每名成员均在就评估其业绩或再次提名为公司董事的任何决议投票时弃权。如果提名委员会的任何成员与提名委员会正在审议的事项有利害关系，他将回避参与与该事项有关的审查和批准过程。

CORPORATE GOVERNANCE REPORT

企业治理报告

The date of initial appointment and last re-election of each Director, together with his directorships in other listed companies and details of his other principal commitments, 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 Lihua 孙立华	29/02/2020	—
Koh Poh Beng 高宝明	05/05/2017	30/04/2018
Lua Poh Huat 赖宝发	05/05/2017	30/04/2018

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 Lihua 孙立华	—	—	General manager and director of Taixing Jinyan Chemical Technology Co., Ltd and Jiaying Jinyan Chemical Co., Ltd (both companies are related companies to the Company) 泰兴金燕化工科技有限公司、嘉兴金燕化工有限公司的总经理和董事（这两家公司是公司的关联企业）
Koh Poh Beng 高宝明	—	—	—
Lua Poh Huat 赖宝发	—	—	—

The Company has no alternate directors on its Board.

公司董事会没有替代董事。

CORPORATE GOVERNANCE REPORT

企业治理报告

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 FY2018, the review process was as follows:

对于2018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 questionnaire results were collected and submitted 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.
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 has reviewed the overall performance of the Board in terms of its role and responsibilities and the conduct of its affairs as a whole.

提名委员会从其角色和责任以及整个事务的处理方面审查了董事会的总体表现。

In this regard, the NC has referred to the announcements released by the Company on 10 January 2019, 18 January 2019, 19 February 2019, 15 April 2019, 16 April 2019, 20 June 2019, 1 July 2019, 9 July 2019, 10 July 2019 and 7 November 2019 on the receipts of letters of demand by the Company's wholly owned subsidiaries in relation to unauthorised corporate guarantees provided to unrelated parties (the "**Unauthorised Corporate Guarantees**"). The NC has noted that the Company appointed Ernst & Young Advisory Pte. Ltd. on 2 April 2019 as the special auditor (the "**Special Auditor**") to conduct an independent assessment and investigation into the circumstances leading to and surrounding the Unauthorised Corporate Guarantees (the "**Special Audit**") and has referred to findings of the Special Auditor (the "**Special Audit Findings**") as disclosed by the Company in its announcement released on 7 November 2019.

CORPORATE GOVERNANCE REPORT

企业治理报告

在这方面，提名委员会提到了公司在2019年1月10日、2019年1月18日、2019年2月19日、2019年4月15日、2019年4月16日、2019年6月20日、2019年7月1日、2019年7月9日、2019年7月10日以及2019年11月7日发布的公告。这些公告是关于公司的全资子公司未经授权给非关联方提供担保（“**未经授权的企业担保**”）而收到的追索函。提名委员会指出，公司已经于2019年4月2日委任安永咨询公司作为特别审计师（“**特别审计师**”），对导致这些未经授权的企业担保以及当时的情况进行独立评估和调查（“**特别审计**”）。特别审计的调查结果（“**特别审计结果**”）已由公司在2019年11月7日发布的公告中披露。

Based on the Special Audit Findings, the NC is of the view that in respect of Mr. Sun Xiao and Mr. Yang Guoqiang, given their level of involvement in the respective Unauthorised Corporate Guarantees, their performance and contribution to the Board has been less than satisfactory in FY2018. Further, the NC has noted that Mr. Sun Xiao and Mr. Yang Guoqiang have resigned from their offices as the Executive Directors on 8 February 2020 and 28 November 2019 respectively. 基于特别审计的调查结果，提名委员会认为，鉴于孙晓先生和杨国强先生不同程度地牵涉在此未经授权的企业担保中，以及他们在2018财年中的表现和对董事会的贡献低于满意值；再者，孙晓先生和杨国强先生已经分别于2020年2月8日和2019年11月28日分别辞去执行董事的职务。

Following the resignations of Mr. Sun Xiao and Mr. Yang Guoqiang as the Executive Directors and the appointment of Mr. Sun Lihua as an Executive Director, 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.

继孙晓先生和杨国强先生辞去执行董事的职务、以及孙立华先生被委任为新的执行董事之后，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。

The attendance of each Board member at meetings of the Board and other committees in respect of FY2018 are as follows:

2018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								
Koh Poh Beng 高宝明	4	4	4	4	1	1	1	1
Lua Poh Huat 赖宝发	4	4	4	4	1	1	1	1
Sun Lihua (Appointed on 29 February 2020)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Former Directors 前董事								
Sun Xiao 孙晓 (Resigned on 8 February 2020) (2020年2月8日辞职)	4	4	–	–	–	–	–	–

CORPORATE GOVERNANCE REPORT

企业治理报告

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
Yang Guoqiang 杨国强 (Resigned on 28 November 2019) (2019年11月28日辞职)	4	4	–	–	–	–	–	–
Zhu Wuling 朱吾陵 (Resigned on 29 February 2020) (2020年2月29日辞职)								

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。

The Independent Directors have been in direct communication with the Management to ensure that to the best of their efforts, the Directors are 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.

独立董事尽全力与管理层直接沟通，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。

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。

CORPORATE GOVERNANCE REPORT

企业治理报告

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 Board to implement and strengthen corporate governance practices, with a view to enhancing long-term shareholder value;
协助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 Board to ensure good information flows within the Board and its committees and key management personnel;
协助董事会以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 Board, the Chairman of each Board Committee and key management personnel in the development of the agendas for the various Board and Board Committee meetings.
协助董事会、各委员会主席以及管理层人员准备各项会议议程。

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。

CORPORATE GOVERNANCE REPORT

企业治理报告

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 of the RC 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：

- 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；
- to review and recommend to the Board the specific remuneration packages for each Executive Director and the CEO;
评估并且向董事会建议每个执行董事和首席执行官的具体薪酬配套；
- 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
- to review and recommend to the Board the fees of the Directors.
评估以及向董事会建议董事费。

In its review, the RC's objective is to establish and maintain a level of remuneration that would be fair and 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。

CORPORATE GOVERNANCE REPORT

企业治理报告

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 FY2018.

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2018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 the specific remuneration packages for each Executive Director and the CEO. 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。

CORPORATE GOVERNANCE REPORT

企业治理报告

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规定惩罚性条款，就是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。

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 FY2018 is as follows:-
截止2018年12月31日财年的董事薪酬细目分类如下：

Current Directors 现任董事					
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	—	—	—	100	60
Lua Poh Huat 赖宝发	—	—	—	100	60
Sun Lihua (Appointed on 29 February 2020)	N/A	N/A	N/A	N/A	N/A

Name 姓名	Salary 薪水	Bonus 花红	Other Benefits 其他福利	Fees 董事费	Total 总计
	%	%	%	%	RMB'000
Former Directors 前董事					
Sun Xiao 孙晓 (Resigned on 8 February 2020) (2020年2月8日辞职)	100	—	—	—	960
Yang Guoqiang 杨国强 (Resigned on 28 November 2019) (2019年11月28日辞职)	100	—	—	—	492
Zhu Wuling 朱吾陵 (Resigned on 29 February 2020) (2020年2月29日辞职)	100	—	—	—	702

CORPORATE GOVERNANCE REPORT

企业治理报告

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。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 FY2018.

2018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 5 January 2021, for the payment of directors' fees proposed for FY2018 amounting to an aggregate of S\$120,000.

建议的2018年度的董事费总计为120,000新元，将在2021年1月5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\$320,000 for FY2018.

2018年度付给首2位核心管理人员的薪酬总计为320,000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 FY2018.

集团在2018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。

CORPORATE GOVERNANCE REPORT

企业治理报告

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。

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。

The Independent Directors have been in direct communication with the Management to ensure that to the best of their efforts, the Management provides the Board with a continual flow of relevant information on a timely basis in order that the Board 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.

独立董事尽全力与管理层直接沟通，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。

CORPORATE GOVERNANCE REPORT

企业治理报告

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。

In this regard, as aforementioned at Principle 5 above, the Company has appointed the Special Auditor on 2 April 2019 to conduct the Special Audit in relation to the Unauthorised Corporate Guarantees. Based on the Special Audit Findings, the Board has noted in particular the Special Auditor's findings in relation to the lack of adequate controls over approving and monitoring corporate guarantees extended to third parties. Whilst the Board has noted that the Unauthorised Corporate Guarantees were extended by the Management with the involvement of Mr Sun Xiao and Mr Yang Guoqiang as Executive Directors without the prior the authorization of the Board collectively despite the Group's existing internal controls and risk management systems over the approval and monitoring of corporate guarantees provided by the Company to third parties, the Board acknowledges such findings of the Special Auditor and deeply regret the inadequacy in the Group's existing internal controls and risk management systems in this regard, which include:

在这方面，如以上原则5所述，公司已于2019年4月2日委托特别审计师对未授权的企业担保事宜进行特别审计。基于特别审计调查结果，董事会特别指出，特别审计师调查发现，在给第三方担保的事件中，批准和监管都缺乏适当的控制。董事会还指出，未经授权的企业担保，孙晓先生和杨国强先生牵涉其中；作为执行董事，他们未经董事会事先授权，尽管集团有内部控制和风险管理系统就公司给第三方的担保有批准和监督程序。董事会承认特别审计师的这一调查结果，并对集团在这方面的现有内部控制和 risk 管理制度不足深感遗憾，其中包括：

- a) the Group's standing instructions that no entity within the Group is allowed to provide any corporate guarantees to related companies and thirds parties;
集团的长期指示，即集团内任何实体不得向关联公司和第三方提供任何公司担保的长期指示；
- b) appointing Deloitte Touche Tohmatsu CPA LLP in the previous financial years, as the internal auditors of the Group, to among others review the internal controls and risk management systems for Jiangsu Jurong and its three subsidiaries including Yixing Yinyan, and to provide recommendations for improvement accordingly by way of an internal audit report to the AC. Such recommendations by the internal auditors were duly accepted and implemented;
任命德勤会计师事务所CPA LLP在上几个财政年度为集团的内部审计师，审查各项内容，包括对江苏裕廊及其包括宜兴银燕在内的三个子公司的内部控制和 risk 管理制度，相应地提供改进建议，并以内部审计报告的形式提交给审计委员会。这些由内部审计人员提出的建议已被接受并实施；
- c) appointing Foo Kon Tan LLP, as the external auditors of the Group, to as part of its audit process, perform independent searches with the People's Bank of China to determine and monitor the corporate guarantees provided by the Group; and
委任Foo Kon Tan LLP为集团的外部审计师，作为其审计的一部分，向中国人民银行进行独立搜索，以决定并且监管集团所提供的企业担保；以及

CORPORATE GOVERNANCE REPORT

企业治理报告

- d) Save for the non-appointment of the internal auditors for FY2018 in view of the appointment of the Special Auditor to conduct the Special Audit in relation to the Unauthorised Corporate Guarantees, the AC, in working closely with the internal auditors, the external auditors and the legal counsel of the Company or the Group from time to time since its appointment in May 2017, periodically assessing the Group's existing liabilities pertaining to "legacy" cross guarantees and making repeating recommendations to the Board to work with the Management to reduce the same and comply with the Group's standing instruction that no entity with the Group is allowed to provide any corporate guarantees to related companies and third parties.

鉴于已任命特别审计师对未授权的公司担保进行特别审计，虽然没有任命2018财年内部审计师，审计委员会自2017年5月任命以来，一直与公司或集团的内部审计师、外部审计师和法律顾问密切合作，定期评估集团的现有负债属于“遗留”的交叉担保问题，不断重复地建议董事会与管理层合作，减少类似的担保，并且符合集团的长期指令，任何单位不得给任何关联公司和第三方提供企业担保。

Based on the lessons learnt from the Special Audit Findings, the Company and the current Board will continue to reflect and work closely with the internal auditors, the external auditors and the legal counsel of the Company or the Group from time to time to explore ways to improve the Group's existing internal controls and risk management systems in all areas.

基于特别审计发现的教训，公司和现任董事会将继续反映并且和内部审计师、外部审计师以及与公司或集团的法律顾问进行密切的合作，探索提高集团现有的在各个领域的内部控制和 risk 管理系统。

In view of the appointment of the Special Auditor on 2 April 2019 to conduct the Special Audit in relation to the Unauthorised Corporate Guarantees, the Group has not appointed the internal auditors for FY2018 due to cash flow constraints. The Group will resume the appointment of the internal auditors in the near future to assist the Board and the AC 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 in FY2019.

鉴于已经于2019年4月2日委任了特别审计师对未授权的企业担保进行了特别审计，集团由于资金所限，没有为2018财年聘请内部审计。集团将在不久的将来，恢复任命内部审计师，来协助董事会和审计委员会确定风险管理、控制和治理过程的组织系统，由管理层来设计和代表，通过展开桌面企业风险评估以及控制自我评估的方法，是充分的和有效的。这将有助于董事会就内部控制，解决财务、运营、合规和信息技术控制以及2019财年的风险管理系统等方面的充分性提供意见。

The Board (with the concurrence of 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.

董事会（连同审计委员）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 Board (with the concurrence of the AC) has reviewed the Group's risk and internal control assessment and based on 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 the Unauthorised Corporate 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 the matters pertaining to the outstanding interested person transactions.

董事会（连同审计委员会）检讨和评估了集团的风险和内部控制，基于所采取的内部控制措施，审计委员会认为，除了关于未解决的关联方交易和银行担保事项（这些在集团的季度业绩报告和其他公告中有披露）以外，对集团内部控制满意。管理层继续与大股东紧密地沟通协作来改正这些关联方交易的事宜。

CORPORATE GOVERNANCE REPORT

企业治理报告

The Board had received assurance from the CEO and Group Financial Controller: (a) that the financial records as at 31 December 2018 have been properly maintained and the financial statements for FY2018 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2018年12月31日的财务记录保存完好，2018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 of the AC 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。

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。

CORPORATE GOVERNANCE REPORT

企业治理报告

With reference to Principle 11 above, save for the non-appointment of the internal auditors for FY2018 in view of the appointment of the Special Auditor to conduct the Special Audit in relation to the Unauthorised Corporate Guarantees, the AC meets periodically to perform the following functions:

根据上述原则11，除了2018财年未委任内部审计师，以及委任了特别审计师进行了特别审计外，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

CORPORATE GOVERNANCE REPORT

企业治理报告

- 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。

The AC carried out the following activities during FY2018 in the discharge of its functions and duties including the deliberation and review of:

审计委员会在2018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;
审核拟提交给董事会审核并通过新交所发布的集团每季度未审计的财务报告和公告；
- the external audit plans in terms of their scope of audit prior to their commencement of their annual audit;
在外审开始年度审计之前，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有关的审计问题；
- the interested person transactions falling within scope of Chapters 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在职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 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 fees for FY2018 and had recommended the same to the Board for approval; and
审核截至2018财政年度外审的费用，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。

CORPORATE GOVERNANCE REPORT

企业治理报告

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.

董事会已复申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。

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 FY2018 was S\$418,000.00. The external auditors did not provide any non-audit services to the Group during FY2018.

2018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2018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 FY2018.

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。2018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。

CORPORATE GOVERNANCE REPORT

企业治理报告

Principle 13: Internal Audit

原则13：内部审计

With reference to Principle 11 above, in view of the appointment of the Special Auditor on 2 April 2019 to conduct the Special Audit in relation to the Unauthorised Corporate Guarantees, the Group has not appointed the internal auditors (“IA”) for FY2018 due to cash flow constraints. The Group will resume the appointment of the IA in the near future to assist the Board and the AC 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的职责，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。

The IA will report 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 will meet 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 will review and approve 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 will 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 shall carry 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。

CORPORATE GOVERNANCE REPORT

企业治理报告

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。

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 FY2018, 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.

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2018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。

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。

CORPORATE GOVERNANCE REPORT

企业治理报告

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.

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 2018 is stated as follows:

根据新加坡证交所《上市手册》第907条，截止2018年12月31日财年里公司的关联方交易披露如下：

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)
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 RMB509,000,000 Sale of crude AA to Yixing Danson – 销售粗丙烯酸给宜兴丹森 RMB224,793,000 Purchase of residual crude AA from Yixing Danson – 从宜兴丹森处购买剩余的粗丙烯酸 RMB35,109,000	–
Taixing Jinyan Chemical Technology Co., Ltd ("Taixing Jinyan") 泰兴金燕化工科技有限公司 (“ 泰兴金燕 ”)	Corporate guarantees in favour of Taixing Jinyan – 给泰兴金燕提供企业担保 RMB794,000,000 Supply of chemical raw materials to Taixing Jinyan – 提供化工原材料给泰兴金燕 RMB129,589,000 Purchase of chemical products from Taixing Jinyan – 从泰兴金燕购买化工产品 RMB14,426,000 Sale of AA to Taixing Jinyan 销售丙烯酸给泰兴金燕 RMB36,298,000 Sale of catalyst to Taixing Jinyan – 销售催化剂给泰兴金燕 RMB94,745,000	–

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 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 RMB71,639,000 Purchase of chemical products from Jiangsu Yinyan – 从江苏银燕购买化工产品 RMB18,038,000	
Jiaxing Jinyan Chemical Co., Ltd ("Jiaxing Jinyan") 嘉兴金燕化工有限公司 (“嘉兴金燕”)	Corporate guarantees in favour of Jiaxing Jinyan – 给嘉兴金燕提供企业担保 RMB50,000,000	
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 RMB1,821,000	

As at 31 December 2018, the aggregate amount of the corporate guarantees that the Group provided to Yixing Danson, Taixing Jinyan, Jiaxing Jinyan, and Taixing Cangchu was approximately RMB1,613,000,000, whilst the aggregate amount of corporate guarantees that these same entities provided to the Group was approximately RMB877,400,000. 截至2018年12月31日，集团对宜兴丹森，泰兴金燕，嘉兴金燕和泰兴仓储提供的企业担保累计总额约为16.13亿元人民币，同时，这些企业给集团的担保累计总额约为8.774亿元人民币。

CORPORATE GOVERNANCE REPORT

企业治理报告

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 FY2018.

除了已经公告的内容，2018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

The AC will work closely with the Management to 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. At the direction of the AC, the Management will review 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.

审计委员会与管理层紧密合作，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。在审计委员会之指示下，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。

TABLE OF CONTENTS

45	➤	DIRECTORS' STATEMENT
49	➤	INDEPENDENT AUDITOR'S REPORT
57	➤	CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
58	➤	STATEMENTS OF FINANCIAL POSITION
59	➤	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
60	➤	CONSOLIDATED STATEMENT OF CASH FLOWS
62	➤	NOTES TO THE FINANCIAL STATEMENTS
153	➤	STATISTICS OF SHAREHOLDINGS
155	➤	NOTICE OF ANNUAL GENERAL MEETING
	➤	PROXY FORM

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2018 and the statement of financial position of the Company as at 31 December 2018.

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 2018 and of the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International); and
- (b) at the date of this statement, based on the disclosure made in Note 3 (going concern assumption) to the accompanying financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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

Names of directors

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

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

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' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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:

Name of directors	Holdings registered in the name of director		Holdings in which director is deemed to have an interest	
	As at 31.12.2018		As at 31.12.2018	
	As at 1.1.2018	and 21.1.2019 [#]	As at 1.1.2018	and 21.1.2019 [#]
	Number of ordinary shares			
SunVic Chemical Holdings Limited				
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 2019.

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.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Audit Committee (Continued)

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

- (i) overall scope of the external audits and the assistance given by the Company's officers to the auditors. It met with the Company's external auditors to discuss the results of their respective examinations and their evaluation of the Company's system of internal accounting controls;
- (ii) the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- (iii) the quarterly financial information and the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2018 as well as the auditor's report thereon;
- (iv) effectiveness of the Company's material internal controls, including financial, operational and compliance controls and information technology controls and risk management systems;
- (v) met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the audit committee;
- (vi) reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- (vii) reviewed the cost effectiveness and the independence and objectivity of the external auditor;
- (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.

In view of the appointment of the Special Auditor on 2 April 2019 to conduct the Special Audit in relation to the Unauthorised Corporate Guarantees, the Group has not appointed the internal auditors for FY2018 due to cash flow constraints.

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

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Audit Committee (Continued)

The audit committee has reviewed the independent auditor's report as set out in the following section and would like to highlight that the independent auditor does not express an opinion on the financial statements of the Group for the financial year ended 31 December 2018 due to the significance of the matters described in the Basis for Disclaimer of Opinion section of their report.

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

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

Independent auditor

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

Other information required by the SGX-ST

Material information

There is no material contract to which the Company or any of its subsidiaries, is a party which involve directors' interests subsisted or have been entered into during the financial year except as disclosed under "Disclosure of Remuneration" in the "Corporate Governance Report" and in Notes 6(c) and 25(c) to the financial statements.

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 25(a),(b) and Note 27(a) to the financial statements.

On behalf of the Directors

.....
SUN LIHUA

.....
KOH POH BENG

Dated: 19 March 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SUNVIC CHEMICAL HOLDINGS LIMITED

Report on the Audit of the financial statements

We were engaged to audit the financial statements of SunVic Chemical Holdings Limited (the "Company") and its subsidiaries (collectively the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2018, 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.

Disclaimer of Opinion

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

Basis for Disclaimer of Opinion

1. Discrepancies surrounding the veracity of the YFC Agreements

As detailed in Note 27 to the financial statements, the Company announced that it received legal claims for the principal amounts of RMB222.5 million (consisting of two financial guarantee contracts of RMB180 million (the "YFC Corporate Guarantee" transaction) and RMB42.5 million (the "BOC Corporate Guarantee") transaction) plus interest for financial guarantees issued by certain of its subsidiaries in the People's Republic of China ("PRC") on behalf of two unrelated parties.

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

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

Based on the confirmations obtained by our PRC legal counsel, there was no financial guarantee contract entered into or any loans and borrowings owed by Jiangsu Donglai in respect of the RMB180 million financial guarantee contract between YYIE, Yixing Futao Credit and Jiangsu Donglai. Neither was there any legal demand made in respect of this financial guarantee contract.

We were denied access by the management to interview Yixing Futao Credit and the borrower, Jiangsu Donglai. Neither were we allowed access to interview the Bank of China, Xiangshui branch, and the borrower, Jiangsu Dahe. The management has advised us that these parties do not wish to be interviewed and hence they were unable to arrange for the necessary interviews. Neither were we able to interview the government officer. We were also not provided with the loan agreements and related loan disbursements documentation in respect of the YFC Corporate Guarantee and the BOC Corporate Guarantee as the management claimed that they do not have them.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SUNVIC CHEMICAL HOLDINGS LIMITED

Basis for Disclaimer of Opinion (Continued)

1. Discrepancies surrounding the veracity of the YFC Agreements (Continued)

As detailed in Note 27, the Company has announced on 7 November 2019 that EY Advisory has, on 6 November 2019, submitted the full report on its findings to the Singapore Exchange Securities Trading Limited and the Audit Committee of the Company, and the key findings amongst others were discrepancies surrounding the veracity of the YFC Agreements.

On 5 March 2020, the Company has announced that following the completion of the special audit by EY Advisory and in view of the discrepancies surrounding the veracity of the YFC Agreements (refer to Note 27(b)), the Company has reversed in full the provision of the YFC Contingent Liabilities of RMB180 million from the financial statements of the Group as at 31 December 2018. On this basis, the Board of the Company has regarded the YFC financial guarantee transaction as non-existent and baseless and there should not have any legal consequences to this effect.

Arising from these matters as referred to herein, due to a limitation of audit scope, we were unable to ascertain the veracity of the YFC Corporate Guarantee and the BOC Corporate Guarantee transactions.

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

(i) Related party transactions with related parties

As reported in the FY2017 auditor's report on related party transactions, it was disclosed that there were no shareholders' mandate to approve the interested persons transactions under the Listing Manual of the SGX-ST Chapter 9.

As detailed in Note 25(b), during the financial year, there were sales and purchases transactions noted in the respective books of certain PRC subsidiaries of the Group with related parties (the "Transactions"). The Transactions made to related parties during the year ended 31 December 2018 were RMB2.7 billion (2017: RMB1.3 billion). Such Transactions entered are a common practice carried out in the People's Republic of China (PRC). Management presented these transactions on a net basis for financial reporting purpose in the consolidated financial statements.

(ii) Banking

The liability owed to banks was RMB471.4 million (2017 – RMB936.5 million) as at 31 December 2018 for which the amount loaned to a PRC subsidiary, YYIE, was RMB181.5 million (2017 – RMB226.1 million). YYIE recorded external revenues of RMB475.2 million (2017 – RMB523.5 million) for the year ended 31 December 2018. As disclosed in Note 25(b), the bank facilities sum as at 31 December 2018 was RMB923 million (2017: RMB1.1 billion) as reported under the facility arrangements in the PRC entered into during the year ended 31 December 2018.

Since 2011, there existed the related party arrangements. In so far as the sum drawn down under the financial guarantee facility arrangement with related parties, the amount of financial guarantees was RMB920.2 million and RMB1.4 billion in FY2017 and FY2018 respectively although the Company did not obtain shareholders' mandate to approve the related party transactions, since 2011.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SUNVIC CHEMICAL HOLDINGS LIMITED

Basis for Disclaimer of Opinion (Continued)

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

(ii) Banking (Continued)

There were announcements made by the Company in 2019 whereby it was reported that there is a lack of effective internal control for the transactions purported to be entered into (known as the “Purported Transactions”) which were not approved by the Board of the Company. This is despite that the fact the transaction as explained in Section 1 of the Basis for Disclaimer of Opinion of opinion section – “Discrepancies surrounding the veracity of the YFC Agreements” was known to then Executive Director and Chief Executive Officer, Sun Xiao.

Because of the matters arising as explained in the aforesaid paragraphs, we were unable to ascertain the veracity of the financial guarantees of RMB1.61 billion (2017 – RMB1.45 billion) that were entered amongst the related parties concerned. Coupled with the lack of effective internal controls over the supervision and approval of the financial guarantee contracts, we were also unable to ascertain the extent of the amount of any financial liabilities which may arise thereof nor the completeness of the disclosure in the financial statements relating to financial guarantees issued by the Group.

3. Provision for restoration

As detailed in Note 23 to the financial statements, the Group recorded a provision for restoration amounting to RMB45.6 million (2017 – Nil) as at 31 December 2018. The restoration occurs only when the Group returns the land use rights to the government on expiry. However, we have been unable to assess whether the provision is adequate or necessary. This is because based on legal advice of our PRC legal counsel, there is a lack of regulatory compliance of administration of law in the PRC to provide guidance as to how compensation can be made possible for the restoration and it is not considered to be the usual return of land in the Xiangshui Chemical Industry Park in Yancheng city, Jiangsu Province, PRC, (the “Xiangshui Chemical Industry Park”) to the government arising from the chemical explosion incident (“Chemical Explosion”), and the legal consequences arising thereof cannot be ascertained. Due to a limitation of audit scope beyond the control of the management, we were unable to determine the extent of the provision required for the restoration.

4. Accrued severance compensation

As disclosed in Note 22 to the financial statements, the Group has accrued a severance compensation of RMB12,700,000 (2017 – Nil) related to compensation payable to the staffs due to the outbreak of fire from the Chemical Explosion at the Xiangshui Chemical Industry Park in which one of the subsidiary premises is located in. Due to the Chemical Explosion, the government has stepped in to review the employee compensation. As of the date of this report, we were not provided with any evidence to demonstrate how the employee compensation was subsequently dealt with. Due to the limitation of audit scope which is beyond the control of the management, we were not able to obtain sufficient appropriate audit evidence on the extent of the severance compensation that is due and payable.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SUNVIC CHEMICAL HOLDINGS LIMITED

Basis for Disclaimer of Opinion (Continued)

5. Impairment of assets of Jiangsu Jurong Chemical Co., Ltd. and Jurong Petrochemicals Co., Ltd.

In so far as impairment of non-financial assets including intangible assets is concerned for two PRC subsidiaries of the Group, Jiangsu Jurong Chemical Co., Ltd. ("JJC") and Jurong Petrochemicals Co., Ltd. ("JJP"), which are located at the Xiangshui Chemical Industry Park where the Chemical Explosion occurred, the basis to which the recoverable amount should be recognised is the higher of value in use and/or fair value less cost to sell.

In the former, the value in use is not possible to be determined due to the matters as explained in Sections 3 and 4 of the Basis for Disclaimer of opinion section above and in Note 28 to the accompanying financial statements. As to the latter, the impairment assessment of the non-financial assets and intangible assets is also not possible as there is no comparison in the market for the nature of this catastrophic Chemical Explosion at the Xiangshui Chemical Industry Park. In addition, due to limited access to the assets located at Xiangshui Chemical Industry Park which is sealed off and protected by the government authorities, it is not possible to perform an inspection of certain assets of JJC and JJP.

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

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

Asset	Note	Carrying amount at 31/12/2018 RMB'millions	Impairment loss recognised for the year ended 31/12/2018 RMB'millions
i. Property, plant and equipment ("PPE")	23 & 28(a)(b)	76.3	166.6
ii. Land use rights	28(c)	10.4	Nil
iii. Intangible assets (comprising technology know-how and software)	28(d)	7.9	Nil
iv. Value-added tax recoverable	28(e)	9.5	83.9
v. Advances and prepayments to suppliers for the purchase of raw materials	28(f)(g)	8.5	19.6
vi. Inventories	28(h)	8.5	Nil

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SUNVIC CHEMICAL HOLDINGS LIMITED

Basis for Disclaimer of Opinion (Continued)

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

Property, plant and equipment

As disclosed in Note 28(i) and Note 28(j), an impairment loss of RMB32.4 million on certain property, plant and equipment with a carrying amount of RMB260.9 million (after impairment loss) as at 31 December 2018 was recognised in profit or loss during the year then. The impairment loss was recognised following a valuation performed by an independent professional valuer that was appointed by the management. However, we were not provided with the assumptions made and calculations to the valuation model used as the independent professional valuer had declined to provide their detailed valuation workings for our assessment despite attempts made by the management to request the independent professional valuer to do so. Accordingly, we were unable to ascertain the extent of impairment loss that is required nor determine whether any adjustments are necessary in respect of the carrying amount of the property, plant and equipment of RMB260.9 million as at 31 December 2018.

7. Impairment assessment of land at Link Way Louisiana LLC

As disclosed in Note 28(k), the freehold land held by Link Way Louisiana LLC, a subsidiary of the Group, was carried at a historical cost of RMB12.4 million. In the absence of information from the management on the impairment assessment of the freehold land, we were not able to perform any audit procedures and there were no practical alternative audit procedures that we could carry out to ascertain the extent of the impairment or whether any adjustments are required on the freehold land as at 31 December 2018.

8. Subsequent events

Owing to the severity and continuing spread of the coronavirus or COVID-19 outbreak in the PRC since December 2019 and up to the date of this report, we were unable to perform the subsequent events work and other audit procedures we consider necessary for the PRC subsidiaries of the Group.

As of the date of this report, due to the coronavirus, we were advised not to leave for the PRC to physically perform the audit procedures in so far as to the audit completion for subsequent events. Neither were our component auditors allowed to carry out the audit at this juncture.

We were also unable to perform alternative audit procedures to obtain information and explanations we considered necessary. Consequently, we are not able to ascertain whether all significant subsequent events have been adequately dealt with in these financial statements with respect to the disclosures, presentation and adjusting subsequent events.

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

Included in the statement of financial position of the Company as at 31 December 2018 were investments in a subsidiary, JJC, with a carrying amount of RMB340.2 million (2017 – RMB340.2 million) and trade receivable amounts due from JJC of RMB37.7 million (2017 – RMB32.1 million). As discussed in the preceding paragraphs, the operations of JJC in the Xiangshui Chemical Industry Park have been shut down by the local government.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SUNVIC CHEMICAL HOLDINGS LIMITED

Basis for Disclaimer of Opinion (Continued)

9. Impairment assessment of the cost investment held by and trade receivables due by JJC to the Company (Continued)

As at 31 December 2018, JJC has reported net assets of RMB809.4 million as at 31 December 2018 and incurred losses of RMB175.5 million for the financial year then ended. No impairment assessment has been made by the management. As there were no other practicable alternative audit procedures that we could perform, we were not able to conclude on the recoverability of the investment in the subsidiary and the trade receivables due from the subsidiary. Consequently, we were unable to determine whether any adjustments might be necessary in respect of the investment in the subsidiary and the trade receivable due from the subsidiary for the financial year ended 31 December 2018.

10. Going concern

We draw attention to Note 3.1 to the financial statements, which indicates that the Group incurred a loss of RMB673.4 million (2017 – loss of RMB22.9 million) during the financial year ended 31 December 2018. The Group's current liabilities exceeded the current assets by approximately RMB544.9 million (31 December 2017 – RMB256.2 million; 1 January 2017 – RMB261.5 million) as at 31 December 2018, excluding assets and liabilities held for sale.

Based on the latest announcement by the Company, for the half-year ended 30 June 2019, the Group incurred an unaudited loss of RMB175.4 million. As at 30 June 2019, the Group's current liabilities had exceeded its current assets by RMB905.1 million, and it had a deficit in its shareholder's funds of RMB134.4 million. As announced on 27 September 2019 by the Company, the joint operation company of the Group, Taixing Sunke Chemicals Co., Ltd., was disposed off and approved by the Board. However, due to the technicality as to the remittance of the sale proceeds following the disposal, we were unable to ascertain when this fund can be made available to disburse for the use of paying the liabilities owing by the Group to the banks for RMB471.4 million as at 31 December 2018, excluding assets and liabilities held for sale.

On 2 October 2019, the Company announced that it has received letters of demand to pay 6 overdue bank loans of an aggregate amount of RMB166.1 million from the China Construction Bank Corporation, the Agricultural Bank of China and the Industrial and Commercial Bank of China. Further to the announcement on 2 October 2019, the Company has announced on 20 December 2019 and 5 March 2020, that it had received two letters of demands dated 13 December 2019 and 27 February 2020 from an unrelated party, Xiangshui City Asset Investment Holding Group Co., Ltd. (响水城市资产投资控股集团有限公司) or ("XCAIH"), for the Group to make immediate repayment of an outstanding loan of RMB35.0 million owed by JJC to XCAIH.

These factors indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

While the Group has plans to raise funds to meet the operational needs, we were unable to obtain sufficient appropriate audit evidence regarding the likely outcome of the plans. We were, therefore, unable to conclude whether the use of the going concern assumption, which has been adopted for the preparation of the accompanying financial statements, is appropriate. If the Group was unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business, and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statement of financial position. No such adjustments have been made to the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SUNVIC CHEMICAL HOLDINGS LIMITED

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Report on Other Legal and Regulatory Requirements

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

Other Matters

Related party transactions

As disclosed in Note 25 to the financial statement the transactions with related parties were as follows:

Yixing Danson

On 30 April 2013, the Company announced that (i) the transactions between the Group and Yixing Danson Technology Co., Ltd. ("Yixing Danson") were interested person transactions which exceeded 5% in FY2011, 2012, first quarter 2013 ("Past Interested Person Transactions") and (ii) the Company would be seeking approval from shareholders to ratify the Past Interested Person Transactions at an extraordinary general meeting to be convened. During the financial year ended 31 December 2018, the transactions consist of the sale of chemical products of RMB224.2 million (2017 – RMB195.7 million), purchase of inventories of RMB35.1 million (2017 – RMB65.7 million) and sales of waste material of RMB Nil (2017 – RMB14.9 million).

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SUNVIC CHEMICAL HOLDINGS LIMITED

Report on Other Legal and Regulatory Requirements (Continued)

Other Matters (Continued)

Related party transactions (Continued)

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 the sale of raw materials of RMB260.6 million (2017 – RMB349.4 million), purchase of inventories of RMB14.4 million (2017 – RMB11.2 million) and purchase of raw material RMB Nil (2017 – RMB2.1 million).

Jiaying Jinyan

The transactions between the Group and Jiaying Jinyan Chemical Technology Co., Ltd. ("Jiaying Jinyan") were interested person transactions. Ms. Hu Yanping, the substantial shareholder of the Group, Mr Sun Xiao (the former Chief Executive Officer and Executive Director of the Company) and their associates own in aggregate 100% of the equity interest in Jiaying Jinyan. The transactions consist of the sale of chemical products of RMB Nil (2017 – RMB572,000), purchase of inventories of RMB164,000 (2017 – RMB35.0 million).

Jiangsu Yinyan

The transactions between the Group and Jiangsu Yinyan Specialty Chemical Co., Ltd. ("Jiangsu Yinyan") were interested person transactions. Ms Hu Yanping, the substantial shareholder of the Group and Mr Sun Liping (father of Mr Sun Xiao, the Chief Executive Officer of the Company) own in aggregate 94.0% of the equity interest in Jiangsu Yinyan. Mr Sun Liping passed away on 20 August 2014. However, there was no change of ownership of Jiangsu Yinyan noted. The transactions consist of the sale of chemical products of RMB71.6 million (2017 – RMB58.5 million), purchase of inventories of RMB18.0 million (2017 – RMB11.4 million).

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

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

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 19 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Year ended 31 December 2018 RMB'000	Year ended 31 December 2017 RMB'000 (Re-presented)
Continuing operations			
Revenue	4	1,577,098	2,246,712
Cost of sales		(1,543,832)	(2,084,536)
Gross profit		33,266	162,176
Other income			
– Interest	5(a)	1,822	585
– Others	5(b)	41,935	13,218
Distribution expenses		(37,070)	(40,170)
Administrative expenses		(142,700)	(103,138)
Other operating expenses	6(a)	(510,032)	(13,305)
Finance costs	6(b)	(73,062)	(73,365)
Loss before taxation	6(c)	(685,841)	(53,999)
Taxation	7	(600)	(1,018)
Loss after taxation from continuing operations		(686,441)	(55,017)
Discontinued operations			
Profit from discontinued operations, net of tax	12(c)	13,045	32,154
Loss for the year		(673,396)	(22,863)
Other comprehensive income after tax: (Item that may be reclassified subsequently to profit or loss)			
Foreign currency translation		809	(574)
Total comprehensive loss for the year		(672,587)	(23,437)
Loss attributable to:			
Owners of the Company		(630,678)	(20,322)
Non-controlling interests		(42,718)	(2,541)
Loss for the year		(673,396)	(22,863)
Loss attributable to owners of the Company:			
Loss from continuing operations		(643,723)	(52,476)
Profit from discontinued operations		13,045	32,154
		(630,678)	(20,322)
Total comprehensive loss attributable to:			
Owners of the Company		(629,869)	(20,896)
Non-controlling interests		(42,718)	(2,541)
Total comprehensive loss for the year		(672,587)	(23,437)
		RMB Cents	RMB Cents (Re-presented)
Earnings/(Loss) per share for loss from:			
Basic and diluted loss per share			
– loss for the year		(118.5)	(3.8)
– continuing operations	8	(121.0)	(9.9)
– discontinued operations	8	2.5	6.1

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	31 December 2018 RMB'000	Group 31 December 2017 RMB'000	1 January 2017 RMB'000	31 December 2018 RMB'000	Company 31 December 2017 RMB'000	1 January 2017 RMB'000
ASSETS							
Non-current assets							
Property, plant and equipment	9	337,767	1,135,353	1,206,559	33	–	–
Intangible assets	10	7,885	9,259	9,915	–	–	–
Land use rights	11	44,900	59,173	48,772	–	–	–
Investment in subsidiaries	12(a)	–	–	–	342,623	342,623	342,623
Deferred tax assets	13	–	24,430	24,430	–	–	–
Value-added tax recoverable	14	–	84,931	86,380	–	–	–
Long-term prepayments	16	–	6,027	–	–	–	–
Fixed deposits – pledged	17	76,739	76,739	–	–	–	–
		467,291	1,395,912	1,376,056	342,656	342,623	342,623
Current assets							
Inventories	15	18,544	109,132	81,893	–	–	–
Trade and other receivables	16	751,708	954,950	990,299	53,299	46,996	45,283
Cash and cash equivalents	17	228,865	278,164	262,216	810	306	1,036
		999,117	1,342,246	1,334,408	54,109	47,302	46,319
Assets of disposal group classified as held for sale	12(c)	791,883	–	–	–	–	–
Non-current assets held for sale	18	–	–	12,532	–	–	–
		1,791,000	1,342,246	1,346,940	54,109	47,302	46,319
Total assets		2,258,291	2,738,158	2,722,996	396,765	389,925	388,942
EQUITY AND LIABILITIES							
Capital and Reserves							
Share capital	19	291,516	291,516	291,516	291,516	291,516	291,516
Treasury shares	19	(1,575)	(1,575)	(1,575)	(1,575)	(1,575)	(1,575)
(Accumulated losses)/ Retained earnings		(226,237)	404,441	424,763	63,885	64,426	66,726
Other reserves	20	289,706	288,897	289,471	–	–	–
		353,410	983,279	1,004,175	353,826	354,367	356,667
Non-controlling interests		(122,377)	(79,659)	(77,118)	–	–	–
Total equity		231,033	903,620	927,057	353,826	354,367	356,667
Non-current liabilities							
Borrowings	21	75,631	228,631	180,000	–	–	–
Deferred tax liabilities	13	7,500	7,500	7,500	–	–	–
		83,131	236,131	187,500	–	–	–
Current liabilities							
Borrowings	21	395,740	707,853	957,300	–	–	–
Trade and other payables	22	1,058,446	877,483	645,956	42,939	35,558	32,275
Provision for restoration costs	23	45,573	–	–	–	–	–
Contingent liability	27(b)	42,500	–	–	–	–	–
Income tax payable		1,750	13,071	5,183	–	–	–
		1,544,009	1,598,407	1,608,439	42,939	35,558	32,275
Liabilities of disposal group classified as held for sale	12(c)	400,118	–	–	–	–	–
		1,944,127	1,598,407	1,608,439	42,939	35,558	32,275
Total liabilities		2,027,258	1,834,538	1,795,939	42,939	35,558	32,275
Total equity and liabilities		2,258,291	2,738,158	2,722,996	396,765	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 2018

Attributable to owners of the Company											
The Group	Share capital (Note 19) RMB'000	Treasury shares (Note 19) RMB'000	Foreign currency translation reserve			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
			Capital reserve RMB'000	Merger reserve RMB'000	Reserve RMB'000						
Balance at 1 January 2017	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 loss	-	-	-	(574)	-	-	(574)	-	(574)	-	(574)
Total comprehensive 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
Loss for the year	-	-	-	-	-	-	-	(630,678)	(630,678)	(42,718)	(673,396)
Other comprehensive income	-	-	-	809	-	-	809	-	809	-	809
Total comprehensive income/(loss) for the year	-	-	-	809	-	-	809	(630,678)	(629,869)	(42,718)	(672,587)
Balance at 31 December 2018	291,516	(1,575)	255,286	(15,395)	(499)	50,314	289,706	(226,237)	353,410	(122,377)	231,033

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 RMB'000	2017 RMB'000 (Re-presented)
Cash Flows from Operating Activities			
Loss before taxation from continuing operations		(685,841)	(53,999)
Profit before taxation from discontinued operation	12(c)	23,052	36,840
		(662,789)	(17,159)
Adjustments for:			
Interest expense	6(b)	80,159	81,634
Interest income	5(a)	(2,593)	(3,988)
Depreciation of property, plant and equipment	9	109,654	135,053
Impairment loss of property, plant and equipment	9	199,030	–
Amortisation of intangible assets	10	812	774
Amortisation of land use rights	11	1,334	1,404
Gain on disposal of land use rights	5	(9,429)	–
Gain on disposal of property, plant and equipment	5	(36)	(232)
Property, plant and equipment written off	6(a)	–	707
Unrealised currency translation difference		809	574
Impairment loss of trade receivables	16	–	355
Impairment loss on value added tax recoverable		83,951	–
Impairment loss on prepayment	16	19,625	–
Contingent liabilities – third parties	27(b)	42,500	–
Provision for restoration costs	23	45,573	–
Provision for severance compensation	22	12,700	–
Reversal of doubtful debt provision	16	(80)	–
Reversal of inventory write-down	15	–	(2,588)
Operating (loss)/profit before working capital changes		(78,780)	196,534
Decrease/(increase) in inventories		45,446	(24,654)
(Increase)/decrease in trade and other receivables		(12,327)	32,568
Decrease in trade and other payables		443,426	317,620
Cash generated from operations		397,765	522,068
Income tax (paid)/refund		(21,368)	2,185
Net cash flows generated from operating activities		376,397	524,253
Cash Flows from Investing Activities			
Interest received		2,593	3,988
Purchase of property, plant and equipment (Note A)		(36,002)	(152,014)
Purchase of intangible assets	10	–	(2)
Proceeds from disposal of property, plant and equipment		978	1,484
Net cash flows used in investing activities		(32,431)	(146,544)
Cash Flows from Financing Activities			
Proceeds from borrowings		631,205	1,339,256
Repayments of borrowings		(943,318)	(1,540,072)
Interest paid		(80,159)	(81,634)
Increase in pledged fixed deposits		(99,014)	(131,870)
Net cash flows used in financing activities		(491,286)	(414,320)
Net decrease in cash and cash equivalents		(147,320)	(36,611)
Cash and cash equivalents at beginning		157,324	196,507
Effects of exchange rate changes		(994)	(2,572)
Cash and cash equivalents at end	17	9,010	157,324

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Notes:

A. Property, plant and equipment

During the year, the Group paid cash of RMB36.0 million (2017 – RMB152.0 million) for the additions to property, plant and equipment amounting to RMB6.8 million (2017 – RMB74.4 million). The difference was mainly due to payment made for prior year payables for property, plant and equipment.

The Group

Amounts payable to suppliers at beginning
Purchases of property, plant and equipment (Note 9)
Amounts payable to suppliers at end
Cash paid on addition of property, plant and equipment

2018 RMB'000	2017 RMB'000
45,059	122,667
6,829	74,406
(15,886)	(45,059)
36,002	152,014

B. Reconciliation of liabilities arising from financing activities

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

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

	1 January 2017	Non-cash flows	Cash flows		31 December 2017
			Cash outflow	Cash inflow	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	1,137,300	–	(1,540,072)	1,339,256	936,484

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

1 General information

The financial statements of the Company and of the Group for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' statement.

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

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

2 Summary of significant accounting policies

(a) Basis of preparation

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

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

(b) Adoption of SFRS(I)

As required by the listing requirements of Singapore Exchange, the Group has adopted SFRS(I) on 1 January 2018. These financial statements for the year ended 31 December 2018 are the first set of financial statements the Group prepared in accordance with SFRS(I). The Group's previously issued financial statements for periods up to and including the financial year ended 31 December 2017 were prepared in accordance with Singapore Financial Reporting Standards ("SFRS").

In adopting SFRS(I) on 1 January 2018, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 *First-time Adoption of SFRS(I)*.

Under SFRS(I) 1, these financial statements are required to be prepared using accounting policies that comply with SFRS(I) effective as at 31 December 2018. The same accounting policies are applied throughout all periods presented in these financial statements, subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

The Group's opening statement of financial position has been prepared as at 1 January 2017, which is the Group's date of transition to SFRS(I) ("date of transition").

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 Summary of significant accounting policies (Continued)

(b) Adoption of SFRS(I) (Continued)

Optional exemptions applied

SFRS(I) 1 allows the exemption from application of certain requirements under SFRS(I) on a retrospective basis. The Group has applied the following exemptions in preparing this first set of financial statements in accordance with SFRS(I):

(i) Short-term exemption on adoption of SFRS(I) 9 *Financial Instruments*

The Group has elected to apply the short-term exemption to adopt SFRS(I) 9 on 1 January 2018. Accordingly, the requirements of SFRS 39 *Financial Instruments: Recognition and Measurement* are applied to financial instruments up to the financial year ended 31 December 2017. The Group is also exempted from complying with SFRS(I) 7 *Financial Instruments: Disclosure* to the extent that the disclosures required by SFRS(I) 7 relate to the items within scope of SFRS(I) 9.

As a result, the requirements under SFRS are applied in place of the requirements under SFRS(I) 7 and SFRS(I) 9 to comparative information about items within scope of SFRS(I) 9.

There were no material adjustments to the Group's statement of cash flows arising from the transition from SFRS to SFRS(I).

Adoption of SFRS(I) 9

SFRS(I) 9 *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new 'expected credit loss' (ECL) model and a new general hedge accounting model. The Group adopted SFRS(I) 9 from 1 January 2018.

In accordance with the exemption in SFRS(I) 1, the Group elected not to restate comparative information for 2017. Accordingly, the information presented for 2017 is presented, as previously reported, under SFRS 39 *Financial Instruments: Recognition and Measurement*. Differences in the carrying amounts of financial assets resulting from the adoption of SFRS(I) 9 are recognised in retained earnings as at 1 January 2018.

Arising from this election, the Group is exempted from providing disclosures required by SFRS(I) 7 *Financial Instruments: Disclosures* for the comparative period to the extent that these disclosures relate to items within the scope of SFRS(I) 9. Instead, disclosures under SFRS 107 *Financial Instruments: Disclosures* relating to items 68 within the scope of SFRS 39 are provided for the comparative period.

The accounting policies for financial instruments under SFRS(I) 9 is as disclosed in Note 3.4.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 Summary of significant accounting policies (Continued)

(b) Adoption of SFRS(I) (Continued)

Adoption of SFRS(I) 9 (Continued)

Classification and measurement of financial assets and financial liabilities

Under SFRS(I) 9, financial assets are classified in the following categories: measured at amortised cost, FVOCI – debt instrument, FVOCI – equity instrument; or FVTPL. The classification of financial assets under SFRS(I) 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SFRS(I) 9 eliminates the previous SFRS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under SFRS(I) 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. No reclassifications resulting from the management's assessment.

The adoption of SFRS(I) 9 has not had a significant effect on the Group's accounting policies for financial liabilities (Note 22).

The following table presents original measurement categories under SFRS 39 and the new measurement categories under SFRS(I) 9 for each class of the Group's financial assets as at 1 January 2018.

Group and Company	Original classification under SFRS 39 (Up to financial year ended 31 December 2017)	New classification under SFRS(I) 9 (Effective from 1 January 2018)
<u>Financial assets</u>		
Trade and other receivables	Loan and receivables	Amortised cost
Cash and bank balances	Loan and receivables	Amortised cost

Impairment of financial assets

SFRS(I) 9 requires the Group and Company to record expected credit losses on all of its financial assets at amortised cost or debt instruments at FVOCI, either on a 12-month or lifetime basis. Upon adoption of SFRS(I) 9, there is no additional impairment required on the Group's financial assets at amortised cost except for financial guarantee contracts.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 Summary of significant accounting policies (Continued)

(b) Adoption of SFRS(I) (Continued)

Adoption of SFRS(I) 9 (Continued)

Impairment of financial assets (Continued)

Set out below is the reconciliation of the ending impairment allowances in accordance with FRS 39 to the opening loss allowances determined in accordance with SFRS(I) 9:

Group	Allowance for impairment under FRS 39 as at 31 December 2017 RMB'000	Remeasurement RMB'000	ECL under SFRS(I) 9 as at 1 January 2018 RMB'000
Loans and receivables under FRS 39/Financial assets at amortised cost under SFRS(I) 9	1,092	—	1,092

Adoption of SFRS(I) 15

In accordance with the requirements of SFRS(I) 1, the Group adopted SFRS(I) 15 retrospectively. The adoption of SFRS(I) 15 did not result in adjustments to the previously issued SFRS financial statements as the impact is not material based on the assessment performed by the management.

Accounting for contracts with separate performance obligations

Under SFRS(I) 15, each contract for sales of chemical products was assessed to be one contract with revenue recognised at a point in time when the control of the goods was transferred to the buyer and when the amount of the costs of the transactions can be measured reliably.

Presentation of contract liabilities

Upon adoption of SFRS(I) 15, the Group has changed the presentation of advance from customers of RMB17.3 million as at 31 December 2017 and RMB11.2 million as at 1 January 2017 to contract liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 Summary of significant accounting policies (Continued)

(c) SFRS(I) issued but not yet effective

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2019 and which the Group has not early adopted:

Reference	Description	Effective date (Annual periods beginning on or after)
SFRS(I) 16	<i>Leases</i>	1 January 2019
Amendments to SFRS(I) 9	<i>Prepayment Features with Negative Compensation</i>	1 January 2019
SFRS(I) INT 23	<i>Uncertainty Over Income Tax Treatments</i>	1 January 2019
SFRS(I) 1-19	<i>Plan Amendment: Curtailment or Settlement</i>	1 January 2019
SFRS(I) 3	<i>Amendments to SFRS(I) 3: Definition of a Business</i>	1 January 2020
SFRS(I) 1-1, SFRS(I) 1-8	<i>Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of Material</i>	1 January 2020

The directors do not anticipate that the adoption of the above SFRS(I)s 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) 16 Leases

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. This will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

The Group will apply the standard from 1 January 2019, using the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use ("ROU") assets for property leases will be measured on transition as if the new rules had always been applied. All other ROU assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). For lease contracts that contain the option to renew, the Group is expected to use hindsight in determining the lease term.

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 and the Company has office where they are operating leases. The Group and the Company expects these operating leases to be recognised as Right-Of-Use assets with corresponding lease liabilities under the new standard. The Group and the Company does not expect any significant impact on the financial statements upon adoption of the new SFRS(I) 16.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 Summary of significant accounting policies (Continued)

(c) SFRS(I) issued but not yet effective (Continued)

SFRS(I) 16 Leases (Continued)

As at 31 December 2018, the Group and the Company has non-cancellable operating lease commitments of RMB755,000 (Note 26(a)). The standard is effective for annual period beginning on or after 1 January 2019. The Group and the Company does not expect the adoption of SFRS(I) 16 to have significant impact on its financial position and financial results for the financial year ending 31 December 2019.

The Group's activities as lessor are not material and the Group does not expect any significant impact on the financial statements.

(d) Significant accounting policies

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances. Information on its subsidiaries is given in Note 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 2018

2 Summary of significant accounting policies (Continued)

(d) Significant accounting policies (Continued)

Consolidation (Continued)

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

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

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

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

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

A change in the ownership interest

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 Summary of significant accounting policies (Continued)

(d) Significant accounting policies (Continued)

Consolidation (Continued)

Acquisition of businesses

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

Disposals

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 Summary of significant accounting policies (Continued)

(d) Significant accounting policies (Continued)

Consolidation (Continued)

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 fixture	–	3 to 10 years
Motor vehicles	–	5 years

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 Summary of significant accounting policies (Continued)

(d) Significant accounting policies (Continued)

Property, plant and equipment (Continued)

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 Summary of significant accounting policies (Continued)

(d) Significant accounting policies (Continued)

Intangible assets (Continued)

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

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

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

Land use rights

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 Summary of significant accounting policies (Continued)

(d) Significant accounting policies (Continued)

Investment in joint venture (Continued)

Joint operations

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

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

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

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and demand deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 Summary of significant accounting policies (Continued)

(d) Significant accounting policies (Continued)

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

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

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

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

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

Financial liabilities

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 Summary of significant accounting policies (Continued)

(d) Significant accounting policies (Continued)

Financial liabilities (Continued)

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

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

Provision

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 Summary of significant accounting policies (Continued)

(d) Significant accounting policies (Continued)

Financial guarantee (Continued)

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

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

Prior to 1 January 2018, 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 2018

2 Summary of significant accounting policies (Continued)

(d) Significant accounting policies (Continued)

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.

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 2018

2 Summary of significant accounting policies (Continued)

(d) Significant accounting policies (Continued)

Income taxes (Continued)

Deferred income tax is measured:

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

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

Revenue recognition

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

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

(i) Sales of chemical products

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 Summary of significant accounting policies (Continued)

(d) Significant accounting policies (Continued)

Revenue recognition (Continued)

(i) Sales of chemical products (Continued)

These accounting policies below are applied before the initial application date of SFRS(I) 15, 1 January 2018:

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.

(ii) Interest income

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

(iii) Rental income

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

(iv) Dividend income

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

Operating segments

For management purposes, operating segments are organised based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 24, including the factors used to identify the reportable segments and the measurement basis of segment information.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 Summary of significant accounting policies (Continued)

(d) Significant accounting policies (Continued)

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.

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;

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 Summary of significant accounting policies (Continued)

(d) Significant accounting policies (Continued)

Related parties (Continued)

- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
- (viii) the entity, nor any member of a group which is past, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Functional currencies

Functional and presentation currency

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

Conversion of foreign currencies

Transactions and balances

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 Summary of significant accounting policies (Continued)

(d) Significant accounting policies (Continued)

Conversion of foreign currencies (Continued)

Group entities

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

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

Financial assets

The accounting for financial assets before 1 January 2018 is as follows:

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 end of the reporting period 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 Summary of significant accounting policies (Continued)

(d) Significant accounting policies (Continued)

Financial assets (Continued)

The accounting for financial assets before 1 January 2018 is as follows: (Continued)

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.

The accounting for financial assets from 1 January 2018 is as follows:

Classification and measurement

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

At initial recognition

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 Summary of significant accounting policies (Continued)

(d) Significant accounting policies (Continued)

Financial assets (Continued)

The accounting for financial assets from 1 January 2018 is as follows: (Continued)

Classification and measurement (Continued)

At subsequent measurement

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

Amortised cost

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

Impairment of financial assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 Summary of significant accounting policies (Continued)

(d) Significant accounting policies (Continued)

Financial assets (Continued)

The accounting for financial assets from 1 January 2018 is as follows: (Continued)

Impairment of financial assets (Continued)

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

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

Recognition and derecognition

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3 Significant accounting estimates and judgements

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

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

3.1 Significant judgements in applying accounting policies

Income taxes (Note 7) and Deferred taxes (Note 13)

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

Determination of functional currencies

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

Provision for restoration costs (Note 23)

The Group has accrued RMB45,573,000 (2017 – Nil) in the current financial year being environmental remediation and restoration of the land relating to its operations in the Xiangshui Chemical Industry Park which was shut down by the local government in March 2019. Under existing legislation, the PRC government may move further towards more rigorous enforcement of applicable laws, and towards the adoption of more stringent environmental standards due to the hazard area and for public interest of the urban re-planning. The outcome of environmental liabilities under future environmental legislation cannot be ascertained with accuracy although the management believes the current provision for the restoration cost is adequate.

Accrued severance compensation

As disclosed in Note 22, the Group has accrued a severance compensation of RMB12.7 million (2017 – Nil) related to compensation payable to the staffs resulted from the explosion and fire hazard in one of the subsidiary premises in the Xiangshui Chemical Industry Park as at 31 December 2018. The management is of the view that the accrual is based on the management's best estimations and the current accrued severance compensation is adequate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3 Significant accounting estimates and judgements (Continued)

3.1 Significant judgements in applying accounting policies (Continued)

Joint arrangement classified as disposal group held for sale and discontinued operations (Note 12(c))

Disposal group classified as held for sale

As disclosed in Note 12(c), despite the arbitration proceedings and related claims made against Taixing Jurong Chemical Co., Ltd. ("Taixing Jurong") who holds a 45% interest in Taixing Sunke Chemicals Co., Ltd. ("Taixing Sunke") during the financial year ended 31 December 2018, the management has classified Taixing Sunke as a disposal group classified as held for sale as at that date. This is because a binding the Letter of Intent ("LOI") has been entered into with Arkema Asie SAS (the "Purchaser") to dispose of the entire 45% interest held by Taixing Jurong to the Purchaser. Pursuant to the LOI, the arbitration proceedings and related claims against Taixing Jurong will be withdrawn upon the completion of the Proposed Disposal. The shareholders of the Company have also approved of the Proposed Disposal on 15 July 2019. The management considers the classification of the joint arrangement as a disposal group classified as held for sale to be appropriate.

Discontinued operations

Taixing Sunke had been previously accounted for as a joint arrangement and classified as a joint operation whereby the Group has proportionally consolidated the financial performance and its share of the assets and liabilities held jointly arising from the joint operation in prior years by the Group. As disclosed in Note 12(b), Taxing Sunke contributed significant cost of sales and expenses and total assets and total liabilities to the Group in 2017 under the proportionate consolidation method of accounting in 2017 and in prior years and is considered to be a significant joint operation of the Group. Consequent to the reclassification of Taixing Sunke from a joint arrangement to a disposal group classified as held for sale in 2018, Taixing Sunke has also been classified as a discontinued operation on the same basis. Comparative figures have been reclassified to reflect the discontinued operation in accordance with SFRS(I) 5.

Investment in subsidiaries (Note 12(a))

As disclosed in Note 12(a), notwithstanding that Company has only a 42.4% equity interest in SVAP, it considers that it has control over SVAP because Whitefield Capital Inc. owns the remaining 57.6% equity interest in SVAP and is a related party to the Company whereby the majority of the key management personnel in SVAP are the same of those of the Company. Consequently, SVAP is accounted for as a subsidiary in the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3 Significant accounting estimates and judgements (Continued)

3.1 Significant judgements in applying accounting policies (Continued)

Going concern

The Group has incurred a loss of RMB673.4 million (2017 – loss of RMB22.9 million) during the financial year ended 31 December 2018. The Group's current liabilities exceeded the current assets by approximately RMB544.9 million (31 December 2017 – RMB256.2 million; 1 January 2017 – RMB261.5 million) as at 31 December 2018, excluding assets and liabilities held for sale.

Based on the latest announcement by the Company, for the half-year ended 30 June 2019, the Group incurred an unaudited loss of RMB175.4 million. As at 30 June 2019, the Group's current liabilities had exceeded its current assets by RMB905.1 million, and it had a deficit in its shareholder's funds of RMB134.4 million. As announced on 27 September 2019 by the Company, the joint operation company of the Group, Taixing Sunke Chemicals Co., Ltd., was disposed off and approved by the Board. However, due to the technicality as to the remittance of the sale proceeds following the disposal, when this fund can be made available to disburse for the use of paying the liabilities owing by the Group to the banks for RMB471.4 million as at 31 December 2018 is presently uncertain.

On 2 October 2019, the Company announced that it has received letters of demand to pay 6 overdue bank loans of an aggregate amount of RMB166.1 million from the China Construction Bank Corporation, the Agricultural Bank of China and the Industrial and Commercial Bank of China in the PRC. These factors indicate the existence of a material uncertainty which may cast a significant doubt on the Group's ability to continue as a going concern. Further to the announcement on 2 October 2019, the Company has announced on 20 December 2019 and 5 March 2020, that it had received two letters of demands dated 13 December 2019 and 27 February 2020 from an unrelated party, Xiangshui City Asset Investment Holding Group Co., Ltd. (响水城市资产投资控股集团有限公司) or ("XCAIH"), for the Group to make immediate repayment of an outstanding loan of RMB35 million owed by JJC to XCAIH.

The Group has plans to raise funds to meet its operational needs. On this basis, the financial statements of the Group have been prepared on going concern basis, which assume that the Group will continue in operation at least for a period of 12 months from the balance sheet date.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3 Significant accounting estimates and judgements (Continued)

3.1 Significant judgements in applying accounting policies (Continued)

Related parties' transactions (Note 25 and Note 27)

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

Impairment of trade and other receivables (Note 16)

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying amount of the receivables as well as impairment or write-back of impairment in the period in which such estimate has been changed. The carrying amount of the Group's and the Company's trade and other receivables at the end of the reporting period is disclosed in Note 16.

Impairment of Value-added tax ("VAT") recoverable (Note 14)

An impairment provision of RMB83,951,000 (2017 – Nil) was made as the chemical zone of which Jiangsu Jurong Petrochemicals Co., Ltd. ("JJP") operates was being ordered to shut down by the local government subsequent to the financial year ended 31 December 2018. The management is of the view that these amounts cannot be recovered from the tax authorities owing to the shut down of operation by the local government and the period of the shut down cannot be presently ascertained.

Impairment of non-financial assets (Note 9)

An impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value-in-use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value-in-use calculation is based on a discounted cash flow model.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3 Significant accounting estimates and judgements (Continued)

3.1 Significant judgements in applying accounting policies (Continued)

Impairment of non-financial assets (Note 9) (Continued)

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

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

As a result of the assessment, an impairment loss of RMB30,554,000 (2017 – RMB Nil) was recognised in profit or loss. The impairment amount was provided to write down the residual values of certain property, plant and equipment to its recoverable amount of nil for the financial year ended 31 December 2018 following the Chemical Explosion at the Xiangshui Chemical Industry Park where JJC was operating.

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

As a result of the assessment, an impairment loss of RMB136,000,000 (2017 – RMB Nil) was recognised in profit or loss. The impairment amount was provided to write down the residual values of certain property, plant and equipment to its recoverable amount of Nil for the financial year ended 31 December 2018 following the Chemical Explosion at the Xiangshui Chemical Industry Park where JJP was operating.

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

As a result of the assessment and owing to the loss for the year of Taixing Jurong, an impairment loss of RMB32,476,000 (2017 – RMB Nil) was recognised in profit or loss. The impairment amount was provided with reference to the valuation conducted by an independent valuer on its certain plant and machinery at 12 February 2019, adjusted for various factors, to its fair value less cost to sales.

Contingent liabilities (Note 27(b))

As disclosed in Note 27(b), the Group has announced that it had received legal demands totalling RMB222.5 million in respect of financial guarantees issued to third parties in 2018. Subsequent to the findings by EY Advisory, on 5 March 2020, the Company has announced that following the completion of the special audit by EY Advisory and in view of the YFC Veracity Discrepancies (refer to Note 27(b)), the Company has reversed in full the provision of the YFC Contingent Liabilities of RMB180 million from the financial statements of the Group as at 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3 Significant accounting estimates and judgements (Continued)

3.1 Significant judgements in applying accounting policies (Continued)

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 Group's property, plant and equipment as at 31 December 2018 is RMB337.8 million (31 December 2017 – RMB1.1 billion; 1 January 2017 – RMB1.2 billion) 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 the management's estimates, the Group's loss for the year will increase/decrease by approximately RMB33.8 million (2017 – RMB13.5 million).

Allowance for inventory obsolescence (Note 15)

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

If the net realisable value of the inventory increase/decrease by 10% from the management's estimates, the Group's loss will decrease/increase by RMB1.9 million (2017 – RMB10.9 million). The carrying amount of the inventory is disclosed in Note 15.

Impairment on investment in subsidiaries (Note 12)

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

The carrying amounts of investment in subsidiaries at the end of the reporting period are disclosed in Note 12.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4 Principal activities and revenue

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

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

	Continuing operations	
	2018 RMB'000	2017 RMB'000
The Group		
Trading of chemical products – at a point in time	1,577,098	2,246,712

Disaggregation of revenue from contracts with customers

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

	Continuing operations	
	2018 RMB'000	2017 RMB'000
The Group		
Geographical region		
– PRC	1,466,283	2,136,400
– Other countries in Asia	60,053	47,732
– Others	50,762	62,580
	1,577,098	2,246,712
Product lines		
– AA and AE	1,273,713	1,548,332
– Others	303,385	698,380
	1,577,098	2,246,712

Revenue recognised during the financial year from contract liabilities at the beginning of the financial year amounted to RMB17,322,000 (2017 – RMB11,262,000).

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5 Other income

The Group	Continuing operations		Discontinued operations		Total	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
	(Re-presented)				(Re-presented)	
5(a) Interest income						
Interest income from deposits with banks	1,822	585	771	3,403	2,593	3,988
5(b) Others						
Rental income	549	667	–	–	549	667
Reversal of inventory write-down	–	2,588	–	–	–	2,588
Sale of raw material, other spare parts, steam and provision of waste water treatment services	29,242	3,408	30,583	31,071	59,825	34,479
Exchange gain	1,076	–	–	–	1,076	–
Gain on disposal of property, plant and equipment	36	228	–	4	36	232
Gain on disposal of land use rights	9,429	–	–	–	9,429	–
Other miscellaneous income	1,603	6,327	983	(2,561)	2,586	3,766
	41,935	13,218	31,566	28,514	73,501	41,732

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

6(a) Other operating expenses

The Group	Note	Continuing operations		Discontinued operations		Total	
		2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
		(Re-presented)				(Re-presented)	
Property, plant and equipment written off		–	14	2,863	693	2,863	707
Cost of raw material and steam sold and provision of waste water treatment services		25,628	2,824	16,805	25,672	42,433	28,496
Employee compensation		–	866	–	–	–	866
Penalty		1	–	2,614	1,379	2,615	1,379
Prepayment written-off		–	5,691	–	–	–	5,691
Inventory written-off		–	–	–	751	–	751
Impairment loss of property, plant and equipment	9	199,030	–	–	–	199,030	–
Contingent liabilities for financial guarantees issued to third parties	27(b)	42,500	–	–	–	42,500	–
Impairment loss on value-added tax recoverable	14	83,951	–	–	–	83,951	–
Impairment loss on prepayment	16	19,625	–	–	–	19,625	–
Restoration and dismantle charges	23	45,573	–	–	–	45,573	–
Share of operating expenses of disposal group classified as held for sale [#]		89,502	–	–	–	89,502	–
Other miscellaneous expenses		4,222	3,910	1,326	(2,561)	5,548	1,349
		510,032	13,305	23,608	25,934	533,640	39,239

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

6(b) Finance costs

	Continuing operations		Discontinued operations		Total	
	2018	2017	2018	2017	2018	2017
The Group	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Re-presented)				(Re-presented)	
Interest paid and payable to banks	73,062	73,365	7,097	8,269	80,159	81,634

6(c) Loss before taxation

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

	Note	Continuing operations		Discontinued operations		Total	
		2018	2017	2018	2017	2018	2017
The Group		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Re-presented)				(Re-presented)	
Audit fees paid to:							
– auditor of the Company		1,934	2,056	–	–	1,934	2,056
– others		269	–	180	–	449	–
Cost of inventories included in cost of sales	15	1,467,373	1,495,732	–	–	1,467,373	1,495,732
Net foreign exchange loss/(gain)		1,753	(6,748)	4,054	2,561	5,807	(4,187)
Staff costs		33,936	30,553	16,729	21,750	50,665	52,303
Contributions to defined contribution plans, included in staff costs		3,710	3,391	750	3,358	4,460	6,749
Depreciation of property, plant and equipment	9	109,654	38,714	77,644	96,339	187,298	135,053
Impairment loss of trade receivables	16	–	355	–	–	–	355
Amortisation of intangible assets	10	812	692	82	82	894	774
Amortisation of land use rights	11	1,334	886	518	518	1,852	1,404
Severance compensation	22	12,700	–	–	–	12,700	–
Operating lease expense		887	445	397	330	1,284	775
Directors' fees		250	491	–	–	250	491

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

7 Taxation

The Group	2018 RMB'000	2017 RMB'000
From Continuing operations:		
Current taxation	37	739
Under provision in respect of previous years		
– Current taxation	563	279
	600	1,018
From Discontinued operations (Note 12(c)):		
Current taxation	2,677	5,072
Under/(over) provision in respect of previous years		
– Current taxation	7,330	(386)
	10,007	4,686
	10,607	5,704

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	2018 RMB'000	2017 RMB'000
Profit before tax from:		
– Continuing operations	(685,841)	(53,999)
– Discontinued operations (Note 12(c))	23,052	36,840
	(662,789)	(17,159)
Income tax using applicable tax rates	(165,654)	(21,465)
Adjustments:		
Non-taxable income ⁽¹⁾	(3,086)	(4,014)
Non-deductible expenses ⁽²⁾	93,888	2,008
Under/(Over)-provision in respect of previous years	7,893	(107)
Deferred tax assets not recognised ⁽³⁾	77,684	31,592
Utilisation of deferred tax assets on temporary difference not recognised in previous years	(56)	(2,109)
Tax incentives	(62)	(123)
Others	–	(78)
	10,607	5,704

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

(2) This is mainly related to impairment loss of property, plant and equipment of RMB199.0 million (Note 9), impairment loss of VAT recoverable of RMB83.9 million (Note 14), impairment loss on prepayment of RMB19.6 million (Note 16), provision for restoration of RMB45.6 million (Note 23) and the provision for contingent liabilities of RMB42.5 million in respect of the financial guarantee (Note 27(b)) made during the current financial year.

(3) Deferred tax asset has not been recognised as it is not probable that future taxable profits will be available against which the relevant subsidiaries can utilise the benefits (Note 13).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

7 Taxation (Continued)

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

JJC, JJP, Taixing Jurong, Yixing Yinyan Import and Export Co., Ltd. ("YYIE") and Taixing Sunke are subject to the PRC income taxes rate at 25% (2017 – 25%) on their taxable profit.

Sunvic Chemical Holdings Limited, Dynix Pte. Ltd. and SunVic Asia Pacific Investments Holdings Pte. Ltd. are subject to Singapore income tax rate at 17% (2017 – 17%) on its taxable profit.

8 Loss per share

Basic loss per share is calculated by dividing the net loss attributable to owners of the Company by the weighted average number of ordinary shares in issue of 532,001,000 (2017 – 532,001,000) shares during the financial year.

	Continuing operation		Discontinued operation		Total	
	2018	2017	2018	2017	2018	2017
The Group	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Re-presented)				(Re-presented)	
Net (loss)/profit attributable to owners of the Company (RMB'000)	(643,723)	(52,476)	13,045	32,154	(630,678)	(20,322)
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	532,001	532,001	532,001	532,001	532,001	532,001
Basic (loss)/earnings per share (RMB cents per share)	(121.0)	(9.9)	2.5	6.1	(118.5)	(3.8)
Diluted (loss)/earnings per share (RMB cents per share)	(121.0)	(9.9)	2.5	6.1	(118.5)	(3.8)

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 2017	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
Additions	4	280	216	–	6,329	6,829
Disposals	(1,523)	(28,671)	(39)	(2,996)	–	(33,229)
De-recognition of Joint Operation (Note 12(c))	(112,586)	(692,199)	(6,693)	(1,116)	(12,316)	(824,910)
Reclassifications	26,337	111,869	–	–	(143,656)	(5,450)
At 31 December 2018	640,161	1,715,443	12,515	21,117	90,357	2,479,593
<u>Accumulated depreciation and impairment losses</u>						
At 1 January 2017	374,568	1,674,707	8,626	22,996	810	2,081,707
Depreciation	26,127	105,737	2,271	918	–	135,053
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
Depreciation	33,769	73,921	1,305	659	–	109,654
Impairment loss recognised	–	199,030	–	–	–	199,030
Disposals	(803)	(28,459)	(37)	(2,987)	–	(32,286)
De-recognition of Joint Operation (Note 12(c))	(62,710)	(267,947)	(4,077)	(838)	–	(335,572)
Reclassification	24,531	(27,531)	3,000	–	–	–
At 31 December 2018	395,270	1,714,300	10,729	20,717	810	2,141,826
<u>Net carrying amount</u>						
At 31 December 2018	244,891	1,143	1,786	400	89,547	337,767
At 31 December 2017	327,446	558,878	8,493	1,346	239,190	1,135,353
At 1 January 2017	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 2018

9 Property, plant and equipment (Continued)

The Company

Furniture and fixture

RMB'000

Cost

At 1 January 2017 and 31 December 2017

–

Additions

45

At 31 December 2018

45

Accumulated depreciation and impairment losses

At 1 January 2017 and 31 December 2017

–

Depreciation

12

At 31 December 2018

12

Net carrying amount

At 31 December 2018

33

At 1 January 2017 and 31 December 2017

–

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

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

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

i.m: immaterial

(a) Impairment assessment

(i) JJC

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

9 Property, plant and equipment (Continued)

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

(a) Impairment assessment (Continued)

(i) JJC (Continued)

In view of the shut down, there is material uncertainty in JJC's ability to generate future economic cash inflow from its property, plant and equipment. During the current financial year, the management made an impairment loss of RMB30.6 million on the plant and machinery of JJC on the prudent assumption that these plants will be permanently shut down. At the end of the reporting period, the accumulated impairment losses on the JJC's plant and machinery amounted to RMB1,045,434,000 (31 December 2017 – RMB1,014,880,000; 1 January 2017: RMB1,014,880,000).

(ii) JJP

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

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

During the current financial year, the management made an impairment loss of RMB136.0 million on the plant and machinery of JJP on the prudent assumption that these plants will be permanently shut down. At the end of the reporting period, the accumulated impairment losses on the JJP's plant and machinery amounted to RMB228,662,000 (31 December 2017 – RMB92,662,000; 1 January 2017: RMB92,662,000).

(iii) Taixing Jurong

An impairment loss of RMB32.4 million was recognised in profit or loss for the year ended 31 December 2018 in respect of the property, plant and equipment of Taixing Jurong. The impairment loss was undertaken in view of the net loss suffered by Taixing Jurong following a valuation performed by an independent professional valuer. At the end of the reporting period, the accumulated impairment losses on the Taixing Jurong's plant and machinery amounted to RMB60,461,000 (31 December 2017 – RMB27,985,000; 1 January 2017: RMB27,985,000).

Certain land use rights of Taixing Jurong are subject to the Taixing Sunke arbitration proceeding (Note 12(c)).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

9 Property, plant and equipment (Continued)

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

(b) Security

As at 31 December 2018, property, plant and equipment of the Group with a carrying amount of RMB289,730,000 (31 December 2017 – RMB22,950,000; 1 January 2017 – RMB540,101,000) were pledged as security to secure bank loans (Note 21).

(c) Construction work-in-progress as at 31 December 2018 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 2018, the capitalised costs amounted to RMB75,200,000 (31 December 2017 – RMB220,420,000; 1 January 2017 – RMB253,240,000).

(d) As at 31 December 2018, the accumulated impairment loss on property, plant and equipment for the Group is RMB1,334,557,000 (31 December 2017 – RMB1,135,527,000; 1 January 2017 – RMB1,135,527,000).

10 Intangible assets

The Group	Technology know-how RMB'000	Computer software RMB'000	Total RMB'000
<u>Cost</u>			
At 1 January 2017	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
Disposal of joint operation	–	(1,127)	(1,127)
Transfer from construction-in-progress	–	291	291
At 31 December 2018	12,557	2,365	14,922
<u>Accumulated amortisation</u>			
At 1 January 2017	4,445	1,280	5,725
Amortisation charge	465	309	774
At 31 December 2017	4,910	1,589	6,499
Amortisation charge	478	334	812
Disposal of joint operation	–	(274)	(274)
At 31 December 2018	5,388	1,649	7,037
<u>Net carrying amount</u>			
At 31 December 2018	7,169	716	7,885
At 31 December 2017	7,647	1,612	9,259
At 1 January 2017	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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

11 Land use rights

	31 December 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000
The Group			
<u>Cost</u>			
At 1 January	66,319	54,514	54,514
Disposal of Joint Operation (Note 12(c))	(12,258)	–	–
Disposals	(3,147)	–	–
Transfer from non-current asset held for sale	–	11,805	–
At 31 December	50,914	66,319	54,514
<u>Accumulated amortisation</u>			
At 1 January	7,146	5,742	4,366
Disposal of Joint Operation (Note 12(c))	(2,243)	–	–
Disposals	(223)	–	–
Amortisation charge	1,334	1,404	1,376
At 31 December	6,014	7,146	5,742
<u>Net carrying amount</u>			
At 31 December	44,900	59,173	48,772
	31 December 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000
The Group			
Amount to be amortised:			
– Not later than one year	1,334	1,404	857
– Later than one year but not later than five years	5,337	5,616	3,427
– Later than five years	38,229	52,153	44,488
	44,900	59,173	48,772

- (a) The Group has land use rights over 8 plots of state-owned land in the PRC where the Group's PRC manufacturing and storage facilities reside. The land use rights have a remaining average tenure of 35 years (31 December 2017 – 36 years; 1 January 2017 – 37 years).

(b) Freehold land in Louisiana –

Included in land use rights were freehold land in Louisiana of RMB12,372,000 (31 December 2017 – RMB11,805,000; 1 January 2017: RMB Nil (classified as non-current assets held for sale (Note 18)).

In the financial year end 2017, the transfer of land use right from non-current assets held for sale relates to the freehold land in Louisiana amounting to RMB11,805,000 (1 January 2017 – classified under non-current assets held for sale).

- (c) The Group disposed land use rights of leasehold land in Taixing Jurong to a third party for consideration of RMB12,920,000 for the financial year ended 31 December 2018. The Group recognised a gain on sales of land use rights of RMB9,429,000 for the financial year ended 31 December 2018 (Note 5).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

11 Land use rights (Continued)

- (d) As at 31 December 2018, land use rights of the Group with a carrying amount of RMB27,864,479 (2017 – RMB23,376,000) are pledged as security to secure bank loans (Note 21).
- (e) Certain land use rights of Taixing Jurong are subject to the Taixing Sunke arbitration proceeding (Note 12(c)).

12(a) Investment in subsidiaries

	31 December 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000
The Company			
Unquoted equity investments, at cost	399,884	399,884	399,884
Less: Accumulated impairment losses			
Balance at beginning	(57,261)	(57,261)	(57,261)
Impairment charge	–	–	–
Balance at end	(57,261)	(57,261)	(57,261)
	342,623	342,623	342,623

Details of subsidiaries are as follows:

Name of subsidiary	Country of incorporation/ and operation	Principal activities	Proportion of ownership interest and voting rights held by non-controlling interests		
			31.12.2018	31.12.2017	1.1.2017
			%	%	%
Held by the Company:					
Dynix Pte. Ltd. ⁽¹⁾	Singapore	Import and export of chemical products	100	100	100
Jiangsu Jurong Chemical Co., Ltd. ⁽²⁾	PRC	Manufacture and sale of chemical products	100	100	100
SunVic Asia Pacific Investments Holdings Pte. Ltd. ("SVAP") ⁽¹⁾	Singapore	Investment holding	42.4	42.4	42.4
Held through Dynix:					
Jurong Chemical LLC ⁽⁴⁾	United States of America ("USA")	Trading business and provision of after-sales services	100	100	100
Link Way Trading Limited ("LWT") ⁽⁴⁾	British Virgin Islands ("BVI")	Import and export of chemical products	100	100	100
Held through LWT:					
Link Way Louisiana LLC ⁽⁴⁾	USA	Trading business and provision of after-sales services	100	100	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12(a) Investment in subsidiaries (Continued)

Details of subsidiaries are as follows: (Continued)

Name of subsidiary	Country of incorporation/ and operation	Principal activities	Proportion of ownership interest and voting rights held by the Group		
			31.12.2018	31.12.2017	1.1.2017
			%	%	%
Held through JJC:					
Yinyan Products Quimicos Ltd. ⁽⁵⁾	Brazil	Import and export of chemical products	–	–	100
Yixing Yinyan Import and Export Co., Ltd. ⁽²⁾	PRC	Import and export of chemical products	100	100	100
Yinyan Argentina SA ⁽³⁾	Argentina	Import and export of chemical products	100	100	100
Taixing Jurong Chemical Co., Ltd. ⁽²⁾	PRC	Manufacture and sale of chemical products	100	100	100
Jiangsu Jurong Petrochemicals Co., Ltd. ⁽²⁾	PRC	Manufacture and sale of chemical products	82.1	82.1	82.1
Held through TJC:					
Taixing Sunke Chemicals Co., Ltd. ⁽²⁾	PRC	Manufacture and sale of chemical products	#	#	#

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

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

(3) Unaudited, dormant

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

(5) Strike off on 30 October 2017

The Group has 45% equity interest in Taixing Sunke which is accounted for as joint operation (Note 12(b)) and classified as disposal group classified as held for sale and discontinued operations in 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12(a) Investment in subsidiaries (Continued)

Investment in SVAP

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

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. These are presented before inter-company eliminations. There were no transactions with non-controlling interests for the financial year ended 31 December 2018, 31 December 2017 and 1 January 2017.

Name of subsidiary	Country of incorporation/ and operation	Principal activities	Proportion of ownership interest and voting rights held by non-controlling interests		
			31.12.2018	31.12.2017	1.1.2017
			%	%	%
Jiangsu Jurong Petrochemicals Co., Ltd.	PRC	Manufacture and sale of chemical products	17.9	17.9	17.9
			31 December 2018	31 December 2017	1 January 2017
<u>Summarised statement of financial position</u>			RMB'000	RMB'000	RMB'000
Current					
Assets			10,601	16,765	21,852
Liabilities			(782,624)	(792,172)	(792,302)
Total net current liabilities			(772,023)	(775,407)	(770,450)
Non-current					
Assets			25,809	267,737	285,994
Net liabilities			(746,214)	(507,670)	(484,456)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12(a) Investment in subsidiaries (Continued)

Investment in SVAP (Continued)

	2018 RMB'000	2017 RMB'000
<u>Summarised income statement</u>		
Revenue	8,904	27,390
Expenses	(247,447)	(41,502)
Loss before income tax	(238,543)	(14,112)
Income tax expense	–	–
Loss after tax	(238,543)	(14,112)
Other comprehensive income	–	–
Total comprehensive loss	(238,543)	(14,112)
Total comprehensive loss allocated to non-controlling interests	(42,699)	(2,526)
Dividends paid to non-controlling interests	–	–
	2018 RMB'000	2017 RMB'000
<u>Summarised cash flows</u>		
Cash flows (used in)/generated from operating activities	(746)	443
Cash flows generated from investing activities	58	–
Net (decrease)/increase in cash and cash equivalents	(688)	443

12(b) Investment in joint operation

The Group holds 45% equity interest in the joint operation, Taixing Sunke, through its wholly owned subsidiary Taixing Jurong. The joint operation has been classified as disposal group classified as held for sale and discontinued operations in 2018 (Note 12(c)).

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>	
			<u>31.12.2017</u>	<u>1.1.2017</u>
			%	%
Taixing Sunke	The PRC	Manufacture and sale of chemical products	45	45

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12(b) Investment in joint operation (Continued)

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

	31 December 2017 RMB'000	1 January 2017 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
 <u>Summarised of statement of profit or loss and total comprehensive income</u>		
Revenue		2,545,868
Expenses		(2,513,714)
Profit for the period		32,154
Dividend received from joint operation		–
 <u>Summarised cash flows</u>		
Cash flows generated from operating activities		59,684
Cash flows used in investing activities		(113,253)
Cash flows used in financing activities		(60,000)
Net decrease in cash and cash equivalents		(113,569)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12(c) Disposal group classified as held for sale

On 2 November 2018, the management has informed the Board of Directors of the Company that an arbitration proceeding was commenced on 27 August 2018 against Taixing Jurong, a wholly-owned subsidiary of the Company, in China International Economic and Trade Arbitration Commission (“CIETAC”) by Taixing Sunke, which is a 45%-55% joint venture between Taixing Jurong and Arkema Asie SAS respectively. The arbitration proceeding was commenced by Taixing Sunke against Taixing Jurong for monies amounting to approximately RMB404 million which are due and owing by Taixing Jurong to Taixing Sunke in respect of Acrylic Acid and Acrylate Esters provided by Taixing Sunke to Taixing Jurong. Taixing Sunke had applied injunctions against Taixing Jurong to freeze effectively all of the assets of Taixing Jurong up to the amount claimed under the arbitration proceeding (the “Injunctions”) and was granted the Injunctions by Taizhou City Intermediate People’s Courts of the People’s Republic of China on 31 August 2018.

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

Pursuant to the LOI, Taixing Jurong and the Purchaser have agreed that the consideration for the Proposed Disposal shall be RMB700.0 million plus Amount X (as defined below) (the “Transfer Price”). Under the Amended and Restated Product Supply Agreement signed between Taixing Jurong and Taixing Sunke on 18 June 2016, Taixing Jurong is liable to pay (i) the fixed costs and a markup fee of 10% accrued from the later of the date on which the Transaction Documents are entered into or 31 December 2018 until the Closing Date, and (ii) depreciation and amortisation and a mark-up fee of 10% accrued from 1 October 2018 until the Closing Date (items (i) and (ii) being collectively referred to the “Amount X”). Amount X is estimated to be RMB108.7 million if Closing Date falls on 30 April 2019 and will vary if the Closing Date is earlier than 30 April 2019.

Taixing Jurong and the Purchaser further agreed that within two (2) business days from the date of the LOI, the Purchaser will procure Taixing Sunke to apply to the CIETAC to suspend the arbitration proceedings commenced against Taixing Jurong and within five (5) business days upon receipt by Taixing Jurong of the Acknowledgement of the Amount X, the Purchaser will procure Taixing Sunke to apply to CIETAC to withdraw the injunctions granted and the arbitration commenced against Taixing Jurong. The estimated net proceeds from the Proposed Disposal is RMB377.1 million.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12(c) Disposal group classified as held for sale (Continued)

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

- (i) Place the proceeds from the Proposed Disposal in an Escrow Account (“Escrow Account”) to be operated jointly by the independent directors of the Company, resident in Singapore;
- (ii) All receipts from the Proposed Disposal must be paid into the Escrow Account; and
- (iii) The amounts in the Escrow Account cannot be withdrawn until the completion of the investigations and agreed by the Exchange, save for the settlement of expenses and intercompany debts as set out in the Payment Terms of the Equity Transfer Agreement.

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12(c) Disposal group classified as held for sale (Continued)

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

	Year ended 31 December 2018 RMB'000	Year ended 31 December 2017 RMB'000
<u>Summarised statement of comprehensive income</u>		
Revenue*	1,308,078	1,145,640
Cost of sales*	(1,304,341)	(1,084,884)
Gross profit	3,737	60,756
Other operating income	72,621	31,917
Selling and distribution expense	(2,680)	(2,603)
Administrative expense	(19,921)	(19,027)
Other operating expenses	(23,608)	(25,934)
Finance costs	(7,097)	(8,269)
Profit before taxation	23,052	36,840
Taxation	(10,007)	(4,686)
Profit after taxation from discontinued operations	13,045	32,154

* Share of revenue and cost of sales of Taixing Sunke has being fully eliminated to the extent of Taixing Jurong's share of the revenue and cost of sales of Taixing Sunke.

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

	Year ended 31 December 2018 RMB'000	Year ended 31 December 2017 RMB'000
<u>Summarised cash flows</u>		
Cash flows generated from operating activities	35,545	26,858
Cash flows used in investing activities	(51,221)	(50,964)
Cash flows used in financing activities	(41,409)	(27,000)
Net decrease in cash and cash equivalents	(57,085)	(51,106)

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12(c) Disposal group classified as held for sale (Continued)

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

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

13 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:

	31 December 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 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)	(7,500)

The balance comprises tax on the following temporary differences:

	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 31 December 2018	–	(7,500)	(7,500)
At 31 December 2017, 1 January 2017	24,430	(7,500)	16,930

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

13 Deferred taxation (Continued)

Unrecognised deferred tax liabilities

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on the dividends to foreign investors from foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investor. The Group made provision for deferred tax liabilities on withholding tax at 5% of the retained earnings of all its PRC subsidiaries.

As at 31 December 2018, the aggregate amount of temporary differences relating to undistributed profits of subsidiaries for which deferred tax liabilities have not been recognised is RMB545,831,000 (31 December 2017 – RMB969,140,000; 1 January 2017 – RMB1,103,353,000). Unutilised tax liability totalling approximately RMB27,220,000 (31 December 2017 – RMB48,383,000; 1 January 2017 – RMB55,168,000) 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:

	31 December 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000
The Group			
Tax losses	832,483	347,495	347,959
Deductible temporary difference	2,008,142	1,639,620	1,522,798
	2,840,625	1,987,115	1,870,757

The Group has unabsorbed tax losses amounting to approximately RMB832,483,000 (31 December 2017 – RMB347,495,000; 1 January 2017 – RMB347,959,000) that will expire between 2019 to 2021 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 RMB1,839,666,000 (31 December 2017 – RMB1,639,620,000; 1 January 2017 – RMB1,522,798,000).

Unutilised tax benefits totalling approximately RMB628,091,000 (31 December 2017 – RMB495,458,000; 1 January 2017 – RMB465,975,000) arising from deductible temporary difference and tax losses had not been recognised as there was no reasonable certainty of their realisation in the future.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

14 Value-added tax recoverable

	31 December 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000
The Group			
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 JJP since financial year 2014.

An impairment provision of RMB83,951,000 (2017 – Nil) was made as the chemical zone of which JJP operates was being ordered to shut down by the local government subsequent to financial year ended 31 December 2018.

15 Inventories

	31 December 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000
The Group			
<u>At cost</u>			
Raw materials	5,306	47,908	32,981
Packaging materials	3,051	3,037	2,738
Goods-in-transit	–	–	9,772
	8,357	50,945	45,491
<u>At net realisable value</u>			
Finished goods	9,937	53,833	32,313
Work-in-progress	250	4,354	4,089
	10,187	58,187	36,402
	18,544	109,132	81,893
		2018 RMB'000	2017 RMB'000
			(Re-presented)

Statement of profit or loss and other comprehensive income:

Continuing operation

Inventories recognised as an expense in cost of sales (Note 6(c))	1,467,373	1,495,732
Inventories recognised as an expense in other operating expenses (Note 6(a))	25,628	2,824
Inclusive of the following credit:		
– Reversal of inventory write-down (Note 5(a))	–	(2,588)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

15 Inventories (Continued)

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

Inventories amounting to RMB8,543,000 (31 December 2017 – RMB43,292,000 and 1 January 2017 – RMB38,499,000) relate to inventories that are located in the Xiangshui Chemical Industry Park that have been shut down by the local government.

16 Trade and other receivables

	31.12.2018 RMB'000	Group 31.12.2017 RMB'000	1.1.2017 RMB'000	31.12.2018 RMB'000	Company 31.12.2017 RMB'000	1.1.2017 RMB'000
Trade receivables						
Trade receivables						
– third parties	40,335	121,338	201,269	315	340	374
– joint operation	76,731	119,683	239,390	–	–	–
– related parties	542,863	486,177	349,317	–	–	–
– subsidiaries	–	–	–	37,718	32,058	29,884
Notes receivable	1,168	102,139	65,423	–	–	–
	661,097	829,337	855,399	38,033	32,398	30,258
Loss allowances						
Balance at beginning of the year	(1,092)	(737)	(479)	–	–	–
Allowances	–	(355)	(258)	–	–	–
Reversal of loss allowance	80	–	–	–	–	–
Balance at end of the year	(1,012)	(1,092)	(737)	–	–	–
Net trade receivables, current	660,085	828,245	854,662	38,033	32,398	30,258
Other receivables						
Non-trade amounts due from subsidiaries	–	–	–	14,793	14,076	14,825
Other receivables	44,480	70,391	34,662	122	118	194
Prepayments						
– Long-term prepayment						
– current	–	1,592	–	–	–	–
– Other prepayments	18,471	3,736	21,084	351	391	–
Advances to suppliers	38,758	–	–	–	–	–
Less: Loss allowance	(19,625)	–	–	–	–	–
Advance to suppliers, net	19,133	–	–	–	–	–
Value-added tax recoverable	9,539	50,986	79,891	–	13	6
Total other receivables, current	91,623	126,705	135,637	15,266	14,598	15,025
Total trade and other receivables, current	751,708	954,950	990,299	53,299	46,996	45,283
Non-current						
Long-term prepayment						
– due after one year	–	6,027	–	–	–	–
Total trade and other receivables	751,708	960,977	990,299	53,299	46,996	45,283

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

16 Trade and other receivables (Continued)

Trade and other receivables

Trade receivables are generally on 30 to 90 days' terms (31 December 2017 – 30 to 90 days' terms; 1 January 2017 – 30 to 90 days' terms). Trade receivables are non-interest bearing and are recognised at their original invoice amounts which represent their fair value on initial recognition.

At the end of the reporting period, note receivables amounting to RMB1,168,000 (31 December 2017 – RMB102,139,000; 1 January 2017 – RMB65,423,000) are arranged to be settled via letters of credit issued by reputable banks in countries where the customers are based.

As at 31 December 2018, trade receivables and notes receivable amounted to RMB Nil (31 December 2017 – RMB52,393,000; 1 January 2017 – RMB70,549,000) were pledged as securities to obtain credit facilities (Note 21).

Further details of the foreign currencies denomination of trade receivables and the Group's financial risk management of foreign currency risk exposure are set out in Note 30.

Long-term prepayments

Long-term prepayment represent the prepayment of repair and maintenance cost of plant and machinery and water treatment antiseptis. The long-term prepayment was fully written off during the financial year because of explosion and fire hazard in one of the subsidiary premises.

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.

Advance to suppliers

This related to prepayments made to suppliers for purchase of materials. During the current financial year, the Group has recognised an impairment loss of RMB19,625,000 (2017 – Nil) as the chemical zone of which JJC operates was being ordered to shut down by the local government. The remaining amount of RMB19,133,000 (2017 – Nil) comprise of amount of RMB8,541,000 recorded in the books of JJP, the operations which are located in the same location of JJC and RMB10,592,000 recorded in the book of YYIE.

Credit risks exposure

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

16 Trade and other receivables (Continued)

Credit risks exposure (Continued)

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

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

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

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

Concentrations of credit risk

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

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

	Group		Company	
	31 December 2018 RMB'000	31 December 2017 RMB'000	31 December 2018 RMB'000	31 December 2017 RMB'000
PRC	657,707	825,112	–	–
Asia – others	1,721	1,478	38,033	32,398
Others	657	1,655	–	–
	660,085	828,245	38,033	32,398

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

16 Trade and other receivables (Continued)

Concentrations of credit risk (Continued)

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

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

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

	Group			Company		
	31 December 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000	31 December 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000
Current						
– Trade receivables	48,582	739,760	668,199	37,883	32,224	30,258
– Other receivables	44,480	70,391	34,662	14,915	14,195	15,019
Total	93,062	810,151	702,861	52,798	46,419	45,277

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

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

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

	Group			Company		
	31 December 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000	31 December 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000
Less than 30 days	198,836	51,359	124,947	–	–	–
30 to 90 days	277,862	24,523	46,071	134	135	–
More than 90 days	134,805	12,603	15,445	16	38	–
Total	611,503	88,485	186,463	150	173	–

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

16 Trade and other receivables (Continued)

Concentrations of credit risk (Continued)

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

	2018 RMB'000
The Group	
As at 31 December (calculated under FRS 39)	1,092
Amounts restated through opening retained earnings	–
Opening loss allowance as at 1 January 2018 (calculated under SFRS(I) 9)	1,092
Reversal of loss allowance during the year	(80)
As at 31 December	<u>1,012</u>

Previous accounting policy for impairment of trade receivables

In determining the impairment loss 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, the 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.

In 2017, as a result of its critical evaluations performed on the trade receivables, RMB1,092,000 allowances were considered necessary by the management 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.

Trade and other receivables (excluding prepayments, advances to suppliers and value-added tax recoverable) that are past due and/or impaired

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

	Group			Company		
	31 December 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000	31 December 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000
More than 120 days	<u>1,012</u>	<u>1,092</u>	<u>737</u>	<u>–</u>	<u>–</u>	<u>–</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

16 Trade and other receivables (Continued)

Previous accounting policy for impairment of trade receivables (Continued)

Trade and other receivables (excluding prepayments, advances to suppliers and value-added tax recoverable) that are past due and/or impaired (Continued)

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

	Group			Company		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross amount	1,012	1,092	737	-	-	-
Less: Credit allowance	(1,012)	(1,092)	(737)	-	-	-
	-	-	-	-	-	-

Financial assets that are neither past due nor impaired

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

Financial assets that are past due but not impaired

There is no other class of financial assets that is past due but not impaired except for trade and other receivables.

17 Cash and cash equivalents

	Group			Company		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current						
Fixed deposits – pledged*	76,739	76,739	-	-	-	-
	76,739	76,739	-	-	-	-
Current						
Cash and bank balances	25,434	157,324	196,507	810	306	1,036
Fixed deposits – pledged	203,431	120,840	65,709	-	-	-
	228,865	278,164	262,216	810	306	1,036
Total	305,604	354,903	262,216	810	306	1,036

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

17 Cash and cash equivalents (Continued)

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

	31 December 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000
The Group			
Cash and cash equivalents	305,604	354,903	262,216
Less: bank balances – pledged	–	–	–
Less: fixed deposits – pledged	(280,170)	(197,579)	(65,709)
	25,434	157,324	196,507

Pledged fixed deposits represent deposits pledged to banks to secure bank borrowings (Note 21) and notes payables (Note 22). The pledged deposits will be released upon the settlement of relevant bank borrowings and the expiry of relevant bank guarantees. At the end of the reporting period, the bank balances of RMB16,424,000 (2017 – Nil) were frozen and subject to the Taixing Sunke arbitration proceeding (Note 12(c)). The arbitration and injunction to freeze the assets of Taixing Jurong have been withdrawn as of the date of these financial statements.

The fixed deposits mature between one month to two years (31 December 2017 – one month to three years; 1 January 2017 – one to nine months) from the end of the reporting period with the weighted average effective interest rate at 2.62 % (31 December 2017 – 4.38%; 1 January 2017 – 1.62%) per annum.

18 Non-current assets held for sale

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 non-current assets held for sale, the Group has reclassified the freehold land from non-current assets held for sale to land use rights as at 31 December 2017 (Note 11).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

19 Share capital

	No. of ordinary shares		Amount	
	Issued share capital '000	Treasury shares '000	Issued share capital RMB'000	Treasury shares RMB'000
Group and Company				
31 December 2018, 31 December 2017 and 1 January 2017				
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

	Note	31 December 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000
The Group				
Merger reserve	(i)	(499)	(499)	(499)
Capital reserve	(ii)	255,286	255,286	255,286
Foreign currency translation reserve	(iii)	(15,395)	(16,204)	(15,630)
Special safety reserve	(iv)	50,314	50,314	50,314
		289,706	288,897	289,471
Represented by:				
Distributable		(15,395)	(16,204)	(15,630)
Non-distributable		305,101	305,101	305,101
		289,706	288,897	289,471

The movements in other reserves are as follows:

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

20 Other reserves (Continued)

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.

- (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.

	31 December 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000
The Group			
Foreign currency translation reserve			
Balance at beginning	(16,204)	(15,630)	(15,979)
Net currency translation differences of financial statements of foreign subsidiaries	809	(574)	349
Balance at end	(15,395)	(16,204)	(15,630)

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

21 Borrowings

	31 December 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000
The Group			
Non-current			
Secured bank loans	75,631	228,631	180,000
Current			
Secured bank loans	395,740	707,853	942,732
Unsecured bank loans	–	–	14,568
	395,740	707,853	957,300
Total borrowings	471,371	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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21 Borrowings (Continued)

The borrowings are secured by:

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

(a) Effective interest rates

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

The Group	Currency	31 December 2018	31 December 2017	1 January 2017
		%	%	%
Secured bank loans	RMB	4.57 – 7.50	3.63 – 7.50	2.90 – 7.50
Secured bank loans	USD	1.44 – 2.61	1.44 – 3.11	1.18 – 4.60
Unsecured bank loans	USD	–	–	1.95 – 2.10

(b) Carrying amounts and fair values

Fair values of borrowings

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

The Group	31 December 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000
Secured bank loan			
Carrying amounts	75,631	228,631	180,000
Fair values	78,382	260,155	221,075

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21 Borrowings (Continued)

(b) Carrying amounts and fair values (Continued)

Fair values of borrowings (Continued)

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

The Group	31 December 2018	31 December 2017	1 January 2017
	%	%	%
Secured bank loans	3.20	3.90	3.00

(c) Undrawn bank facilities

The amount of stand-by credit facilities available to the Group at the end of the reporting period is RMB191,055,000 (31 December 2017 – RMB184,100,000; 1 January 2017 – RMB535,740,000).

22 Trade and other payables

	Group			Company		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables						
– third parties	438,565	303,873	374,808	–	–	–
– related parties	328,505	176,986	144,478	–	–	–
Notes payables	174,410	282,578	–	–	–	–
	941,480	763,437	519,286	–	–	–
Accrued operating expenses	12,934	36,903	42,537	8,116	6,102	7,140
Accrued severance compensation	12,700	–	–	–	–	–
	25,634	36,903	42,537	8,116	6,102	7,140
Contract liabilities	23,288	17,322	11,262	–	–	–
Amounts due to subsidiaries (non-trade)	–	–	–	33,267	27,889	24,542
Other payables	68,044	59,821	72,871	1,556	1,567	593
	1,058,446	877,483	645,956	42,939	35,558	32,275

Trade and other payables are unsecured and non-interest bearing. Trade payables are normally settled on 60 days (31 December 2017 – 60 days; 1 January 2017 – 60 days) terms.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

22 Trade and other payables (Continued)

Notes payables

The notes payables are secured on the fixed deposits of RMB91,708,000 (31 December 2017 – RMB59,798,000; 1 January 2017 – RMB17,257,000) of the Group.

Accrued severance compensation

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

Contract liabilities

Contract liabilities relate to advance consideration received from customers and billings in excess of revenue recognised to-date. Contract liabilities are recognised as revenue as and when the Group satisfies the performance obligations under its contracts.

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 30(b).

Other payables

Included in other payables is a down payment of RMB50,000,000 received from a third party in prior year for the proposed disposal of the entire interest in JJP to the third party. There has been no further development noted as at 31 December 2018 and as of the date of this report.

23 Provision for restoration costs

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

23 Provision for restoration costs (Continued)

The provision for restoration costs of RMB45,573,000 (31 December 2017 – Nil) relates to the estimated cost of restoring the land located at the Xiangshui Chemical Industry Park which have been shut down by the local government following the Chemical Explosion in March 2019. The Group's subsidiaries, JJC and JJP, operate in location of Xiangshui Chemical Industry Park. The restoration will only occur when the Group return the land use rights to the local government on expiry. However, based on the management's intention, the land may not be returned to the local government for the following reasons:

- (a) The location of the Xiangshui Chemical Industry Park has currently been sealed and protected under the government control;
- (b) The question raised as to whether the return of land and compensation from the government is an ever ongoing for an indefinite period. We have discussed with the management and there is no indication of compensation, if any, from the local government nor any demands being received from the local government to make any compensation payments for the restoration of the land as of the date of this report. The land use right at JJC and JJP has a lease period of between 47 to 50 years. Approximately 12 – 13 years have been used up with a remaining useful life of 38 and 37 years of lease before its expiry in JJC and JJP respectively. On the basis that the extended land use right may not be taking place in the near future, the provision for restoration may not be required for the next 37 – 38 years. There is lack of regulatory compliance of administration of law in the PRC to provide guidance as to how compensation can be made possible for the restoration and it is not considered to be the usual return of land in the Xiangshui Chemical Industry Park following the explosion incident. On this basis, we are not able to assess whether the provision is adequate or necessary;
- (c) Whether the land use rights can be returned with legal consequences cannot be ascertained. Under such a situation, JJC and JJP have no legal basis to ask the government to take back the land use right before it expires and pay the compensation to the Group. Only the government has right to take back the land use right before it expires. However, whether or not to exercise this right will depend on the government. According to the relevant PRC laws, the government can take back the land use right for the public interest or for the urban re-planning before it expires and the Group will receive the compensation from the government under this circumstance. At present, the Group can only wait for further action by the government; and
- (d) The land at Xiangshui Chemical Industry Park is under the control and protection of the authorities. Under the relevant PRC laws, the government will take control of the hazard area which cause life threatening for which death and injuries have been reported at the Chemical Explosion incident. The legal consequences are uncertain, and based on the PRC legal counsel's advice, it all depends on the government's decision. JJC and JJP can actively contact the government and wait for the further action by the government under such circumstances.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

24 Segment reporting

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

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

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

Other operations include the manufacture and sale of other chemical products. None of these segments meets any of the quantitative thresholds for determining reportable segments in 2018 or 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

24 Segment reporting (Continued)

Information about reportable segments is as follows:

	AA and AE		PMIDA and glyphosate		MTBE and Petroleum-related products		Others		Total
	2018	2017	2018	2017	2018	2017	2018	2017	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
External revenue	1,273,713	(Re-presented) 1,548,332	-	-	-	-	303,385	688,380	(Re-presented) 2,246,712
Interest income	-	-	-	-	-	-	1,822	585	585
Interest expense	(59,007)	(56,706)	-	-	-	-	(14,055)	(16,659)	(73,365)
Depreciation and amortisation	(95,013)	(9,376)	-	(9,376)	(16,475)	(26,825)	(312)	(715)	(40,292)
Impairment loss on property, plant and equipment	(63,030)	-	-	-	(136,000)	-	-	-	-
Provision on contingent liability	-	-	-	-	-	-	(42,500)	-	-
Provision for severance compensation	(12,700)	-	-	-	-	-	-	-	-
Impairment loss on value-added tax recoverable	-	-	-	-	(83,951)	-	-	-	-
Restoration and dismantle charges	(45,573)	-	-	-	-	-	-	-	-
Impairment loss on prepayment	(19,625)	-	-	-	-	-	-	-	-
Reportable segment									
(Loss)/profit before income tax	(346,017)	10,285	-	(9,376)	(239,861)	(26,826)	(99,963)	(28,082)	(53,999)
- continuing operation	23,052	36,840	-	-	-	-	-	-	36,840
Income tax expenses from	(600)	(1,018)	-	-	-	-	-	-	(1,018)
- continuing operation	(10,007)	(4,686)	-	-	-	-	-	-	(4,686)
(Loss)/profit for the year from	(346,617)	9,267	-	(9,376)	(239,861)	(26,826)	(99,963)	(28,082)	(55,017)
- continuing operation	13,045	32,154	-	-	-	-	-	-	32,154
- discontinued operation									
Reportable segment assets									
- continuing operation	1,356,412	2,264,262	-	5,202	35,691	205,553	74,305	263,141	2,738,158
- discontinued operation	791,883	-	-	-	-	-	-	-	-
Reportable segment liabilities									
- continuing operation	1,416,972	1,724,574	-	-	21,189	22,225	188,979	87,739	1,834,538
- discontinued operation	400,118	-	-	-	-	-	-	-	-
Capital expenditure	6,734	74,406	-	-	-	-	95	-	74,406

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

24 Segment reporting (Continued)

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
2018						
Revenue from external customers	1,526,336	14,274	5,652	26,161	4,675	1,577,098
Non-current assets	378,180	–	–	12,372	–	390,552
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

Information about major customers

Revenue of approximately RMB352,560,000 (2017 – RMB511,717,000) was derived from 3 (2017 – 5) external customers. These revenues are attributable to the AA & AE segments in the PRC.

25 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 2018.

The Group	2018 RMB'000	2017 RMB'000
Sale of chemical products	332,730	254,791
Sale of waste material	–	14,921
Purchase of inventories	67,737	123,262
Purchase of raw material	–	2,123
Sale of raw material and other spare parts	224,334	349,422
	624,801	744,519

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

25 Related party transactions (Continued)

(b) Sales and purchases transactions

The Group	2018 RMB'000	2017 RMB'000
Sales – related parties	1,351,493	654,989
Purchases – related parties	1,350,892	655,222
	2,702,385	1,310,211

During the year, the Group entered into sales and purchases transactions with terms and conditions agreed (collectively known as “Transactions”) with related parties. Such Transactions have been entered to maintain the Group’s, related parties’ existing credit facilities with the banks, which is a common practice carried out in the PRC. The management has presented these transactions on a net basis for financial reporting purpose in the consolidated financial statements. The bank facilities sum as at 31 December 2018 was RMB923 million (2017: RMB1.1 billion) as reported under the facility arrangements in the PRC entered into during the year ended 31 December 2018.

(c) Compensation of directors and key management personnel

The Group	2018 RMB'000	2017 RMB'000
Short-term employee benefits	3,765	4,265
CPF contributions	136	122
	3,901	4,387
Comprise amounts paid to:		
Directors of the Company	2,184	2,666
Other key management personnel	1,717	1,721
	3,901	4,387

26 Commitments

(a) Operating lease commitments – as lessee

The Group and the company have entered into a commercial lease on an office premise. The lease has a tenure of 2 – 3 years (2017 – 3 years) with an option to renew at the end of the lease term.

Minimum lease payments are recognised as an expense in profit or loss for the financial year ended 31 December 2018 amounted to RMB561,000 (2017 – RMB775,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

26 Commitments (Continued)

(a) Operating lease commitments – as lessee (Continued)

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

	2018 RMB'000	2017 RMB'000
The Group and The Company		
Not later than one year	522	503
Later than one year but not later than five years	233	693
	755	1,196

(b) Operating lease commitments – as lessor

The Company sub-leases office premise to external parties.

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

	Group		Company	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Not later than one year	70	68	140	136

The leases on the Group and the Company's office premise on which rentals are receivable has expired on 31 May 2020 (2017 – 30 May 2018) with renewals at the then prevailing rates.

27 Corporate guarantees

(a) Corporate guarantees to related parties

The Group acted as a corporate guarantor to provide guarantees to its related parties amounted to RMB1,613,000,000 (31 December 2017 – RMB1,454,000,000; 1 January 2017 – RMB1,390,000,000) to secure banking facilities. As at 31 December 2018, the related parties had drawn down an amount of RMB1,372,810,000 (31 December 2017 – RMB920,200,000; 1 January 2017 – RMB948,180,000) from these facilities. The loan facilities will expire in 2019 (31 December 2017 – expire in 2018).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

27 Corporate guarantees (Continued)

(a) Corporate guarantees to related parties (Continued)

The Group	2018 RMB'000	2017 RMB'000
Guarantee given:		
Yixing Danson	509,000	479,000
Jiaxing Jinyan	50,000	–
Taixing Jinyan	794,000	715,000
Jinyan Cangchu	260,000	260,000
	1,613,000	1,454,000
Amount drawn down:		
Yixing Danson	393,000	124,950
Jiaxing Jinyan	10,000	–
Jinyan Cangchu	244,500	260,000
Taixing Jinyan	725,310	535,250
	1,372,810	920,200
The Group	2018 RMB'000	2017 RMB'000
Guarantee received:		
Yixing Danson	252,500	252,500
Taixing Jinyan	550,000	550,000
Jiangsu Yinyan	84,900	129,900
	887,400	932,400
Amount drawn down:		
Yixing Danson	117,430	410,420
Taixing Jinyan	444,510	230,000
Jiangsu Yinyan	82,900	129,900
	644,840	770,320

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

27 Corporate guarantees (Continued)

(b) Corporate guarantees – third parties (contingent liabilities)

On 10 January 2019, the Company announced that it had received legal claims in the PRC for the principal amounts of RMB222,500,000 (consisting of two financial guarantees contracts of RMB180,000,000 and RMB42,500,000) plus interest for financial guarantees issued by its PRC subsidiaries on behalf of two unrelated parties. The legal claims were received in November and December 2018 but only announced by the Company on 10 January 2019. Details of the two financial guarantees are as follows:

Financial guarantee of RMB180 million

The Company's wholly-owned subsidiary, YYIE, received a letter of demand dated 14 November 2018 (the "YFC Letter of Demand") from the lawyers (江苏科腾律师事务所) ("Jiangsu Keteng") acting on behalf of Yixing City Futao Rural Micro Credit Co., Ltd. (宜兴市富陶农村小额贷款有限公司) ("Yixing Futao Credit") in respect of a loan agreement entered into between Yixing Futao Credit and Jiangsu Donglai Real Estate Development Co., Ltd. (江苏东来房地产开发有限工司) ("Jiangsu Donglai") dated 8 October 2018 for the loan amount of RMB180,000,000 (the "YFC Loan").

In the YFC Letter of Demand, Yixing Futao Credit is seeking repayment of RMB183,700,000 (the "YFC Claim Amount"), comprising of RMB180,000,000 as principal repayment and RMB3,700,000 as accrued interest payable in respect of the YFC Loan, as Jiangsu Donglai has failed to make repayment of the YFC Claim Amount on the repayment date of 15 October 2018. Yixing Futao Credit is seeking repayment of the YFC Claim Amount from YYIE pursuant to a third party guarantee agreement entered into by Yixing Futao Credit, Jiangsu Donglai and YYIE dated 8 October 2018, under which YYIE provided a corporate guarantee to Jiangsu Donglai, a party unrelated to the Company, in favour of Yixing Futao Credit in respect of the YFC Loan (the "YFC Corporate Guarantee").

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

27 Corporate guarantees (Continued)

(b) Corporate guarantees – third parties (contingent liabilities) (Continued)

Financial guarantee of RMB180 million (Continued)

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

27 Corporate guarantees (Continued)

(b) Corporate guarantees – third parties (contingent liabilities) (Continued)

Financial guarantee of RMB42.5 million

JJC received a letter of demand dated 15 December 2018 (the “BOC Letter of Demand”) from the lawyers acting on behalf of Bank of China Co., Ltd., Xiangshui County Sub-branch (“Bank of China”) in respect of a loan agreement entered into between Bank of China and Jiangsu Dahe Lvjian Chemical Co., Ltd. (江苏大和绿碱化工有限公司) (“Jiangsu Dahe”) dated 10 January 2018 for the loan amount of RMB42,500,000 (the “BOC Loan”). In the BOC Letter of Demand, Bank of China is seeking repayment of RMB42,971,061.50 (the “BOC Claim Amount”), comprising of RMB42,500,000 as principal repayment and RMB471,061.50 as accrued interest payable in respect of the BOC Loan, as Jiangsu Dahe has failed to make repayment of the BOC Claim Amount on the repayment date of 9 December 2018. Bank of China is seeking repayment of the BOC Claim Amount from JJC pursuant to a corporate guarantee entered into by JJC and Bank of China dated 5 January 2018, under which JJC provided a corporate guarantee to Jiangsu Dahe, a party unrelated to the Company, in favour of Bank of China in respect of the BOC Loan (the “BOC Corporate Guarantee” or “Corporate Guarantees”).

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

The Board has been informed by the management that JJC started to provide corporate guarantee as part of an arrangement with Jiangsu Dahe since 2011, under which JJC and Jiangsu Dahe had respectively provided corporate guarantees up to the loan amount of RMB200,000,000 to facilitate the securing of the other party’s bank loans. According to the management, the amounts guaranteed under such an arrangement by JJC has been progressively reduced over the years and the BOC Corporate Guarantee as described above represents the only outstanding corporate guarantee provided by JJC for Jiangsu Dahe.

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

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

As at the end of the reporting period, Jiangsu Donglai and Jiangsu Dahe have not settled their outstanding debts with the lenders. The management made full provision of RMB222,500,000 as contingent liabilities on the above two corporate guarantees as at 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

27 Corporate guarantees (Continued)

(b) Corporate guarantees – third parties (contingent liabilities) (Continued)

Financial guarantee of RMB42.5 million (Continued)

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

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

EY Investigation

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

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

On 5 March 2020, the Company has announced that following the completion of the special audit by EY Advisory and in view of the discrepancies surrounding the veracity of the YFC Agreements, the Company has reversed in full the provision of the YFC Contingent Liabilities of RMB180,000,000 from the financial statements of the Group as at 31 December 2018. On this basis, the Board of the Company has regarded the YFC financial guarantee transaction as non-existent and baseless and there should not have any legal consequences to this effect. Refer to Note 33(l).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

28 Impairment of assets

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

- (a) An impairment loss of RMB166.6 million on the property, plant and equipment located at the Xiangshui Chemical Industry Park (consisting impairment loss of RMB136.0 million in respect of JJP and RMB30.6 million in respect of JJC) was recognised in profit and loss during the year ended 31 December 2018 based on management assessment. No valuation was performed by an independent professional valuer.
- (b) No impairment assessment was performed on the carrying amount of the property, plant and equipment with an aggregate carrying amount of RMB76.3 million as at 31 December 2018 located at Xiangshui Chemical Industry Park (consisting of JJC of RMB60.8 million and JJP of RMB15.5 million) due to the shutdown of the operations of JJC and JJP and access to the Xiangshui Chemical Industry Park was restricted.
- (c) Recorded in the books of JJC and JJP were land-use rights with the carrying amount of RMB7.2 million (2017 – RMB7.4 million) and RMB3.2 million (2017 – RMB3.3 million) respectively as at 31 December 2018. No impairment assessment has been performed by the management owing to the shutdown of the operations at the Xiangshui Chemical Industry Park and restricted access.
- (d) Recorded in the books of JJC and JJP, were intangible assets comprising technology know-how and software with an aggregate carrying amount of RMB7.9 million (2017 – RMB8.6 million) as at 31 December 2018. No impairment has been provided on these intangible assets owing to the shutdown of the operations at the Xiangshui Chemical Industry Park and restricted access.
- (e) Included in the impairment loss in profit or loss for the year ended 31 December 2018, was an impairment of value-added tax (“VAT”) recoverable of RMB83.9 million (2017 – Nil) made in respect of JJP arising from the shut-down to the area in the Xiangshui Chemical Industry Park. No impairment loss was made in respect of the VAT recoverable of RMB9.5 million that was recorded in the books of JJC as at 31 December 2018.
- (f) The management has recorded an impairment expense of RMB19.6 million in profit or loss in respect of the prepayments to various suppliers for purchases of raw material by JJC for the year ended 31 December 2018 owing to the shutdown of operations at the Xiangshui Chemical Industry Park.
- (g) No impairment loss was made in respect of the advances paid to the suppliers for the purchases of the raw material of RMB8.5 million that was recorded in the books of JJP as of 31 December 2018.
- (h) As of 31 December 2018, JJC and JJP had inventory balances amounting to RMB7.1 million and RMB1.4 million respectively. No impairment assessment has been made by the management as it is of the view that these inventory can be sold in subsequent periods.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

28 Impairment of assets (Continued)

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

- (i) An impairment loss of RMB32.4 million was recognised in profit or loss for the year ended 31 December 2018 in respect of the plant and equipment with a carrying amount of RMB108.3 million (before impairment loss) of Taixing Jurong, a wholly-owned subsidiary of the Group. The impairment loss was undertaken following a valuation performed by an independent professional valuer.
- (j) No impairment assessment was performed on the carrying amount of the property, plant and equipment with an aggregate carrying amount of RMB260.9 million of Taixing Jurong as at 31 December 2018 as the management is of the view that the carrying amount reflects its recoverable amount notwithstanding there are indicators of impairment for the period then ended.

Link Way Louisiana LLC

- (k) Included in land use rights of the Group is a freehold land that is held by a wholly-owned subsidiary, Link Way Louisiana LLC. The freehold land was carried at a historical cost of RMB12,372,000 (2017: RMB11,805,000). The subsidiary has incurred a loss of RMB65,000 (2017: Loss of RMB74,000) for the year ended 31 December 2018. Notwithstanding the indicators of impairment, no impairment assessment has been carried out by the management as it is of the view that the carrying amount represents fair value as at that date.

29 Fair value measurement

Definition of fair value

SFRS (I) defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

29.1 Fair value measurement of financial instruments

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

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 : unobservable inputs for the asset or liability

There were no financial assets and financial liabilities measured at fair value as at 31 December 2018, 31 December 2017 and 1 January 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29 Fair value measurement (Continued)

29.2 Accounting classifications of financial assets and financial liabilities

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

	Note	31 December 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000
The Group				
Trade and other receivables	16	704,565	898,636	889,324
Pledged deposits and cash and bank balances (including non-current fixed deposits pledged)	17	305,604	354,903	262,216
Total loans and receivables		1,010,169	1,253,539	1,151,540
Total financial assets at amortised cost		—	—	—
Financial liabilities:				
Borrowings	21	471,371	936,484	1,137,300
Trade and other payables	22	1,035,158	860,161	634,694
Provision for restoration costs	23	45,573	—	—
Contingent liabilities	27(b)	42,500	—	—
Total		1,594,602	1,796,645	1,771,994
The Company				
Loans and receivables:				
Trade and other receivables	16	52,948	46,592	45,277
Cash and bank balances	17	810	306	1,036
Total loans and receivables		—	46,898	46,313
Total financial assets at amortised cost		53,758	—	—
Financial liabilities:				
Trade and other payables	22	42,939	35,558	32,275

30 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 2018

30 Financial risk management objectives and policies (Continued)

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Group or the Company to incur a financial loss. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables and bank deposits. For trade receivables, the Company and the Group adopt the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. For other financial assets (including cash and bank balances and pledged deposits), the Group and the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

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

Exposure to credit risk

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

The Group's and the Company's major classes of financial assets are trade and other receivables, deposits and bank deposits. Cash is held with reputable financial institutions. Further details of credit risks on trade and other receivables are disclosed in Note 16.

Financial guarantee

The maximum exposure of the Group in respect of the financial guarantee (see Notes 25 and 27) at the end of the reporting period is if the facility is drawn down by the related parties to the maximum amount of RMB1,613,000,000 (31 December 2017 – RMB1,454,000,000; 1 January 2017 – RMB1,390,000,000) and to third parties – contingent liabilities of RMB42,500,000 (31 December 2017 and 1 January 2017: Nil). At the end of the reporting period, the group does not consider it probable that a claim will be made against the group under intra-group financial guarantees and the expected credit loss are insignificant.

(b) Liquidity risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30 Financial risk management objectives and policies (Continued)

(b) Liquidity risk (Continued)

The Group's and the Company's liquidity risk management policy is that to maintain sufficient liquid financial assets and stand-by credit facilities with different banks and business alliances. The amount of stand-by credit facilities available to the Group at the end of the reporting period is RMB191,044,000 (31 December 2017 – RMB184,100,000; 1 January 2017 – RMB535,740,000).

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 end of the reporting period would be RMB1,372,810,000 (31 December 2017 – RMB920,200,000; 1 January 2017 – RMB948,180,000) (Note 27).

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

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

	31 December 2017			Total RMB'000
	One year or less RMB'000	One to five years RMB'000	Over five years RMB'000	
The Group				
Trade and other payables	860,161	–	–	860,161
Borrowings	720,332	260,155	–	980,487
Financial guarantee contracts	1,454,000	–	–	1,454,000
	3,034,493	260,155	–	3,294,648

	1 January 2017			Total RMB'000
	One year or less RMB'000	One to five years RMB'000	Over five years RMB'000	
The Group				
Trade and other payables	634,694	–	–	634,694
Borrowings	958,523	221,075	–	1,179,598
Financial guarantee contracts	1,390,000	–	–	1,390,000
	2,983,217	221,075	–	3,204,292

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30 Financial risk management objectives and policies (Continued)

(b) Liquidity risk (Continued)

	31 December 2018			
	One year or less RMB'000	One to five years RMB'000	Over five years RMB'000	Total RMB'000
The Company				
Trade and other payables	42,939	–	–	42,939
	<u>42,939</u>	<u>–</u>	<u>–</u>	<u>42,939</u>
	31 December 2017			
	One year or less RMB'000	One to five years RMB'000	Over five years RMB'000	Total RMB'000
The Company				
Trade and other payables	35,558	–	–	35,558
	<u>35,558</u>	<u>–</u>	<u>–</u>	<u>35,558</u>
	1 January 2017			
	One year or less RMB'000	One to five years RMB'000	Over five years RMB'000	Total RMB'000
The Company				
Trade and other payables	32,275	–	–	32,275
Financial guarantee contracts	–	69,370	–	69,370
	<u>32,275</u>	<u>69,370</u>	<u>–</u>	<u>101,645</u>

The Group and the Company ensure that there are adequate funds to meet all its obligations in a timely and cost-effective manner. In determining the adequacy of funds to meet the liabilities of the Group and the Company, the Group has obtained financial support from its related parties who had agreed to provide an undertaking to pay the liabilities of the Group and the Company as and when due including any liabilities arising from financial guarantees issued to related parties and third parties within 12 months from the date of this financial statements as disclosed in Note 3.1.

(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 2018

30 Financial risk management objectives and policies (Continued)

(d) Foreign currency risk

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

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

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

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

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

	SGD RMB'000	USD RMB'000
The Group		
31 December 2018		
Trade and other receivables	12,215	102,717
Cash and cash equivalents	1,258	2,281
Borrowings	–	(75,631)
Trade and other payables	(3,279)	(26,823)
	10,194	2,544
31 December 2017		
Trade and other receivables	340	2,198
Cash and cash equivalents	409	16,335
Borrowings	–	(112,634)
Trade and other payables	(2,904)	(79,555)
	(2,155)	(173,656)
1 January 2017		
Trade and other receivables	567,715	167
Cash and cash equivalents	1,312	2,708
Borrowings	–	(77,832)
Trade and other payables	(2,960)	–
	566,067	(74,957)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30 Financial risk management objectives and policies (Continued)

(d) Foreign currency risk (Continued)

The Company	SGD RMB'000	USD RMB'000
31 December 2018		
Trade and other receivables	1,700	51,599
Cash and cash equivalents	762	47
Trade and other payables	(19,577)	(18,362)
	(17,115)	33,284
31 December 2017		
Trade and other receivables	1,281	45,511
Cash and cash equivalents	267	39
Trade and other payables	(1,567)	(33,991)
	(19)	11,559
1 January 2017		
Trade and other receivables	1,123	44,154
Cash and cash equivalents	993	43
Trade and other payables	(2,732)	(24,543)
	(616)	19,654

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 Increase/(Decrease)		Profit net of tax Increase/(Decrease)	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
USD/RMB				
strengthened 3% (2017 – 3%)	(285)	(5,210)	1,286	1
weakened 3% (2017 – 3%)	285	5,210	(1,286)	(1)
SGD/RMB				
strengthened 3% (2017 – 3%)	(254)	(65)	16	*
weakened 3% (2017 – 3%)	254	65	(16)	*

* amount less than RMB1,000.

(e) Market price risk

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

31 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.

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

	Group			Company		
	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	471,371	936,484	1,137,300	–	–	–
Less: Cash and cash equivalents (including non-current fixed deposits pledged)	(305,604)	(354,903)	(262,216)	(810)	(306)	(1,036)
Total net debt	165,767	581,581	875,084	(810)	(306)	(1,036)
Total equity	231,033	903,620	927,057	353,826	354,367	356,667
Total capital	396,800	1,485,201	1,802,141	353,016	354,061	355,631
Gearing ratio	42%	39%	49%	n.a	n.a	n.a

n.a: ratio not meaningful

Total capital is calculated as equity plus total net debt.

There was no change to the Group's approach to capital management during the financial years ended 31 December 2018 and 2017.

The Group is not subject to externally imposed capital requirement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

32 Comparative figures

Following the classification of the joint venture with Taixing Sunke as a Disposal Group classified as held for sale and as a discontinued operations in the current financial year, the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flow of the Group for the financial year ended 31 December 2017 has been re-presented as follows.

Consolidated statement of profit or loss and other comprehensive income

The Group	As per previously reported RMB'000	Reclassification of Taixing Sunke to discontinued operations RMB'000	As re-presented RMB'000
31 December 2017			
Continuing operations			
Cost of sales	(2,023,780)	(60,756)	(2,084,536)
Consolidation adjustment 1	n.a	1,084,884	n.a
Consolidation adjustment 2	n.a	(1,145,640)	n.a
Gross profit	222,932	(60,756)	162,176
Other income			
– Interest	3,988	(3,403)	585
– Others	41,732	(28,514)	13,218
Distribution expenses	(42,772)	2,603	(40,169)
Administrative expenses	(122,165)	19,027	(103,138)
Other operating expenses	(39,239)	25,934	(13,305)
Finance costs	(81,635)	8,269	(73,366)
Loss before taxation from continuing operations	(17,159)	(36,840)	(53,999)
Taxation	(5,704)	4,686	(1,018)
Loss after taxation from continuing operations	(22,863)	(32,154)	(55,017)
Discontinued operations			
Profit from discontinued operations, net of tax	–	32,154	32,154
Loss for the year	(22,863)	–	(22,863)
Loss per share			
Losses from Continuing operations			
Net loss attributable to owners of the Company (RMB'000)	(20,322)	(32,154)	(52,476)
Basic loss per share (RMB cents per share)	(3.8)	(6.1)	(9.9)
Diluted loss per share (RMB cents per share)	(3.8)	(6.1)	(9.9)
Statement of cash flows			
31 December 2017			
Cash Flows from Operating Activities			
Loss before taxation from continuing operations	(17,159)	(36,840)	(53,999)
Profit before taxation from discontinued operation	–	36,840	36,840

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

32 Comparative figures (Continued)

Consolidated statement of profit or loss and other comprehensive income (Continued)

Consolidation adjustment 1: reversal of the cost of sales of Taixing Sunke which has been included in the consolidation for the financial year ended 31 December 2017.

Consolidation adjustment 2: reinstatement of the cost of sales of Taixing Jurong which has been eliminated in the consolidation for the financial year ended 31 December 2017.

Segment reporting

	As per previously reported RMB'000	Reclassification of Taixing Sunke RMB'000	As re-presented RMB'000
The Group			
31 December 2017			
AA and AE			
Interest expenses	(63,097)	(6,391)	(56,706)
Depreciation and amortisation	(100,315)	(96,939)	(3,376)
Profit before income tax from continuing operation	47,125	(36,840)	10,285
Others			
Interest income	3,988	(3,403)	585
Interest expenses	(18,537)	1,878	(16,659)
Total			
Interest income	3,988	(3,403)	585
Interest expenses	(81,634)	8,269	(73,365)
Depreciation and amortisation	(137,231)	96,939	(40,292)
Profit before income tax from continuing operation	(17,159)	(36,840)	(53,999)
Profit before income tax from discontinued operation	—	36,840	36,840

The above re-presentation has no impact to the statement of financial position as at 31 December 2017 and 1 January 2017.

33 Subsequent events

(a) Corporate guarantees provided to unrelated parties

On 10 January 2019, the Company announced that the Board has been notified by the management that two of its subsidiaries have received letters of demand for an aggregate of RMB222,500,000 in respect of financial guarantees issued by these subsidiaries. Refer to Note 27(b) for details.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

33 Subsequent events (Continued)

(b) Notice of Compliance from SGX-ST

The Company received a letter of Notice of Compliance from SGX-ST dated 13 February 2019 (the “Notice of Compliance”). The Notice of Compliance highlighted that SGX Regco has serious concern over the questionable circumstances surrounding the unauthorised undisclosed significant Corporate Guarantees extended to purported third parties. Pending the outcome of the Audit Committee’s investigations into the veracity of the YFC and BOC loans and the circumstances surrounding the purported unauthorised Corporate Guarantees, SGX Regco directs the Company to:

- (i) Place the proceeds from the Proposed Disposal in an Escrow Account to be operated jointly by the independent directors of the Company, resident in Singapore;
- (ii) All receipts from the Proposed Disposal must be paid into the Escrow Account; and
- (iii) The amounts in the Escrow Account cannot be withdrawn until the completion of the investigations and agreed by the Exchange, save for the settlement of expenses and intercompany debts as set out in the Payment Terms of the Equity Transfer Agreement.

(c) Chemical plant explosion

On 27 March 2019, the Company announced that on 21 March 2019, a severe explosion (Chemical Explosion) occurred in Yancheng City, Jiangsu Province, the PRC.

The Chemical Explosion took place in the same chemical zone (Xiangshui Chemical Industry Park in Xiangshui County, Yancheng City) in which the Company’s wholly-owned subsidiaries, JJC and JJP, were operating in. The Chemical Explosion occurred at a chemical plant owned by Jiangsu Tianjiayi Chemical Co., Ltd., a company unrelated to the Group.

As mentioned in the Company’s announcement dated 15 May 2018 on the Group’s first quarter results for the financial year of 2018, JJC and JJP’s operations at the Xiangshui Chemical Industry Park remains in shutdown pursuant to the directive from the local government since April 2018. The Chemical Explosion had caused certain damages to the office building as well as the plant and equipment of Jiangsu Jurong. Currently, the local government has restricted public access to the chemical zone in which the Chemical Explosion took place.

Some of the employees of JJC and JJP suffered minor injuries due to the Chemical Explosion. There is no casualty to any of the employees of JJC and JJP due to the Chemical Explosion.

On 5 April 2019, it was reported by several news agencies (including the local state broadcaster, China Central Television) that the local government had decided to completely shut down the chemical zone in which the Chemical Explosion occurred. As mentioned in the Company’s aforesaid announcement dated 27 March 2019, the Company’s wholly-owned subsidiaries, JJC and JJP, were operating in such chemical zone prior to the explosion.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

33 Subsequent events (Continued)

(d) Special auditor

On 2 April 2019, the Company has engaged Ernst & Young Advisory Pte. Ltd. (“EY Advisory”) as the external auditor to form part of a special investigative committee to conduct an independent assessment and investigation into the circumstances leading to and surrounding the BOC Corporate Guarantee and the YFC Corporate Guarantee. Under this engagement, apart from the Company’s Audit Committee, EY Advisory will also concurrently report directly and provide regular updates to the SGX Exchange Regulation Pte. Ltd. during the course of their assessment and investigation. (Refer to Note 33(j) for the findings by EY Advisory).

(e) YFC supplemental agreement

On 20 June 2019, the Company announced that Yixing Futao Credit, Jiangsu Donglai and YYIE had entered into a supplemental agreement to the YFC Guarantee Agreement on 13 June 2019 (“YFC Supplemental Agreement”), under which the parties agreed, amongst others, that:

- (a) Jiangsu Donglai is the primary debtor and shall liquidate its assets or take such other steps to repay the YFC Loan and all other due payments including the interest payable under the YFC Guarantee Agreement to Yixing Futao Credit by 30 June 2020 (the “Extended Repayment Date”); and
- (b) Yixing Futao Credit shall not commence any legal proceedings against Jiangsu Donglai and YYIE at any time prior to the Extended Repayment Date to seek repayment of the YFC Loan and all other due payments including the interest payable under the YFC Guarantee Agreement.

(f) Statement by the Company’s Audit Committee

On 10 July 2019, the Company announced the Statement by the Company’s Audit Committee.

In light of the recent findings provided by EY Advisory to the Company’s Audit Committee (“AC”) and the SGX-ST from their on-going independent assessment and investigation into the circumstances leading to and surrounding, amongst others, the YFC Corporate Guarantee, the AC noted that there are some potential discrepancies between such recent findings and the Company’s aforementioned responses provided by the management on queries 1 to 3. Such potential discrepancies include the AC being separately made aware of a notification issued by the People’s Court of Yixing City, Jiangsu Province on 10 April 2019, whereby liquidation proceedings had commenced against Jiangsu Donglai on 21 March 2019 and a liquidator had been appointed on 10 April 2019. The date on which the liquidation proceedings had commenced against Jiangsu Donglai raised questions over the authenticity, validity and/or effectiveness of the YFC Supplemental Agreement. The potential discrepancies between EY Advisory’s recent findings and the Company’s aforementioned responses provided by the management on the SGX-ST’s queries further cast doubts over the veracity and completeness of the latter. The AC wishes to emphasise that the independent assessment and investigation by EY Advisory is still on-going. (Refer to Note 33(j) for the findings by EY Advisory).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

33 Subsequent events (Continued)

(g) Update on the proposed disposal of 45% equity interest in Taixing Sunke

On 4 February 2019, the Company announced that Taixing Sunke, Taixing Jurong, Arkema Asie and Arkema (China) Investment Co., Ltd. ("Arkema (China)") and together with Arkema Asie, the "Purchasers"), have entered into the Equity Transfer Agreement on 30 January 2019 in respect of the Proposed Disposal. Arkema (China) is a foreign investment holding company incorporated in the PRC, and is a wholly-owned subsidiary of Arkema Asie.

Pursuant to the Equity Transfer Agreement, the consideration for the Proposed Disposal shall be RMB700.0 million plus the Amount X (the "Transfer Price").

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

On 27 September 2019, the Company announced that:

- (1) Taixing Sunke, Taixing Jurong, Arkema Asie and Arkema (China) (the "Parties") had entered into the Simple Form ETA on 19 July 2019 and under which, the Parties had agreed that the Transfer Price shall be the amount of RMB875,409,564.49, comprising of RMB700.00 million plus RMB175,409,564.49 (being the Amount X). Thereafter, accordingly, the Parties had commenced and completed the steps for Completion as set out at Section 2.4.5 of the Circular.
- (2) With regard to the payment of the Transfer Price, the Company had been working with the Parties towards the fulfillment of the directions of the SGX-ST under the Notice of Compliance, the SGX-ST Escrow Requirements and the Escrow Account Conditions as set out at Section 2.4.6 of the Circular.

In accordance with the terms of the Equity Transfer Agreement (as described at Section 2.4.6 of the Circular) and the Escrow Agreement:

- i. The First Instalment of Transfer Price: (i) was deposited into the Escrow Accounts by the Purchasers in full on 17 September 2019; and (ii) was transferred to and received by Taixing Sunke from the Escrow Agent in full on 18 September 2019, and Taixing Sunke had provided the Acknowledgement of the Amount X to Taixing Jurong and the Purchasers on 19 September 2019;
- ii. The Second Instalment of Transfer Price: (i) was deposited into the Escrow Accounts by the Purchasers in full on 23 September 2019; and (ii) was transferred to and received by Taixing Sunke from the Escrow Agent in full on 24 September 2019, and Taixing Sunke had provided the Acknowledgement of the Net Overdue Amount to Taixing Jurong and the Purchasers on 24 September 2019; and
- iii. The Third Instalment of Transfer Price was deposited into the Escrow Accounts by the Purchasers on 26 September 2019.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

33 Subsequent events (Continued)

(g) Update on the proposed disposal of 45% equity interest in Taixing Sunke (Continued)

The Third Instalment of Transfer Price shall remain in the Escrow Accounts for the time being and any withdrawal shall only be made in accordance with the Notice of Compliance, the Escrow Agreement, the Undertaking Letter to SGX-ST and such other directions or conditions as instructed by the SGX-ST from time to time.

(h) Proceeds from proposed disposal of 45% equity interest in Taixing Sunke

On 27 September 2019, the Company announced that pursuant to the LOI, Equity Transfer Agreement, the Escrow Agreement and Escrow Account, its wholly owned subsidiary Taixing Jurong, has received the following monies from the Purchasers of Taixing Sunke and paid monies to Taixing Sunke respectively as follows:

i. First instalment:

- RMB175,409,564.49 received by Taixing Jurong on 17 September 2019 from the Purchasers;
- RMB175,409,564.49 paid by Taixing Jurong on 18 September 2019 to Taixing Sunke and acknowledgement receipt provided on 19 September 2019 by Taixing Sunke to Taixing Jurong.

ii. Second instalment:

- RMB322,921,822.16 received by Taixing Jurong on 23 September 2019 from the Purchasers;
- RMB322,921,822.16 paid by Taixing Jurong on 24 September 2019 to Taixing Sunke and acknowledgement receipt provided on 24 September 2019 by Taixing Sunke to Taixing Jurong.

iii. Third instalment:

- RMB377,078,177.84 received by Taixing Jurong on 26 September 2019 from the Purchasers.

(i) Letter of demand for immediate repayment of loans from banks

On 2 October 2019, the Company announced that it has received letters of demand to pay six (6) overdue bank loans of an aggregate amount of RMB166,098,254 from the China Construction Bank Corporation, the Agricultural Bank of China and the Industrial and Commercial Bank of China in the PRC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

33 Subsequent events (Continued)

(j) Findings by EY Advisory

On 7 November 2019, the Company announced that EY Advisory has, on 6 November 2019 submitted the full report on its findings to the SGX-ST and the Audit Committee, and the key findings were as follows:

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

(k) Resignation of Executive Director and Chief Executive Officer

On 14 November 2019, the Company announced that Sun Xiao, the Executive Director and Chief Executive Officer of the Company has resigned effective from 8 February 2020.

- (l) On 5 March 2020, the Company has announced that following the completion of the special audit by EY Advisory and in view of the YFC Veracity Discrepancies (refer to Note 27(b)), the Company has reversed in full the provision of the YFC Contingent Liabilities of RMB180 million from the financial statements of the Group as at 31 December 2018.
- (m) Further to the announcement on 2 October 2019, the Company has announced on 20 December 2019 and 5 March 2020, that it had received two letters of demands dated 13 December 2019 and 27 February 2020 from an unrelated party, Xiangshui City Asset Investment Holding Group Co., Ltd. (响水城市资产投资控股集团有限公司) or (“XCAIH”), for the Group to make immediate repayment of an outstanding loan of RMB35.0 million owed by JJC to XCAIH.

STATISTICS OF SHAREHOLDINGS

AS AT 9 DECEMBER 2020

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES	% OF SHAREHOLDINGS
1 – 99	5	0.26	176	0.00
100 – 1,000	53	2.80	44,744	0.01
1,001 – 10,000	770	40.59	5,446,802	1.02
10,001 – 1,000,000	1,046	55.14	79,301,743	14.91
1,000,001 – and above	23	1.21	447,207,176	84.06
Grand Total	1,897	100.00	532,000,641	100.00

*Excluding Treasury Shares as at 9 December 2020 – 1,650,000 shares

TWENTY LARGEST SHAREHOLDERS AS AT 9 DECEMBER 2020

NAME OF SHAREHOLDER	NO. OF SHARES	% OF SHAREHOLDINGS
1 DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	293,544,700	55.18
2 WHITEFIELD CAPITAL INC.	54,732,241	10.29
3 MAYBANK KIM ENG SECURITIES PTE. LTD	17,726,449	3.33
4 UOB KAY HIAN PTE LTD	16,962,500	3.19
5 CITIBANK NOMINEES SINGAPORE PTE LTD	11,158,669	2.10
6 DBS NOMINEES PTE LTD	9,505,300	1.79
7 GOH BEE LAN	6,165,000	1.16
8 LIM CHAP HUAT	5,950,000	1.12
9 PHILLIP SECURITIES PTE LTD	5,540,800	1.04
10 RAFFLES NOMINEES (PTE) LIMITED	3,358,898	0.63
11 LIM HAN QIN	2,700,000	0.51
12 CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	2,282,219	0.43
13 TEO CHOON HOCK	2,267,900	0.43
14 TEOH BOON TECK	2,154,000	0.40
15 UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	1,966,700	0.37
16 TA YOKE PENG EDWARD	1,694,700	0.32
17 LEE MUI MUI JACQUELINE	1,600,000	0.30
18 ONEEQUITY SG PRIVATE LIMITED	1,500,000	0.28
19 LIN ZEWEI	1,434,300	0.27
20 FU HO OR LEE SIEW YOKE	1,374,800	0.26
TOTAL	443,619,176	83.40

Note:

%: Based on 532,000,641 shares (excluding shares held as treasury shares) as at 9 December 2020

* Treasury Shares as at 9 December 2020 – 1,650,000 shares

STATISTICS OF SHAREHOLDINGS

AS AT 9 DECEMBER 2020

SUBSTANTIAL SHAREHOLDERS AS AT 9 DECEMBER 2020

Name of Substantial Shareholders	No. of shares in which substantial shareholders have direct interest	No. of shares in which substantial shareholders are deemed to have interest
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 9 December 2020, approximately 37.66% 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 by way of electronic means on Tuesday, 5 January 2021 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 2018 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, Lihua (Retiring under Article 88) **(Resolution 2)**
 - (b) Mr Koh Poh Beng (Retiring under Article 89) **(Resolution 3)**

[See Explanatory Notes 1 & 2]
3. To re-appoint Foo Kon Tan LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 4)**
4. To approve the payment of Directors’ fees of S\$120,000/- for the financial year ended 31 December 2018. (2017: \$100,000/-). **(Resolution 5)**

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
- (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,

NOTICE OF ANNUAL GENERAL MEETING

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.”

[See Explanatory Note 3]

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

By Order of the Board

Lee Wei Hsiung
Company Secretary

16 December 2020
Singapore

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES:

1. Ordinary Resolution 2 – Mr Sun, Lihua upon re-election as a Director of the Company, remains as the Executive Director and the Chief Executive Officer. Mr Sun, Lihua has an immediate family relationship with the majority shareholder. Detailed information on Mr Sun, Lihua can be found at page 7 of the Annual Report. There is no change to the information and declaration disclosed in the Appendix 7.4.1 (Announcement of Appointment) that was announced on 28 February 2020 during his appointment process.
2. Ordinary Resolution 3 – Mr Koh Poh Beng upon re-election as a Director of the Company, remains as the Lead Independent Director, 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”). Detailed information on Mr Koh Poh Beng can be found at page 7 of the Annual Report. There is no change to the information and declaration disclosed in the Appendix 7.4.1 (Announcement of Appointment) that was announced on 5 May 2017 during his appointment process.
3. Ordinary Resolution 6, if passed, will authorise the Directors of the Company to, from the date of the passing of Ordinary Resolution 6 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 6 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 6 is passed; and
 - (c) any subsequent bonus issue, consolidation or sub-division of Shares.

In exercising the authority conferred by Ordinary Resolution 6, 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.

IMPORTANT NOTES:

1. Pre-Registration:

The AGM is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Alternative arrangements relating to, amongst others, attendance, submission of questions in advance and/or voting by proxy at the AGM are set out in this notice of AGM. This notice of AGM may be accessed at the URLs <https://www.sgx.com/securities/company-announcements> and www.sunvic-chem.com.

Members will not be able to attend the AGM physically. Members who wish to participate at the AGM may observe and/or listen to the AGM proceedings via a live audio-visual webcast or live audio-only stream (“Live Webcast”). To do so, members must pre-register their details including full name, NRIC/Passport/Company Registration No., contact number and email address on the Company’s AGM pre-registration website at the URL <https://globalmeeting.bigbangdesign.co/sunvic/> (“Pre-Registration Website”) before **10.00 a.m. on Saturday, 2 January 2021** (“Registration Deadline”) for the Company to verify their status as members.

Verified members will receive an email by Monday, 4 January 2021 containing instructions to access the Live Webcast. Members must not forward the link or their log-in details to third persons who are not members or who are not entitled to attend the AGM proceedings.

Members who do not receive an email by **10.00 a.m. on Monday, 4 January 2021** but have registered before the Registration Deadline should contact Big Bang Design by email to webcast@bigbangdesign.co.

Registrations received after the Registration Deadline will not be processed.

2. Submission of Questions:

The Company will not be addressing any questions raised by the members during the Meeting. Members who have any substantial and relevant questions in relation to any agenda item of this notice, shall send their queries to the Company in advance, by **Saturday, 2 January 2021**, either by (i) the **Pre-Registration Website**; or (ii) email to investor@sunvic-chem.com.

The Company will endeavor to upload the Company’s responses to substantial and relevant queries from members on the SGXNet and the Company’s website by **Monday, 4 January 2021**.

NOTICE OF ANNUAL GENERAL MEETING

3. Submission of Proxy Form:

Members will not be able to vote through the Live Webcast and voting is only through submission of proxy form. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint Chairman of the Meeting as his/her/its proxy to vote on his/her/its behalf at the AGM. In appointing Chairman of the Meeting as proxy, a member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the proxy form, failing which, the appointment of Chairman of the Meeting as proxy for that resolution will be treated as invalid.

The accompanying proxy form for the AGM can be accessed at the Company's website at the URL www.sunvic-chem.com and the SGXNet at the URL <https://www.sgx.com/securities/company-announcements>, and is made available with this notice of AGM.

For CPF or SRS investors who wish to appoint Chairman of the Meeting as their proxy, they should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days before the AGM, i.e. by **10.00 a.m. on Wednesday, 23 December 2020**.

The instrument appointing Chairman of the Meeting as proxy must be:

- (a) deposited at the office of the Company's Share Registrar, Tricor Barbinder Share Registration Services, at 80 Robinson Road, #11-02, Singapore 068898; or
- (b) emailed to sg.is.proxy@sg.tricorglobal.com

in either case, not less than 72 hours before the time appointed for holding the AGM, i.e. by **10.00 a.m. on Saturday, 2 January 2021**.

Any incomplete/improperly completed proxy form (including proxy form which is not appointing "Chairman of the Meeting" as proxy) will be rejected by the Company.

A member who wishes to submit an instrument of proxy must first **download, complete and sign the proxy form**, before submitting it by post to the address provided above, or scanning and sending it by email to the email address provided above.

In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

The Company shall be entitled to reject the instrument appointing Chairman of the Meeting as proxy if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing Chairman of the Meeting as proxy (including any related attachment) (such as in the case where the appointor submits more than one instrument appointing Chairman of the Meeting as proxy). In addition, in the case of members whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing Chairman of the Meeting as proxy lodged if such members are not shown to have shares entered against their names in the Depository Register as at 72 hours before the time appointed for the AGM, as certified by The Central Depository (Pte) Limited to the Company.

4. Key Dates/Deadlines:

In summary, the key dates/deadlines which members should take note of are set out in the table below:

Key Dates	Actions
From 16 December 2020 (Wednesday)	Members may begin to pre-register at the website https://globalmeeting.bigbangdesign.co/sunvic/ for the live audio-visual webcast or audio-only stream of the AGM proceedings. Submission of questions in advance either by (i) the Pre-Registration Website ; or (ii) email to investor@sunvic-chem.com Submit completed proxy form either by (i) post to the office of the Company's Share Registrar, Tricor Barbinder Share Registration Services, at 80 Robinson Road, #11-02, Singapore 068898; or (ii) email to sg.is.proxy@sg.tricorglobal.com
23 December 2020 at 10.00 a.m. (Wednesday)	Deadline for SPF or SRS investors who wish to appoint the Chairman of the Meeting as proxy to approach their CPF and/or SRS Approved Nominees to submit their votes.
2 January 2021 at 10.00 a.m. (Saturday)	Deadline for members to submit questions in advance. Questions can be submitted via: 1. Pre-registration Website; or 2. Email to investor@sunvic-chem.com
2 January 2021 at 10.00 a.m. (Saturday)	Deadline for members to: 1. pre-register online to attend the AGM; and 2. submit proxy forms.

NOTICE OF ANNUAL GENERAL MEETING

4 January 2021 at 10.00 a.m. (Monday)	Verified members will receive an email containing a unique link, as well as password details and instructions to access the live audio-visual webcast and the telephone number to access the audio-only stream of the AGM proceedings (" Confirmation Email "). Members who do not receive the Confirmation Email by 10.00 a.m. on 4 January 2021, but have registered by the Registration Deadline should email to webcast@bigbangdesign.co .
Date and time of AGM 5 January 2021 at 10.00 a.m. (Tuesday)	Click on the link in the Confirmation Email to access the live audio-visual webcast of the AGM proceedings; Members can also choose to access the live audio-visual webcast by following the instructions in the Confirmation Email; or Dial-in the telephone number and enter the webinar ID to access the audio-only stream of the AGM proceedings.

5. Annual Report and other documents:

The annual report for the financial year ended 31 December 2018 which was issued on 16 December 2020 can be accessed from the SGXNet at the URL <https://www.sgx.com/securities/company-announcements> and the Company's website at the URL www.sunvic-chem.com. No printed copy will be sent to members.

PERSONAL DATA PRIVACY:

By pre-registering for the Live Webcast, submitting question(s) in advance of the AGM and/or submitting an instrument appointing the Chairman of the AGM as proxy to attend, speak and vote at the AGM 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 the member's participation in the alternative arrangements, including the appointment of the Chairman of the AGM as proxy for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (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 any individual(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such individual(s) for the collection, use and disclosure by the Company (or its agents or service providers) of their personal data 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.

Photographic, sound and/or video recordings of the above AGM may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared of the AGM. Accordingly, the personal data of a member or any individual(s) disclosed by a member (such as the name, presence at the AGM and any questions he/she may raise) may be recorded by the Company for such purpose.

Minutes of the AGM, which will be published on the SGX's website and the Company's website, may contain personal data of a member or any individual(s) as explained above. By participating in the AGM by way of pre-registration for the Live Webcast, submission of question(s) in advance and/or submission of an instrument appointing the Chairman of the AGM as proxy, a member or a member's proxy will be deemed to have consented to have his/her personal data recorded and dealt with for the purposes and in the manner explained above.

SUNVIC CHEMICAL HOLDINGS LIMITED

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

ANNUAL GENERAL MEETING PROXY FORM

(Please refer to notes overleaf before completing this Form)

IMPORTANT:

1. The annual general meeting of Sunvic Chemical Holdings Limited (the "Company") ("AGM" or the "Meeting") is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Alternative arrangements relating to, amongst others, attendance, submission of questions in advance and/or voting by proxy at the AGM are set out in the notice of AGM dated 16 December 2020 (the "Notice") which has been uploaded on SGXNet and the Company's website on the same day.
2. A member will not be able to attend the AGM in person. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint Chairman of the Meeting as his/her/its behalf at the AGM. In appointing Chairman of the Meeting as proxy, a member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment of Chairman of the Meeting as proxy for that resolution will be treated as invalid.
3. For CPF or SRS investors who wish to appoint the Chairman of the Meeting as their proxy, they should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days before the AGM, i.e. by 10.00 a.m. on Wednesday, 23 December 2020.
4. By submitting an instrument appointing Chairman of the Meeting as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice.
5. Please read the notes overleaf which contain instructions on, inter alia, the appointment of Chairman of the Meeting as a member's proxy to vote on his/her/its behalf at the AGM.

This form of proxy has been made available on SGXNet and the website of the Company and may be accessed at the URLs <https://www.sgx.com/securities/company-announcements> and www.sunvic-chem.com. A printed copy of this proxy form will NOT be despatched to members.

*I/We _____ (Name) *NRIC/Passport/Co. Registration No. _____

of _____ (Address)

being *member/members of the Company, hereby appoint **Chairman of the Meeting**, as "my/our proxy to vote for *me/us on *my/our behalf at the AGM to be held by way of electronic means via live audio-visual webcast and live audio-only stream on **Tuesday, 5 January 2021 at 10.00 a.m.** and at any adjournment thereof.

(#Voting will be conducted by poll. If you wish Chairman of the Meeting as your proxy to cast all your votes for or against a resolution to be proposed at the Meeting, please indicate with a [✓] in the space provided under "For" or "Against". If you wish Chairman of the Meeting as your proxy to abstain from voting on a resolution to be proposed at the Meeting, please indicate with a [✓] in the space provided under "Abstain". Alternatively, please indicate the number of shares that Chairman of the Meeting as your proxy is directed to vote "For" or "Against" or to abstain from voting. In the absence of specific directions, the appointment of Chairman of the Meeting as your proxy will be treated as invalid.)

No.	Resolutions	For [#]	Against [#]	Abstain [#]
ORDINARY BUSINESS				
1.	To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2018 and the Directors' Statement together with the Auditors' Report thereon			
2.	To re-elect Mr Sun, Lihua who is retiring pursuant to Article 88 of the Company's Constitution			
3.	To re-elect Mr Koh Poh Beng who is retiring pursuant to Article 89 of the Company's Constitution			
4.	To re-appoint Foo Kon Tan LLP as Auditors and to authorise the Directors to fix their remuneration			
5.	To approve the payment of Directors' Fees of S\$120,000/- for the financial year ended 31 December 2018			
SPECIAL BUSINESS				
6.	To authorise Directors to allot and issue shares			

* Delete accordingly

Dated this _____ day of _____.

Total No. of Shares in	
CDP Register	
Register of Members	

Signature of Member(s) or Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES:

1. A member should insert the total number of shares held. If the member has shares entered against his/her name in the Depository Register (maintained by The Central Depository (Pte) Limited), he/she should insert that number of shares in the space set across "CDP Register" at the bottom of the proxy form. If the member has shares registered in his/her name in the Register of Members (maintained by or on behalf of the Company), he/she should insert that number of shares in the space set across "Register of Members" at the bottom of the proxy form. If the member has shares entered against his/her name in the Depository Register and shares registered in his/her name in the Register of Members, he/she should insert the aggregate number of shares in the corresponding spaces provided. If no number is inserted, the proxy form will be deemed to relate to all the shares held by the member.
2. A member will not be able to vote through the live audio-visual webcast and live audio-only stream. Voting is only through submission of proxy form. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint Chairman of the Meeting as his/her/its proxy to vote on his/her/its behalf at the AGM. In appointing Chairman of the Meeting as proxy, a member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the proxy form, failing which the appointment of Chairman of the Meeting as proxy for that resolution will be treated as invalid.
3. The Chairman of the Meeting, as a proxy, need not be a member of the Company.
4. The instrument appointing Chairman of the Meeting as proxy, duly executed, must be:
 - (a) deposited at the office of the Company's Share Registrar, Tricor Barbinder Share Registration Services, at 80 Robinson Road, #11-02, Singapore 068898; or
 - (b) emailed to: investor@sunvic-chem.com,

in either case, not less than 72 hours before the time appointed for the holding of the AGM, i.e. by 10.00 a.m. on Saturday, 2 January 2021.

A member who wishes to submit an instrument of proxy must first **download, complete and sign the proxy form**, before submitting it by post to the address provided above, or scanning and sending it by email to the email address provided above.

In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

5. The instrument appointing Chairman of the Meeting as proxy must be under the hand of the appointer or of his attorney duly authorised in writing. Where such instrument is executed by a corporation, it must be executed under its common seal or under the hand of an officer or attorney duly authorised.
6. Where an instrument appointing Chairman of the Meeting as proxy is signed on behalf of the appointer by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. The Company shall be entitled to reject the instrument appointing Chairman of the Meeting as proxy if it is incomplete, improperly completed or illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in the instrument appointing Chairman of the Meeting as proxy (including any related attachment) (such as in the case where the appointer submits more than one instrument appointing Chairman of the Meeting as proxy). In addition, in the case of members whose shares are entered against their names in the depository register, the Company may reject any instrument appointing Chairman of the Meeting as proxy lodged if such members are not shown to have shares entered against their names in the depository register as at 72 hours before the time appointed for the AGM, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy

By submitting a proxy form appointing proxy(ies) and/or representative(s), the member accepts and agree to the personal data privacy terms set out in the notice of the annual general meeting dated 16 December 2020.

**SUNVIC CHEMICAL
HOLDINGS LIMITED**

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